## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Intra Energy Corporation Limited ("IEC" or "the Company") is a company limited by shares, incorporated and domiciled in Australia. The shares of Intra Energy Corporation Limited are publicly traded on the Australian Stock Exchange. The consolidated financial statements for the year ended 30 June 2018 comprise the Company and its controlled entities (together referred to as "the Group" or "Consolidated Entity") and the Group's interests in associates and jointly controlled entities. The Company is a for-profit entity and primarily is involved in the mining and sale of coal.

The consolidated financial statements were approved by the Board and authorised for issue on 30 September 2019.

### A. Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business for a period of at least 12 months from the date that these financial statements are approved.

The Directors note that:

- The Group generated a profit after tax for the year of $4.535m (2018: loss $1.921m), including losses and impairments from discontinued operations of $0.19m (2018: $0.19m), non-cash depreciation and amortisation charges of $1.0m (2018: $0.855m); and
- As at balance date, the Group's current liabilities exceeded its current assets by $12.219m (2018: $15.307m). The deficit in net current assets included $0.967m (2018: $2.268m) overdraft payable to KCB Bank of Tanzania ("KCB") and $1.821m (2018: $1.086m) payable to KCB Bank under loan facilities which expire in September 2020. Equipment finance of $0.376 (2018: Nil) for the purchase of two wheel loaders over twelve months was also included in current liabilities.

In assessing the appropriateness of using the going concern assumption, the Directors have:

- KCB has continued to show support for Tancoal.
- Sales increased by 58% in FY 2019 following on from the 46% increase recorded in FY 2018 in response to the continued improved market conditions for coal supply demand in the East African cement and industrial markets segment. Tancoal continues to implement productivity improvements replacing the Caspian contractor with new and more efficient equipment, the working capital position of the Company is expected to improve in the longer term.
- Continued to implement a number of cost saving initiatives and enter into repayment arrangements with creditors to preserve working capital.
- Retained their confidence in the strategic value of the Group as it develops its coal and power station projects across East Africa. IEC is the dominant and growing coal miner and supplier to industrial energy users in the Eastern African region and is advancing coal-fired power generation projects in Tanzania. Eastern Africa is one of the fastest growing regions in the world with national growth rates between 5% and 8%.
- Continues to seek buyers for the sale of assets in the Malawi business that has a JORC compliant resource of 63 million tonnes.
- Recognised that the interest-bearing liabilities relating to the loans from KCB are secured against the Group's mining equipment.
- Noted JORC compliant resources of 357 million tonnes at the Tancoal mine in Tanzania.

After considering the above factors, the Directors have concluded that the use of the going concern assumption is appropriate. However if improved coal sales, cost saving initiatives or working capital improvements are not achieved or if KCB Bank of Tanzania demands repayment of their combined $2.788m debt facility ($3.354m at 30 June 2018), the Group will be required to raise further debt or equity or divest assets to continue as a going concern.

Whilst the Directors remain confident in the Group's ability to access further working capital through debt, equity or asset sales if required, there remains material uncertainty as to whether the Group will continue as a going concern.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Had the going concern basis not been used, adjustments would need to be made relating to the recoverability and classification of certain assets, and the classification and measurement of certain liabilities to reflect the fact that the

Group may be required to realise its assets and settle its liabilities other than in the ordinary course of business, and at amounts different from those stated in the consolidated financial statements.

### B. Statement of compliance and basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report of Intra Energy Corporation Limited ("IEC" or "the Company") and controlled entities ("the Group" or "Consolidated Entity"), and IEC as an individual parent entity ("IEC Parent" or "Parent Entity") complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) and International Financial Reporting Standards (IFRS).

#### b.i Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs other than financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Separate financial statements for IEC Parent, as an individual entity have not been presented within this financial report. Financial information for IEC Parent as an individual entity is included in Note 31 as permitted by the Corporations Act 2001.

#### b.ii New Accounting Standards and Interpretations that are not yet mandatory

A number of new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases, AASB 16 replaces the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. Although the directors anticipate that the adoption of AASB 16 will not have material impact to the Group's financial statements as the Group's non-cancellable operating lease commitments at 30 June 2019 are $127,000.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### b.iii New and Amended Accounting Policies Adopted by the Group

***Initial application of AASB 9: Financial Instruments***

AASB 9 replaces the "incurred loss" impairment model in AASB 139 Financial Instruments: Recognition and Measurement with a forward-looking expected credit loss (ECL) model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the ECL model, the Group assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model applies to financial assets at amortised cost and contract assets under AASB 15: Revenue from Contracts with Customers. The application of the new standard results in a change in accounting policy.

The Group applies the simplified approach as permitted by AASB 9, which requires the recognition of lifetime expected losses for accounts receivable and contract assets from initial recognition of such assets. At every reporting date, the Group reviews and adjusts its historically observed default rates based on current conditions and changes in the future forecasts. As regards to other receivables, the Group applies the general approach as permitted by AASB 9, which

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

requires impairment to be measured using the 12-month expected credit loss method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime expected credit loss is adopted.

The adoption of AASB 9 has had no material impact on the results and financial position of the Group for the current and prior years.

The measurement categories for all financial liabilities remain the same, the carrying amount for all financial liabilities at 1 July 2018 have not been impacted by the initial application of AASB 9.

The Group did not designate or re-designate any financial asset or financial liability at fair value through profit or loss at 1 July 2018.

***Initial application of AASB 15: Revenue from Contracts with Customers***
AASB 15 provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has selected to use modified retrospective approach in adopting AASB 15 which recognises the cumulative effect of initial application through opening retained earnings as at 1 July 2018. No adjustment was applied to the opening retained earnings as the cumulative effect is not material.

### C. Principles of consolidation

The consolidated financial statements incorporate all assets, liabilities and results of the parent (Intra Energy Corporation Limited) and all of the subsidiaries.

#### c.i Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

The purchase method of accounting is used to account for all business combinations, unless it is a combination involving entities or businesses under common control.

Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are expensed in the period incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets required.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

#### c.i Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

#### c.ii Transactions eliminated on consolidation

All balances and transactions, arising from transactions between entities within the group are eliminated in preparing the consolidated financial statements.

#### c.iii Non-controlling interests

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### c.iv Equity accounted investments

A joint venture is an arrangement in which the Group has joint control whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The financial statements include the Group's share of the total recognised gains and losses on an equity accounted basis subsequent to initial recognition at cost, which includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the Group's carrying amount is reduced to $nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

### D. Income tax

Tax expense comprises current and deferred tax and is recognised in the statement of profit or loss or the statement of comprehensive income according to the accounting treatment of the related transaction.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax in respect of previous years.

Deferred tax expense represents the tax expense in respect of the future tax consequences of recovering or settling the carrying amount of an asset or liability. Both are calculated using tax rates for each jurisdiction, enacted or substantially enacted at the reporting date, and for deferred tax those that are expected to apply when the asset is realised or the liability is settled.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- arising on the initial recognition or assets or liabilities, other than on a business combination, that affect neither accounting or taxable profit;
- arising from the recognition of goodwill; and
- relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### E. Property, Plant and Equipment

Each class of plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**e.i Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The useful lives used for each class of depreciable asset are:

| Class of fixed asset | Useful life |
| --- | --- |
| Mining Plant and Equipment | 5 to 15 years |
| Motor Vehicles | 4 to 10 years |
| Office Equipment | 4 to 8 years |
| Computer Equipment and Software | 3 years |
| Leasehold Improvements | 25 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

### F. Exploration, evaluation and acquisition expenditure

Acquisition costs are accumulated in respect of each separate area of interest. Acquisition costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Where an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Amortisation is not charged on acquisition costs carried forward in respect of areas of interest in the development phase until production commences.

