

## QUARTERLY ACTIVITIES REPORT

### March 2020

- Sales in Q3– 122,941 tonnes
- Production in Q3 – 113,873 tonnes
- Coal stocks available to meet demand
- Ministry of Minerals issued Mining License to Tancoal

Intra Energy Corporation (**IEC**) is the dominant coal supplier to industrial energy users in the Eastern African region. Its 70% owned Tancoal mine in Tanzania which is also 30% owned by the National Development Corporation of Tanzania (**NDC**) is the largest operational coal mine in Tanzania and East Africa, and is manned exclusively by Tanzanians.

### MINING OPERATIONS

#### IEC Group Production and Sales

	Quarter Ended		
	Mar-20	Mar-19	Var (%)
Overburden Stripped (bcm)	378,443	952,468	-60.27%
Coal mined (tonnes)	113,873	192,722	-40.91%
Sold (tonnes)	122,941	202,726	-39.36%

Production and sales have been solely from the Tancoal Mine.

#### IEC Group quarterly sales volumes (as a percentage) by country

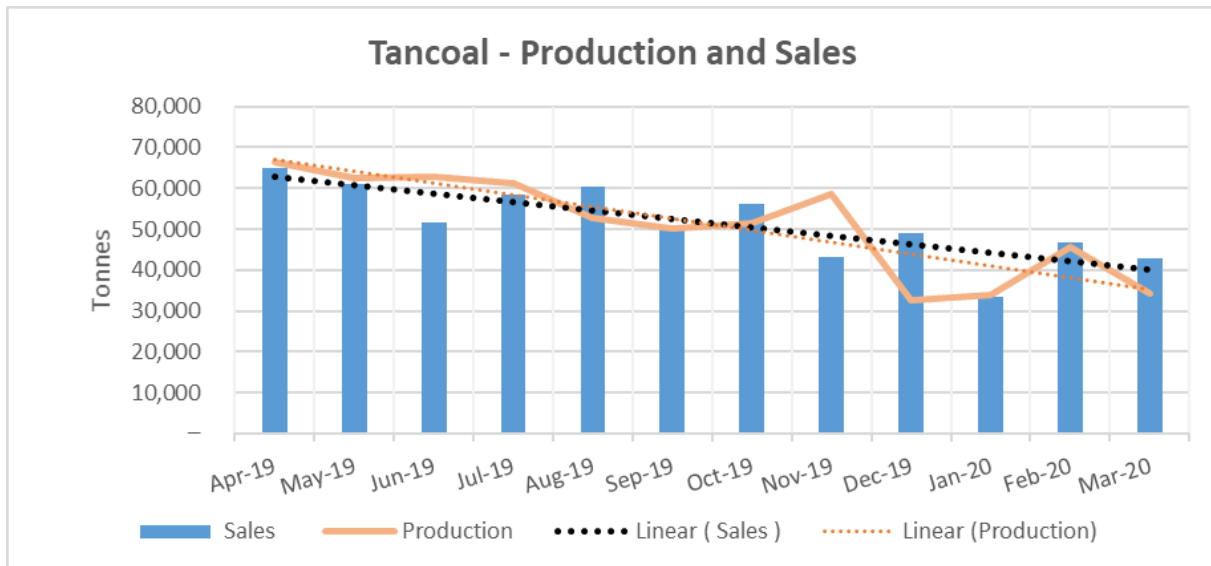
	Quarter Ended	
	Mar-20	Mar-19
Tanzania	64.45%	78.11%
Kenya	19.76%	13.52%
Rwanda	6.48%	6.36%
Uganda	9.31%	2.01%

**IEC Group quarterly sales volumes (as a percentage) by industry**

	Quarter Ended	
	Mar-20	Mar-19
Cement	53.79%	68.90%
Ceramics	38.21%	24.07%
Textiles	2.41%	4.16%
Other	5.59%	2.87%

The cement industry remained the main customer during the quarter. The marketing objective continues to be the lessening dependence on the cement industry and broadening the supply of coal into regional and seaborne industrial and power station markets.

**Tancoal (Tanzania)**



Tancoal's sales for the quarter continued to be lower due to the continued slowdown in the cement industry, uncertainty for customers surrounding the royalty on transport, kiln maintenance at a major customer, heavy rain that washed away a bridge on the haul road between the mine and Sales Point and increased competition from two small local competitor mines that have secured approximately 10,000 tonnes per month.

The Ministry of Minerals and the Mining Commission has advised that the 50% penalty on past royalties on transport from 2011 to 2014 will not be waived and the US\$10.4 million (refer ASX announcement 22 October 2019) must be paid evenly over four years beginning in April 2020. This is challenging and as this is disputed, Tancoal is continuing discussions with the Ministry.