### G. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production and includes expenditure in accumulating the inventories, production costs and other costs incurred in bringing them to their existing location and condition. Stockpile tonnages are verified by periodic surveys.

### H. Overburden removal costs

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs are initially capitalised as mine development costs. Capitalising of development stripping costs ceases at the time that saleable mineral rights begin to be extracted from the mine.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Production stripping commences at the time that saleable materials begin to be extracted from the mine and normally continues through the life of a mine. The costs of production stripping are capitalised to the cost of inventory, and charged to the income statement upon sale of inventory in cost of goods sold.

### I. Development expenditure

When a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings and plant equipment is capitalised under development expenditure. Development expenditure costs include previously capitalised exploration and evaluation costs, pre-production development costs, development excavation, development studies and other subsurface expenditure pertaining to that area of interest.

Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment. Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit. Amortisation of carried forward exploration and development costs is charged on a unit of production basis over the life of economically recoverable reserves.

When an area of interest is abandoned or the Directors decide it is not commercial or technically feasible, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the Statement of Comprehensive Income to the extent that they will not be recoverable in the future.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, development assets are allocated to cash generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

### J. Rehabilitation expenditure

The mining, extraction and processing activities of the Group give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognised at the time that environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of rehabilitation activities is recognised in 'Development Expenditure' as rehabilitation assets and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each balance date and the costs are recognised based on a consideration of the period which the rehabilitation is expected to occur.

### K. Segment Reporting

Segment results are reported to the Board of Directors (chief operating decision maker) and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the Annual Financial Statements of the Company.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### L. Financial Instruments

**l.i Recognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

**l.ii Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability cannot be reclassified.

**l.iii Financial assets**

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

**l.iv Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.
All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**l.vii Impairment**

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.
Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due, and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.
The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach
- the simplified approach

***General approach***

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

***Simplified approach***

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to trade receivables which do not contain a significant financing component.
In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

***Recognition of expected credit losses in financial statements***

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.
The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.
For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### M. Foreign Currency Transactions and Balances

#### m.i. Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### m.ii. Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except where deferred in Other Comprehensive Income as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in Other Comprehensive Income to the extent that the gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### m.iii. Group Companies

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the year.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the Statement of Financial Position. These differences are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year in which the operation is disposed.

### N. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### n.i Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

#### n.ii Share-based payments

The Group provides benefits to employees (including Directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation and an external valuation using the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

### O. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting date.

### P. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

### Q. Revenue recognition

The Group produces and sells a range of thermal coal products. Revenue from the sale of coal is recognised when control of the product has transferred to the customer. Control of the product is considered transferred to the customer at the time of delivery, usually on Free on Board ("FOB") basis or a Cost and Freight ("CFR") basis. For CFR contracts the performance obligation relating to freight services is accounted for as a separate performance obligation.

A receivable is recognised when control of the products is delivered as this is the point in time that the consideration is unconditional and when control of the product is transferred to the customer. From time to time, the Group receives prepayment before control of the product has transferred to the customer. Such prepayments are recognised as contract liabilities.

Some of the Group's coal sales contracts are long-term supply agreement which stipulate the nominal annual quantity and price negotiation mechanism. For those contracts, the actual quantity and transaction price applicable for future shipments are only negotiated or determined prior to the beginning of, or a date which is after, each contract year or delivery period. The transaction price for a future shipment is based on, or derived from, a market price prevailing at the time of the future shipment. As the future market price for coal is highly susceptible to factors outside the Group's influence, the transaction price for a shipment is not readily determinable until or nearing the time of the shipment. As a result, the Group has concluded that a contract with the customer does not exist for those shipments for which the actual delivery quantity and transaction price have not yet been negotiated or determined.

### R. Finance income and finance expense

#### r.i. Finance income and finance expense

Finance income and expenses are recognised using the effective interest rate method, which, for floating rate financial assets and liabilities is the rate inherent in the instrument.

All finance income and expenses are stated net of the amount of goods and services tax (GST) and local value added tax (VAT).

### S. Goods and Service Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of respective GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the relevant Tax Office. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST or VAT.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash flows are presented in the Consolidated Statement of Cash Flows a gross basis, except for the GST or VAT component of investing and financing activities, which are disclosed as operating cash flows.

### T. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### U. Leases

#### u.i. Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other considerations required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

#### u.ii. Leased assets

Assets held by the Group under lease, that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Consolidated Statement of Financial Position.

#### u.iii. Leased payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### V. Earnings per share

#### v.i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### v.ii. Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares.

### W. Assets held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in Consolidated Profit or Loss and Other Comprehensive Income in the period in which it occurs.

### X. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### Y. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or, in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- **Recoverability of exploration and evaluation expenditure**
  The recoverability of the capitalised acquisition expenditure recognised as a non-current asset is dependent upon the successful development, or alternatively sale, of the respective tenements which comprise the assets.
- **Inventories**
  Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production and includes expenditure in accumulating the inventories, production costs and other costs incurred in bringing them to their existing location and condition. Stockpile tonnages are verified by periodic surveys.
- **Rehabilitation**
  The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognised at the time that environmental disturbance occurs.
- **Impairment of non-financial assets**
  The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. In light of lengthy negotiations with the Malawi government and ongoing logistical issues with the operation of the mine, the Group recognised a full impairment on the carrying value of its Malawian subsidiaries.

### Z. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

| | CONSOLIDATED | |
|---|---|---|
| | 2019 | 2018 |
| | $'000s | $'000s |
| **2. REVENUES** | | |
| **From continuing operations** | | |
| Coal sales | **52,277** | **33,079** |

| | CONSOLIDATED | |
|---|---|---|
| | 2019 | 2018 |
| | $'000s | $'000s |
| **3. DEPRECIATION AND AMORTISATION** | | |
| **Loss before income tax includes the following specific expenses:** | | |
| **Depreciation and amortisation** | | |
| Depreciation | | |
| Plant and equipment | (925) | (795) |
| Less depreciation capitalised | - | - |
| Total depreciation | (925) | (795) |
| Amortisation | (76) | (60) |
| **Total** | **(1,001)** | **(855)** |

| | CONSOLIDATED 2019 $'000s | 2018 $'000s |
|---|---|---|
| **4. INCOME TAX BENEFIT** | | |
| **(a) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Profit/(loss) from ordinary activities before income tax expense | 4,535 | (1,921) |
| Prima facie tax/(benefit) on profit/(loss) from ordinary activities at 30% | 1,361 | (576) |
| Non-deductible expenditure | 38 | 34 |
| Tax effect of temporary differences not recognised | 1,299 | 446 |
| Tax effect of current year tax profits/(losses) for which no deferred tax asset has been recognised | (2,698) | 96 |
| Foreign tax losses utilised | - | - |
| Foreign income tax payable | - | - |
| **Income tax (Benefit)/ Expense** | **-** | **-** |

| | | |
|---|---|---|
| **(b) Unrecognised temporary differences** | | |
| **Deferred Tax Assets (at 30%)** | | |
| Temporary differences | 3,611 | 2,312 |
| Carry forward revenue tax losses | 6,043 | 6,043 |
| Carry forward capital tax losses | 8 | 8 |
| Carry forward foreign tax losses | 12,202 | 14,900 |
| **Total** | **21,864** | **23,263** |

The deferred tax assets relating to carry forward losses and temporary differences have not been brought to account as it is unlikely they will arise until such a point that the Company generates sufficient profit to utilise them.

## 5. KEY MANAGEMENT PERSONNEL COMPENSATION

The following persons were Key Management Personnel of the Company during the financial year:

| Non-Executive Directors | Executive Directors | Senior Management |
|---|---|---|
| Mr G Robertson (Chairman) | Mr J Shedd[3] (Managing Director/CEO) | Ms K Angel (Chief Financial Officer) |
| Mr T Wilson | | |
| Mr A Fraser[1] | | |
| Mr D Nolan[2] | | |

[1]Mr Alan Fraser was appointed 24 August 2018
[2]Mr David Nolan resigned 24 August 2018
[3]Mr James Shedd was appointed Managing Director 7 November 2018, CEO since 27 December 2016

## 5. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

| KEY MANAGEMENT PERSONNEL COMPENSATION | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Short-term employee benefits | 906,387 | 827,460 |
| Superannuation | - | - |
| Post-employment benefits | - | - |
| Performance rights | - | - |
| **Total Compensation** | **906,387** | **827,460** |

Details on the remuneration paid to the non-executive directors and executive directors who at any point during the year had authority and responsibility for planning, directing and controlling the activities of Intra energy Corporation Limited are provided under Section B of the Remuneration Report.

### EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

**Options provided as remuneration and shares issued on exercise of such options**

Details of options and performance rights provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report forming part of the Directors' Report.

## 6. AUDITOR'S REMUNERATION

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$'000s | 2018<br>$'000s |
| Audit services | | |
| **Auditors of the Group** | | |
| Audit and review of financial reports – Hall Chadwick | 195 | 195 |
| | **195** | **195** |
| Non-Audit services | | |
| Tax advisory services | - | - |
| Other advisory services | - | - |
| | **-** | **-** |

## 7. EARNINGS PER SHARE

| | 2019 | 2018 |
|---|---|---|
| **Basic and diluted loss per share** | | |
| Profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company | $3,461,000 | ($1,266,000) |
| Profit/(loss) from discontinued operations attributable to the ordinary equity holders of the Company | (181,000) | (218,000) |
| **Profit/(loss) attributable to the ordinary equity holders of the Company** | **$3,280,000** | **($1,484,000)** |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 387,724,030 | 387,724,030 |
| **Profit/(loss) per share (cents) – basic and diluted from continuing operations** | **0.85** | **(0.33)** |
| **Profit/(loss) per share (cents) – basic and diluted from discontinued operations** | **(0.05)** | **(0.05)** |
| **Profit/(loss) per share (cents) – basic and diluted** | **0.80** | **(0.38)** |

## 8. INVENTORIES

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$'000s | 2018<br>$'000s |
| Consumables, fuel and other equipment | 926 | 880 |
| Coal stock | 1,278 | 2,055 |
| | **2,204** | **2,935** |

## 9. TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$'000s | 2018<br>$'000s |
| **Current** | | |
| Trade receivables | 5,077 | 1,812 |
| Less: Provision for doubtful debts | (1,410) | (425) |
| Other receivables | 370 | 376 |
| Related party receivables | 138 | 130 |
| Prepayments | 885 | 439 |
| | **5,060** | **2,332** |
| **Non-current** | | |
| Other receivables | 214 | 203 |
| Less: Provision for impairment | (214) | (203) |
| | - | - |

## 10. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

On 1 March 2016 the Group advised that transaction documents had been exchanged for the sale of its Malawian subsidiaries and that further announcements would be made when the sale is finalised. The sale did not proceed and the Malawi Group remains presented as a disposal group held for sale on the basis that the Directors are committed to recover these assets principally through sale. The carrying value of the assets had been fully impaired in light of lengthy negotiations with the Malawi government and ongoing logistical issues with the operation of the mine.

As at 30 June 2019, the disposal group was stated at lower of carrying value and fair value and comprised the following assets and liabilities:

| | CONSOLIDATED | |
|---|---|---|
| Assets and Liabilities held for sale | 2019 $'000s | 2018 $'000s |
| **Current Assets** | | |
| Property, plant and equipment | 244 | 245 |
| Mine development and exploration expenditure | 1,277 | 1,270 |
| Inventories | 1 | 1 |
| Trade and other receivables | 9 | 9 |
| Less: Provision for impairment | (1,531) | (1,525) |
| **Assets held for sale** | | |
| | | |
| **Current Liabilities** | | |
| Trade and other payables | 1,182 | 1,155 |
| Employee benefits | - | - |
| **Liabilities held for sale** | **1,182** | **1,155** |
| | | |

^On 28 August 2013, IEC's subsidiary Malcoal Mining Limited entered into a hire purchase arrangement to finance mining equipment at the Malcoal Mine in Malawi. The agreement term is 5 years with an option to purchase the equipment at the conclusion of the term. On 31 March 2016, the arrangement was terminated and the assets returned to the supplier. A contingent liability has been recognised for a legal claim that the supplier has brought to the company, see note 23.

The Malawian subsidiaries incurred no revenue and recorded a loss after tax of $97,000 for the year ended 30 June 2019, and an additional provision of impairment amounting to $6,000.

## 11. EQUITY ACCOUNTED INVESTMENTS

On 9 September 2014, the Group completed a joint venture arrangement with General Petroleum Oils and Tools Pty Limited ("GPOT"), whereby each party undertook a 50% economic interest in AAA Drilling Limited, an operating drilling company in Tanzania that was established to undertake drilling and logging for the IEC entities and third party customers in Eastern Africa.

In 2016, the Group recognised a full impairment to the carrying value of the investment following a review of the market conditions that have effect to the AAA Drilling Joint Venture business and operations. On 28 May 2019, IEC acquired GPOT's 50% of the joint venture for a cash consideration of US$75,000 (A$110,000), excluding of cash acquired A$9,000, thereby obtaining control of AAA Drilling Limited. The Group recorded goodwill of $73,000 on the acquisition and that was written off to the profit and loss during the year.

INTRA ENERGY

## 11. EQUITY ACCOUNTED INVESTMENTS (cont'd)

Information on the interest in the AAA Drilling Joint Venture is as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2019 $'000s | 2018 $'000s |
| Equity accounted investments | - | 28 |
| Less: impairment of equity accounted investments | - | (28) |
| **Carrying amount** | **-** | **-** |

IEC's share of loss after tax in its equity accounted investee before impairment was $87,000 loss (2018: $430,000).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by IEC, is as follows:

| | AAA DRILLING LIMITED | |
|---|---|---|
| Summarised Financial Position | 2019 $'000s | 2018 $'000s |
| **Current Assets** | | |
| Cash and cash equivalents | - | 9 |
| Total current assets | - | 332 |
| Total non-current assets | - | 400 |
| Total current liabilities | - | (677) |
| **Net Assets** | - | 55 |
| Group's share (%) | - | 50% |
| **Group's share of joint venture's net assets** | **-** | **28** |
| **Group's share of (reversal of)/loss from impairment of assets of discontinued operations** | **-** | **426** |

On 28 May 2019, IEC acquired GPOT's 50% of the joint venture.

## 11. EQUITY ACCOUNTED INVESTMENTS (cont'd)

| | AAA Drilling Limited | |
|---|---|---|
| Summarised Financial Performance | 2019 $'000s | 2018 $'000s |
| Revenue | - | - |
| Depreciation and amortisation | - | - |
| Interest expense | - | - |
| Loss on sale of assets | - | (260) |
| Impairment of assets held for sale | - | (491) |
| Other expenses | (174) | (108) |
| **Loss from continuing operations** | **(174)** | **(859)** |
| Income tax expense | - | - |
| **Loss after tax from continuing operations** | **(174)** | **(859)** |
| Other Comprehensive Income | - | 7 |
| **Total comprehensive income** | **(174)** | **(852)** |
| | | |
| **Group's share of Loss after tax from continuing operations** | **(87)** | **(430)** |
| **Group's share of total comprehensive income** | **(87)** | **(426)** |

In 2018, AAA Drilling sold two drills with a loss on sale of $260,000 and the remaining drill and inventory was impaired a further $491,000 due to a lowering of realisable value. IEC had impaired total assets of AAA Drilling in a prior year so the loss on sale of assets and further impairment in the accounts of AAA Drilling resulted in a reversal of the previous impairment in IEC's accounts.

## 12. PROPERTY, PLANT AND EQUIPMENT

| 30 June 2019 | Office Equipment $'000 | Mining Plant and Equipment $'000 | Motor Vehicles $'000 | Leasehold $'000 | Capital Work in Progress $'000 | Software $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2019** | | | | | | | |
| At 1 July 2018, net of accumulated depreciation | **330** | **5,250** | **275** | **400** | **375** | **10** | **6,640** |
| Additions | 78 | 706 | 351 | 74 | 667 | - | 1,876 |
| Acquisition of AAA Drilling | - | 417 | - | - | - | - | 417 |
| Disposals (net) | (48) | - | (105) | - | - | - | (153) |
| Transfers | 94 | 699 | - | - | (793) | - | - |
| Depreciation charge | (102) | (658) | (112) | (53) | - | - | (925) |
| Effect of exchange rates (net) | 16 | 375 | 9 | 16 | - | - | 416 |
| **At 30 June 2019, net of accumulated depreciation** | **368** | **6,789** | **418** | **437** | **249** | **10** | **8,271** |
| | | | | | | | |
| **At 30 June 2019** | | | | | | | |
| At cost | 1,168 | 11,020 | 1,230 | 688 | 666 | 486 | 15,258 |
| Accumulated depreciation and impairment | (800) | (4,648) | (812) | (251) | - | (476) | (6,987) |
| **Net carrying amount** | **368** | **6372** | **418** | **437** | **666** | **10** | **8,271** |

$8.271m of Property, Plant and Equipment is held as collateral by KCB Bank of Tanzania in relation to loan facilities.

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| 30 June 2018 | Office Equipment $'000 | Mining Plant and Equipment $'000 | Motor Vehicles $'000 | Leasehold $'000 | Capital Work in Progress $'000 | Software $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2018** | | | | | | | |
| At 1 July 2017, net of accumulated depreciation | 311 | 4,212 | 327 | 444 | 571 | 31 | 5,896 |
| Additions | 126 | 1,371 | - | - | - | - | 1,497 |
| Disposals (net) | (11) | - | - | - | - | | (11) |
| Transfers | - | 202 | - | - | (202) | - | - |
| Depreciation charge | (98) | (573) | (55) | (48) | - | (21) | (795) |
| Effect of exchange rates (net) | 2 | 38 | 3 | 4 | 6 | - | 53 |
| **At 30 June 2018, net of accumulated depreciation** | **330** | **5250** | **275** | **400** | **375** | **10** | **6640** |
| | | | | | | | |
| **At 30 June 2018** | | | | | | | |
| At cost | 1,019 | 8,081 | 1,040 | 589 | 375 | 472 | 11,576 |
| Accumulated depreciation and impairment | (689) | (2,831) | (765) | (189) | - | (462) | (4,936) |
| **Net carrying amount** | **330** | **5,250** | **275** | **400** | **375** | **10** | **6,640** |

$6.640m of Property, Plant and Equipment is held as collateral by KCB Bank of Tanzania in relation to loan facilities.

## 13. MINE DEVELOPMENT COSTS

| | CONSOLIDATED | |
|---|---|---|
| | 2019 | 2018 |
| | $'000s | $'000s |
| **Tancoal Mine** | | |
| Opening balance | 4,823 | 4,782 |
| Mine development expenditure | - | 19 |
| Rehabilitation asset | 114 | 26 |
| Amortisation | (76) | (60) |
| Effect of exchange rates | 218 | 56 |
| | **5,079** | **4,823** |
| **Malcoal Mine** | | |
| Opening balance | - | - |
| Mine development expenditure | - | - |
| Amortisation | - | - |
| Effect of exchange rates | - | - |
| Transfer to assets held for sale | - | - |
| | **-** | **-** |
| **Total** | **5,079** | **4,823** |

The recoverable amounts of the Group's mine development costs and property, plant and equipment have been determined by a value-in-use calculations using a discounted cash flow model, based on a 12-month projection period approved by the Board and extrapolated for a further 4 years by using key assumptions.

The key assumptions in the calculations include:

- Long-term thermal coal prices of US$44 – US$48 per tonne
- Long-term exchange rate of US$1:00: AUD$0.72
- Discount rate of 20%
- Revenue and cost growth rate of 5%
- Coal reserves and resources

Based on the above assumptions at 30 June 2019 the recoverable amount is determined to be above the carrying value of mining assets resulting in no further impairment.

The most sensitive input in the value in use calculations is forecast revenue, which is primarily dependent on estimated future coal prices and the AUD/USD forecast exchange rate. If the long-term coal prices had been 10% lower than management's estimates, the recoverable amount would still exceed the carrying value of mining assets. If the AUD/USD long-term exchange rate was $0.80, the recoverable amount would still exceed the carrying value of mining assets.

## 14. EXPLORATION EXPENDITURE

| | CONSOLIDATED | |
|---|---|---|
| | 2019 | 2018 |
| | $'000s | $'000s |
| **Tancoal Energy Limited tenements** | | |
| Opening balance | 636 | 514 |
| Exploration expenditure | 59 | 112 |
| Impairment | - | (59) |
| Effect of exchange rates | 27 | 69 |
| | **722** | **636** |
| **Intra Energy Trading (Malawi) Limited tenements** | | |
| Opening balance | - | - |
| Effect of exchange rates | - | - |
| Transfer to assets held for sale | - | - |
| | **-** | **-** |
| **Total** | **722** | **636** |

The recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective mining permits.

## 15. TRADE AND OTHER PAYABLES

| | CONSOLIDATED | |
|---|---|---|
| | 2019 | 2018 |
| | $'000s | $'000s |
| Trade payables | 5,623 | 9,523 |
| Related party payables | 220 | 1,315 |
| Accruals and other payables | 9,411 | 5,125 |
| **Total** | **15,254** | **15,963** |

## 16. INTEREST BEARING LIABILITIES

| | CONSOLIDATED | |
|---|---|---|
| | 2019 | 2018 |
| | $'000s | $'000s |
| **Current** | | |
| Secured loan facilities | 2,381 | 1,215 |
| Hire purchase equipment | 334 | 324 |
| **Total** | **2,715** | **1,539** |

### 16(a) Secured loan facility

In July 2017 KCB approved a facility of US$936,000 to be repaid over five years at a rate of 8% per annum for the purchase of a new crushing and screening plant, the balance payable at 30 June 2019 was US$629,000 (2018: US$802,000).

In July 2018, US$0.9m of the overdraft facility with KCB was converted to a term loan to be repaid over three years at a

## 16. INTEREST BEARING LIABILITIES (cont'd)

rate of 8% per annum, the balance payable at 30 June 2019 was US$648,000 (2018: nil).

### 16(b) Bank overdraft facility

The bank overdraft facility was US$0.9m, the balance payable at 30 June 2018 was A$967,000. Interest is charged on the facility at a rate of 8% per annum. The overdraft is not subject to any covenant requirements and is repayable on demand.

### 16(c) Insurance Premium facility

During the year Commercial Bank of Africa Limited (CBA) provided an insurance premium facility, the balance payable at 30 June 2019 was $184,000 (2018: $129,000).

### 16(d) Convertible Note

On 2 May 2016, IEC raised A$125,000 under loan and convertible note agreements with three parties, two of whom are related to directors of the company, Mr Robertson and Mr Mason. The notes were converted to shares on the 11 and 12 April 2017. Interest of A$28,500 was paid during FY 2019.

### 16(e) Hire purchase

On 28 August 2013, IEC's subsidiary Malcoal Mining Limited entered into a hire purchase arrangement to finance mining equipment at the Malcoal Mine in Malawi. The agreement term was 5 years with an option to purchase the equipment at the conclusion of the term. At 31 March 2016, the arrangement was terminated, the assets were returned to the supplier and the hire purchase arrangement ceased. A contingent liability has been recognised for a legal claim that the supplier has brought against the Company for penalties and other costs, see note 23.

In January 2014, a hire purchase contract with an option to purchase four trucks was entered into with Extran Limited, a related party of Graeme Robertson and David Mason. The full amount under the contract of $334,000 (2018: $324,000) was outstanding at 30 June 2019.

## 17. PROVISIONS

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$'000s | 2018<br>$'000s |
| **Non-current** | | |
| Rehabilitation provision | 803 | 662 |
| **Total** | **803** | **662** |

The movement in provisions during the year are as follows:

| 2019<br>$000's | Rehabilitation | Total |
|---|---|---|
| **Opening balance** | **662** | **628** |
| Addition | 114 | 26 |
| Effect of exchange rates | 27 | 8 |
| **Closing balance** | **803** | **662** |
| **Represented by** | | |
| Current | - | - |
| Non-current | 803 | 662 |
| **Closing balance** | **803** | **662** |

### 17. PROVISIONS (cont'd)

| 2018<br>$000's | Rehabilitation | Total |
|---|---|---|
| **Opening balance** | **628** | **628** |
| Addition | 26 | 26 |
| Effect of exchange rates | 8 | 8 |
| **Closing balance** | **662** | **662** |
| **Represented by** | | |
| Current | - | - |
| Non-current | 662 | 662 |
| **Closing balance** | **662** | **662** |

**Rehabilitation**

The mining, extraction and processing activities of the Group give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognised at the time that environmental disturbance occurs.

### 18. ISSUED CAPITAL

| | 2019<br>No. | Issue price<br>$ per share | 2019<br>$'000s | 2018<br>No. | Issue price<br>$ per share | 2018<br>$'000s |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the year:** | **387,724,030** | | **69,590** | **387,724,030** | | **69,590** |
| Shares issued | - | - | - | - | - | - |
| Share issue costs | - | - | - | - | - | - |
| **Balance at the end of the year** | **387,724,030** | | **69,590** | **387,724,030** | | **69,590** |

Fully paid ordinary shares carry one vote per share and carry the rights to dividends

### 19 RESERVES

### 19(a) Options reserve

| | 2019<br>No. | 2019<br>$'000s | 2018<br>No. | 2018<br>$'000s |
|---|---|---|---|---|
| **Balance at the beginning of the year** | – | **2,216** | – | **2,216** |
| Options exercised during year | – | – | – | – |
| Options expired during year | – | – | – | – |
| Issued during the year | – | – | – | – |
| **Balance at the end of the year** | – | **2,216** | – | **2,216** |

1. Options reserve recognises the fair value of options issued
2. No options were issued during the year ended 30 June 2019

## 19. RESERVES (CONT'D)

### 19(b) Performance Rights reserve

| | CONSOLIDATED | |
|---|---|---|
| | 2019 | 2018 |
| | $'000s | $'000s |
| Total Performance Rights reserve | 795 | 795 |

1. The performance rights reserve recognises the fair value of performance rights issued as compensation to employees
2. No performance rights were issued during the year ended 30 June 2019

### 19(c) Foreign currency translation reserve

| | CONSOLIDATED | |
|---|---|---|
| | 2019 | 2018 |
| | $'000s | $'000s |
| **Non-current** | | |
| Balance at the beginning of the year | (1,584) | (1,238) |
| Foreign currency translation differences | 685 | (346) |
| **Balance at the end of the year** | **(899)** | **(1,584)** |

1. Foreign currency translation reserve recognises exchange differences arising on translation of the foreign controlled entities. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

## 20. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

The Consolidated Financial Statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with accounting policy described in Note 1.

| Name of Entity | Country of Incorporation | Class of Share | Equity (%)* 2019 | Equity (%)* 2018 |
|---|---|---|---|---|
| Intra Energy (Tanzania) Limited | Tanzania | Ordinary | 100% | 100% |
| Tancoal Energy Limited | Tanzania | Ordinary | 70% | 70% |
| Tanzacoal East Africa Mining Limited | Tanzania | Ordinary | 85% | 85% |
| AAA Drilling Limited | Mauritius | Ordinary | 100% | 50% |
| AAA Drilling Limited | Tanzania | Ordinary | 100% | 50% |
| Intra Energy Limited | Mauritius | Ordinary | 100% | 100% |
| East Africa Mining Limited | Mauritius | Ordinary | 100% | 100% |
| Intra Energy Trading (Malawi) Limited | Malawi | Ordinary | 100% | 100% |
| Malcoal Mining Limited | Malawi | Ordinary | 90% | 90% |
| Intra Energy (Sarawak) Sdn. Bhd.** | Malaysia | Ordinary | 100% | 100% |
| Pamodzi Power Limited | Malawi | Ordinary | 100% | 100% |

* Percentage of voting power is in proportion to ownership

** Entity is dormant and in the process of winding up.

## 21. NON-CONTROLLING INTEREST

| | CONSOLIDATED | |
|---|---|---|
| | 2019 | 2018 |
| | $'000s | $'000s |
| Total non-controlling interest | (5,739) | (6,694) |

The Company's subsidiary Intra Energy (Tanzania) Limited ("IETL") owns 70% of Tancoal and 30% is owned by Tancoal's joint venture partner, the National Development Corporation of Tanzania, a Tanzanian government entity.

IETL owns 85% of Tanzacoal and 15% is owned by IETL's Tanzacoal joint partner, Olympic Exploration Limited, a private Tanzanian entity.

The Company's subsidiary East Africa Mining Limited owns 90% of Malcoal and 10% is owned by Consolidated Mining Industries Limited, a private Malawian entity.

## 22. COMMITMENTS

### 22(a) Operating Commitments

Operating expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

| | 2019 | 2018 |
|---|---|---|
| | $'000s | $'000s |
| **Rental and Lease Payments** | | |
| Less than 1 year | 127 | 330 |
| Between 2 and 5 years | - | 269 |
| Greater than 5 years | - | - |
| **Total Rental and Lease Payments** | **127** | **599** |
| | | |
| **Tenement Leases Expenditure Payable** | | |
| Less than 1 year | 550 | 517 |
| Between 2 and 5 years | 1,182 | 1,321 |
| Greater than 5 years | - | - |
| **Total Tenement Leases Expenditure Payable** | **1,732** | **1,838** |
| **Total** | **1,859** | **2,437** |

## 22. COMMITMENTS (CONT)

### 22(b) Finance Lease Commitments

Finance lease liabilities committed to at the reporting date, recorded as liabilities, are as follows:

| | 2019 $'000s | 2018 $'000s |
|---|---|---|
| **Finance Lease Expenditure Commitments Payable** | | |
| Less than 1 year | 334 | 324 |
| Between 2 and 5 years | - | - |
| Greater than 5 years | - | - |
| **TOTAL** | **334** | **324** |

In January 2014, a hire purchase contract with an option to purchase four trucks was entered into with Extran Limited, a related party of Graeme Robertson and David Mason. The full amount under the contract of $334,000 (2018: $324,000) was outstanding at 30 June 2019.

## 23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The supplier of the hire purchase contracts in Malawi has brought a legal claim for penalties as part of the cancellation of the arrangement against the subsidiary company Malcoal Mining Limited. The company is defending the claim but the potential liability may be up to $500,000 in addition to costs accounted for in the accounts. The claim was still pending at 30 June 2019.

Tancoal Energy Limited in Tanzania won a legal claim brought by NBC bank for recovery of money paid under a letter of credit arrangement in 2013 for a potential liability up to US$470,000 and also won a claim against NBC for the return of US$230,000 it withdrew without authority from Tancoal's bank account, NBC has advised that it is lodging an appeal.

The Ministry of Energy and Minerals has made a claim to Tancoal for US$10.4 million (US$6.939 royalty and inspection fee and US$3.470 penalty) for a royalty that it has deemed payable on the transport portion of sales to customers to their final domestic and international destinations for sales between September 2011 and June 2019, this royalty on transport had never invoiced until 2019. The company does not charge customers for transport and is working with the Ministry to resolve the matter, the issue was still pending at 30 June 2019.

The Tanzanian Revenue Authority (TRA) issued Tancoal a VAT assessment for the years 2011 to 2015 for TZS 6 billion (A$3.7 million), the amount of TZS 3.9 billion (A$2.4 million) has been provided for in the FY 2019 accounts. Tancoal has not provided the full amount as it has proof of payments that were not included in the TRA's assessment. Tancoal has lodged an objection to the assessment and paid the one third required for the objection to be administered.

On 24 September 2019, the Tanzania Revenue Authority (TRA) advised that a fuel exemption paid to Tancoal in 2015 and 2016 was contrary to the purpose of the Performance Contract under which it was paid and Tancoal must refund the amount of TZS 1,020,838,410 (A$634,000). Tancoal does not agree with the assessment and will begin discussions with the TRA.

Other than the above, the Directors are not aware of any other contingent liabilities or contingent assets at 30 June 2019.

## 24. SEGMENT REPORTING

The Group operates in two geographical segments being Australia and Africa.

**Segment information**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources. The Group's business is the exploration, evaluation, marketing, production and sale of coal in Africa.

## 24. SEGMENT REPORTING (CONT)

**Basis of Accounting for purposes of reporting by operating segments**

**Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual Financial Statements of the Group.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

**Segment assets**

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

**Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

**Notes to and forming part of the segment information**

The consolidation adjustments represent the elimination of inter-segment loan balances and transactions.

**Accounting policies**

Segment information is prepared in conformity with the accounting policies of the entity as per Accounting Standard AASB 8 Operating Segments.

## 24. SEGMENT REPORTING (CONT'D)

| Geographical Segment | Australia Period Ended 30 June 19 $'000 | Australia Period Ended 30 June 18 $'000 | Africa Period Ended 30 June 19 $'000 | Africa Period Ended 30 June 18 $'000 | Elimination Period Ended 30 June 19 $'000 | Elimination Period Ended 30 June 18 $'000 | Consolidated Period Ended 30 June 19 $'000 | Consolidated Period Ended 30 June 18 $'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| Sales revenue | – | – | 52,277 | 33,079 | – | – | 52,277 | 33,079 |
| Inter-segment revenue | 2,654 | 1,086 | – | – | (2,654) | (1,086) | – | – |
| **Total revenue** | **2,654** | **1,086** | **52,277** | **33,079** | **(2,654)** | **(1,086)** | **52,277** | **33,079** |
| Net costs of production | – | – | (38,581) | (29,265) | | – | (38,581) | (29,265) |
| **Gross Profit** | **2,654** | **1,086** | **13,696** | **3,814** | **(2,654)** | **(1,086)** | **13,696** | **3,814** |
| Other income | | – | | – | – | – | – | – |
| Other operating expenses | (1,909) | (1,704) | (5,673) | (2,511) | – | – | (7,582) | (4,215) |
| **Profit/(loss) before impairment, depreciation, amortisation, net finance costs and tax** | **745** | **(618)** | **8,023** | **1,303** | **(2,654)** | **(1,086)** | **6,114** | **(401)** |
| Impairment | – | – | – | (59) | – | – | – | (59) |
| Depreciation | – | (23) | (925) | (772) | – | – | (925) | (795) |
| Write-off goodwill | (73) | – | – | – | – | – | (73) | – |
| Amortisation | – | – | (76) | (60) | – | – | (76) | (60) |
| **Results from operating activities** | **672** | **(641)** | **7,022** | **412** | **(2,654)** | **(1,086)** | **5,040** | **(1,315)** |
| Finance income | | | | | | | 10 | – |
| Finance expenses | | | | | | | (325) | (412) |
| **Profit/(loss) before tax** | | | | | | | **4,725** | **(1,727)** |
| Income tax benefit/(expense) | | | | | | | – | – |
| **Net Loss from continuing operations** | | | | | | | **4,725** | **(1,727)** |
| Loss from discontinued operations and impairments on those operations | | | | | | | (190) | (194) |
| **Profit/(loss) for the year** | | | | | | | **4,535** | **(1,921)** |
| Total Assets | 4,684 | 4,153 | 22,124 | 17,627 | (4,748) | (4,003) | 22,060 | 17,777 |
| Total Liabilities | (142) | (1,097) | (60,651) | (58,545) | 39,783 | 37,995 | (21,010) | (21,647) |

## 25. CASH FLOW INFORMATION

| | 2019 $'000s | 2018 $'000s |
|---|---|---|
| Profit/(loss) before income tax | 4,535 | (1,921) |
| Non-cash flows in profit | | |
| Depreciation and amortisation | 1,001 | 855 |
| Loss on sale and impairment of non-current assets | 153 | 11 |
| Foreign exchange | 769 | (456) |
| (Reversal)/impairment of assets | 6 | (307) |
| Share of loss of equity-accounted investees | 87 | 430 |
| Transfer of overdraft to term loan | (1,187) | - |
| Write-off goodwill | 73 | - |
| Change in inventories | 731 | (1,030) |
| Change in receivables | (2,728) | 280 |
| Change in provisions | 141 | 34 |
| Change in trade payables and employee benefits | (680) | 3,690 |
| Change in current assets and liabilities held for sale | 27 | 50 |
| **Net cash provided in operating activities** | 2,928 | 1,636 |

## 26. SHARE BASED PAYMENTS

### 26(a) Shares and options

No shares or options were granted by the Company during the 2019 or 2018 years.

### 26(b) Performance rights

No Performance rights were issued in the 2019 or 2018 years.

## 27. SUBSEQUENT EVENTS

On 31 July 2019, Mr Marc Schwartz was appointed as a Non-Executive Director.

On 14 August 2019, IEC's wholly owned subsidiary, AAA Drilling Limited, a Mauritian incorporated company, invested in a potentially exceptional newly discovered gold property in Mozambique.

On 3 September 2019, IEC advised that the Mining Commission in Tanzania has demanded that royalty on transport be implemented by 15 September 2019. A sixty day extension was later granted and discussions are continuing with the Ministry.

On 16 September 2019, the Ministry of Minerals, Mining Commission send Tancoal a note of demand for US$10.4 million (US$6.939 royalty and inspection fee and US$3.470 penalty) for a royalty that it has deemed payable on the transport portion of sales to customers to their final domestic and international destinations for sales between August 2011 and June 2019. The company does not charge customers for transport and is working with the Ministry to resolve the matter, the issue was still pending at 30 June 2019.

On 24 September 2019, the Tanzania Revenue Authority (TRA) advised that a fuel exemption paid to Tancoal in 2015 and 2016 was contrary to the purpose of the Performance Contract under which it was paid and Tancoal must refund the amount of TZS 1,020,838,410 (A$634,000). Tancoal does not agree with the assessment and will begin discussions with the TRA.

Other than those events outlined above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

## 28. RELATED PARTY TRANSACTIONS

Details relating to Key Management Personnel are disclosed in Note 5 and remuneration report contained in the directors' report.

**2019**

At 30 June 2019 a loan of US$150,000 (A$214,000) to Malcoal joint venture partner Consolidated Mining Industries Limited, a private Malawian entity remained outstanding. The loan was to be repaid from first dividends from Malcoal and interest is charged on the loan at the rate of 5% per annum. The loan was fully impaired at 30 June 2016 and remained unpaid at 30 June 2019.

At 30 June 2019, $112,000 was receivable from Geothermal Power Tanzania Limited and NuEnergy Gas (Tanzania) Limited, $13,000 was receivable from NuAfrica Limited and $13,000 was receivable from Tanzagrain Limited, for services provided in a prior year, related parties to Graeme Robertson.

In January 2014, a hire purchase contract with an option to purchase four trucks was entered into with Extran Limited, a related party of Graeme Robertson and David Mason. An amount of $334,000 was outstanding at 30 June 2019.

**2018**

At 30 June 2018 a loan of US$150,000 (A$203,000) to Malcoal joint venture partner Consolidated Mining Industries Limited, a private Malawian entity remained outstanding. The loan was to be repaid from first dividends from Malcoal and interest is charged on the loan at the rate of 5% per annum. The loan was fully impaired at 30 June 2016 and was still unpaid at 30 June 2018.

In June 2013, IEC subsidiary Tancoal Mining Limited received a loan of TZS300,000,000 from joint venture partner the National Development Corporation of Tanzania. The balance of this loan at 30 June 2018 was TZS170,000,000 (A$ 101,000).

At 30 June 2018, $105,000 was receivable from Geothermal Power Tanzania Limited and NuEnergy Gas (Tanzania) Limited, $12,000 was receivable from NuAfrica Limited and $12,000 was receivable from Tanzagrain Limited, for services provided in a prior year, related parties to Graeme Robertson.

In January 2014, a hire purchase contract with an option to purchase four trucks was entered into with Extran Limited, a related party of Graeme Robertson and David Mason. An amount of $324,000 was outstanding at 30 June 2018.

## 30. FINANCIAL RISK MANAGEMENT

Exposure to credit and interest rate risks arises in the normal course of the Group's businesses. The Group has exposure to the following risks from their use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market risk i) Interest rate risk, ii) Foreign currency risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

## 30. FINANCIAL RISK MANAGEMENT (CONT'D)

### 30(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

**Exposure to credit risk**

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | 2019<br>$'000s | 2018<br>$'000s |
|---|---|---|
| Trade and Other Receivables | 5,060 | 2,332 |
| Cash and cash equivalents | 724 | 411 |
| **Total** | **5,784** | **2,743** |

**Trade and other receivables**

The Group's receivables relate to GST and other taxation (including VAT) due from the Australian and Tanzanian taxation offices and trade receivables from coal sales.

**Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand and demand deposits. The Group limits its credit risk by holding its cash balance and demand deposits with reputable counterparties with acceptable credit ratings.

### 30(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board monitors liquidity risk on a monthly basis.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| 30 June 2019 | Carrying amount<br>$'000s | Contractual Cash Flows<br>$'000s | 6 months or less<br>$'000s | 6 – 12 months<br>$'000s | 1 – 2 years<br>$'000s | 2 – 5 years<br>$'000s | More than 5 years<br>$'000s |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Bank overdraft | 967 | 967 | 967 | – | – | – | – |
| Trade and other payables | 15,254 | 15,254 | 15,254 | – | – | – | – |
| Interest bearing liabilities | 2,715 | 2,715 | 872 | 712 | 750 | 381 | – |
| **Total** | **18,936** | **18,936** | **17,093** | **712** | **750** | **381** | **–** |

### 30. FINANCIAL RISK MANAGEMENT (CONT'D)

| 30 June 2018 | Carrying amount $'000s | Contractual Cash Flows $'000s | 6 months or less $'000s | 6 – 12 months $'000s | 1 – 2 years $'000s | 2 – 5 years $'000s | More than 5 years $'000s |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Bank overdraft | 2,268 | 2,268 | 2,268 | – | – | – | – |
| Trade and other payables | 15,963 | 15,963 | 15,963 | – | – | – | – |
| Interest bearing liabilities | 1,539 | 1,539 | 388 | 299 | 253 | 599 | – |
| **Total** | **19,770** | **19,770** | **18,619** | **299** | **253** | **599** | **–** |

**Cash and receivables**

The following are the contractual maturities of financial assets including receivables.

| 30 June 2019 | Carrying amount $'000s | Contractual Cash Flows $'000s | 6 months or less $'000s | 6 – 12 months $'000s | 1 – 2 years $'000s | 2 – 5 years $'000s | More than 5 years $'000s |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash | 724 | 724 | 724 | – | – | – | – |
| Trade and other receivables | 5,060 | 5,060 | 5,060 | – | – | – | – |
| **Total** | **5,784** | **5,784** | **5,784** | **–** | **–** | **–** | **–** |

| 30 June 2018 | Carrying amount $'000s | Contractual Cash Flows $'000s | 6 months or less $'000s | 6 – 12 months $'000s | 1 – 2 years $'000s | 2 – 5 years $'000s | More than 5 years $'000s |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash | 411 | 411 | 411 | – | – | – | – |
| Trade and other receivables | 2,332 | 2,332 | 2,332 | – | – | – | – |
| **Total** | **2,743** | **2,743** | **2,743** | **–** | **–** | **–** | **–** |

### 30(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

## 30. FINANCIAL RISK MANAGEMENT (CONT'D)

### (i) Interest rate risk

**Profile**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| 30 June 2019 | Average interest rate % | Floating Interest Rate % | Total $'000s |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 0% | – | 724 |
| Trade and other receivables | 0% | – | 5,060 |
| **Total** | **–** | **–** | **5,784** |
| **Financial liabilities** | | | |
| Bank overdraft | – | 8% | 967 |
| Trade and other payables | – | – | 15,254 |
| Interest bearing liabilities | – | 8% | 2,715 |
| Other liabilities | – | – | – |
| **Total** | **–** | **–** | **18,936** |
| **NET FINANCIAL ASSETS/ (LIABILITIES)** | **–** | **–** | **(13,152)** |

| 30 June 2018 | Average interest rate % | Floating Interest Rate % | Total $'000s |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 0% | – | 411 |
| Trade and other receivables | 0% | – | 2,332 |
| **Total** | **–** | **–** | **2,743** |
| **Financial liabilities** | | | |
| Bank overdraft | – | 8% | 2,268 |
| Trade and other payables | – | – | 15,963 |
| Interest bearing liabilities | – | 8% | 1,539 |
| Other liabilities | – | – | – |
| **Total** | **–** | **–** | **19,770** |
| **NET FINANCIAL ASSETS/ (LIABILITIES)** | **–** | **–** | **(17,027)** |

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 0%. The Company currently does not engage in any hedging or derivative transactions to manage interest rate risk.

## 30. FINANCIAL RISK MANAGEMENT (CONT'D)

### Interest rate sensitivity

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 10% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| **30 June 2019** | 10% increase $'000s | 10% decrease $'000s | 10% increase $'000s | 10% decrease $'000s |
| **Financial assets** | | | | |
| Cash and cash equivalents | – | – | – | – |
| Interest bearing liabilities | (22) | 22 | (22) | 22 |
| **Total** | **(22)** | **22** | **(22)** | **22** |

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| **30 June 2018** | 10% increase $'000s | 10% decrease $'000s | 10% increase $'000s | 10% decrease $'000s |
| **Financial assets** | | | | |
| Cash and cash equivalents | – | – | – | – |
| Interest bearing liabilities | (12) | 12 | (12) | 12 |
| **Total** | **(12)** | **12** | **(12)** | **12** |

### Foreign currency risk

As a result of activities overseas, the Group's Consolidated Statement of Financial Position can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from transactions dominated in currencies other than the functional currency of the entity.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The Group's exposure to foreign currency risk throughout the current year primarily arose from the Group's 100% interest in Intra Energy (Tanzania) Limited and its controlling interests in Tancoal and Tanzacoal (collectively "Tanzanian subsidiaries"), whose functional currencies are Tanzanian Shillings. Additionally the Group has exposure to foreign currency risk through the Group's 90% interest in Malcoal Mining Limited and 100% interest in Intra Energy Trading Malawi Limited (collectively "Malawian subsidiaries"), whose functional currencies are Malawian Kwacha. Foreign currency risk arises on translation of the net assets of these entities to Australian dollars. The foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

The Group is additionally exposed to the USD by way of its USD denominated loans to the KCB Bank Tanzania Limited. The foreign currency gains or losses arising from this risk are recorded in the Statement of Profit or Loss and Other Comprehensive Income.

## 30. FINANCIAL RISK MANAGEMENT (CONT'D)

**Sensitivity Analysis for Foreign Currency risk**

A sensitivity of 10% has been selected as this is considered reasonable given historic and potential future changes in foreign currency rates. This has been applied to the net assets of the Group. This sensitivity analysis is prepared at reporting date.

A 10% strengthening of the Australian dollar against the Tanzanian Shilling and Malawian Kwacha at 30 June 2019 would have increased the net liabilities of the Tanzanian and Malawian subsidiaries by A$0.15m (2018: decrease $0.67m). A 10% weakening of the Australian dollar against the Tanzanian Shilling and Malawian Kwacha at 30 June 2019 would have decreased the net liabilities of the Tanzanian and Malawian subsidiaries by A$0.18m (2018: increased $0.82m).

There would be no impact on profit or loss arising from these changes in the currency risk variables as all changes in value are taken to a reserve.

A 10% strengthening of the Australian dollar against the United States dollar at 30 June 2019 would have decreased net interest bearing liabilities of the KCB loans and hire purchases by A$0.30m (2018: $0.14m). A 10% weakening of the Australian dollar against the United States dollar at 30 June 2019 would have increased net interest bearing liabilities of the KCB loans and hire purchases by A$0.30m (2018: $0.14m).

The impact on profit or loss arising from changes in this currency risk variables would be taken to the Statement of Comprehensive Income.

The above analysis assumes that all other variables, in particular interest rates and equity prices, remain constant.

### 30(d) Fair value versus carrying amounts

The Group's carrying mounts of fair value assets and liabilities equate to their corresponding fair values.

### 30(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence. There were no changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

## 31. PARENT ENTITY DISCLOSURES

### Financial Position of Intra Energy Corporation Limited

| | 2019 $'000s | 2018 $'000s |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | 480 | 3 |
| Trade and other receivables | 68 | 14 |
| Other assets | - | - |
| **Total Current Assets** | **548** | **17** |
| **Non-Current Assets** | | |
| Investment in subsidiaries[1] | 4,136 | 4,136 |
| Property, plant and equipment | - | - |
| Loans to subsidiaries[1] | - | - |
| **Total Non-Current Assets** | **4,136** | **4,136** |
| **Total Assets** | **4,684** | **4,153** |
| **Current Liabilities** | | |
| Trade and other payables | 142 | 1,097 |
| Interest bearing liabilities | - | - |
| Employee liabilities | - | - |
| **Total Liabilities** | **142** | **1,097** |
| **Net Assets** | **4,542** | **3,056** |
| **Equity** | | |
| Issued capital | 69,590 | 69,590 |
| Reserves | 3,011 | 3,011 |
| Accumulated losses | (68,059) | (69,545) |
| **Total Equity** | **4,542** | **3,056** |

1. The ultimate recovery of investments and loans to subsidiaries is dependent on the successful development and commercial exploitation or sale of the subsidiary's exploration assets.
2. The Parent has net current assets of $0.41m deficiency of $1.080m (2018: net current asset deficiency of $1.08m)

### Financial Performance of Intra Energy Corporation Limited

| | 2019 $'000s | 2018 $'000s |
|---|---|---|
| Profit/(loss) for the year | **1,486** | **(105)** |
| **Total Comprehensive Income** | **1,486** | **(105)** |

The parent entity has not entered into any guarantees in relation to debts of its subsidiaries, has no contingent liabilities and has no commitments for the acquisition of property, plant and equipment.