The export market is approximately 35% of Tancoal's sales and Tancoal is continuing to discuss with the Ministry and the export customers in order to find a way forward that will maintain the export market for the benefit of both Tancoal and Tanzania. The borders in East Africa have Covid-19 precautions in place but they continue to be open for trucks carrying goods and services including coal to Tancoal's customers.

Tanzania has implemented Covid-19 precautions, all international visitors to the country must go into isolation for 14 days in government approved accommodation, schools have been closed, social distancing and washing of hands are encouraged, masks must be worn in Dar es Salaam and restaurants are only open for takeaway meals. Tancoal has implemented company policies to educate and protect its staff and contractors.

Tancoal is discussing an extension of time for the three final payments due under the settlement agreement made with the former contractor, Caspian (refer ASX announcement on 6 May 2019) due to tighter cash flow from lower sales.

### **Mining Licence**

Work has begun on opening up Mining Licence ML 610/2020 that was issued by the Ministry of Minerals during the month. The mining licence is adjacent to the north pit of the current licence and is critical for Tancoal to continue production without having to develop a new pit in the current licence, It also increases the company's coal resources substantially.

### **ENERGY**

IEC continues to investigate partnership arrangements for the development of a mine-mouth power station, however the Government has not given an approval for a coal-fired power station for southern Tanzania at this stage. Until such time a license is granted, there will be no further reporting on this matter.

### **MALAWI**

Operations and expenditure have ceased except for provision of care and maintenance services. The mining licence has been relinquished.

### **EXPLORATION**

Coal exploration is concentrated on tenements being maintained in good standing and supporting mine development work. Gold exploration continues through an associated company, Intra Minerals Limited (Mauritius) in the Cabo Delgado and Nampula Provinces of Mozambique. The initial gold exploration programme ended with the advent of the wet season in December/January. Gold and other minerals are being explored by Intrafrican Resources Limited, formerly known as AAA Drilling Limited (Mauritius) which will host the diversification of IEC into mineral exploration and services.

### **INTRAFRICAN RESOURCES LIMITED**

Intrafrican Resources has invested in Intra Minerals Limited which owns 95% of the Lurio Gold Project in Mozambique and has completed its initial trenching program. An independent expert has been retained

to issue a report which confirms the decision to further explore and drill the Lurio Gold Project as a prospective new goldfield.

The potential quantity and grade of the exploration project is conceptual in nature and therefore is an approximation. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Highlights of the project to date are that trenching results are encouraging enough to demand further drilling and exploration to improve understanding of the gold mineralisation on the approximately 130 square km licence area.

Intrafrican Resources is investigating options to raise capital to continue with the exploration program in the Lurio Gold Project with a drilling campaign.

## CORPORATE

Cashflow	Current Quarter A\$ '000	Year to Date (9 months) A\$ '000
<b>Cash at beginning of the Quarter</b>	<b>312</b>	<b>(243)</b>
Operating	(848)	1,407
Investing	(79)	(2,673)
Financing	(332)	563
Exchange Rate Adjustments	(33)	(34)
<b>Cash at end of Quarter</b>	<b>(980)</b>	<b>(980)</b>

- The bank overdraft limit with KCB Bank Tanzania Limited (“KCB”) was US\$0.9 million, (A\$1.463 million) at 31 March 2020.
- Bank Facilities with KCB Bank of Tanzania were renewed in September 2019 on the same terms and conditions.
- The appeal of the TRA assessment of VAT to Tancoal, from the commencement of mining to June 2015 of approx. 3 million US dollars of which approx. 50% is interest and penalties, is ongoing.
- The tax investigation unit of the TRA has commenced an audit from the incorporation of the company to the current period, the investigation is ongoing.
- In January 2020, the Prevention and Combating of Corruption Bureau (“PCCB”) commenced an investigation into Tancoal covering the period from the start of the company. Tancoal has not been advised of the reason for the investigation and is providing all documents as requested, the investigation is ongoing.
- The High Court of Tanzania (Commercial Division) in the NBC Bank case ruled in favour of Tancoal (refer ASX announcement 8 April 2019). NBC referred an appeal to the Court of Appeal of Tanzania and all the preliminary steps and processes have been done. The case now awaits a Summons for the date the hearing of the appeal will commence.

## Community

- The Mbalawala Women’s Organisation (“MWO”) in Tanzania that has been supported by the company for many years continues to go from strength to strength as their operations expand with the growth of the mine.
- Tancoal’s Corporate Social Responsibility (“CSR”) plan for 2020 has being submitted.

## OUTLOOK

The Quarter under review has seen operations affected by heavy rainfall and difficult conditions for haulage from mine site to the Kitai stockpile with the loss of a bridge for several days. Discussions continue between Tancoal Energy Limited and the Minerals Ministry and Mining Commission but have not to date been productive with regards transport royalties and penalties. This is reflected in the downturn in sales compounded by heavy rainfall.

Intrafrican Resources Limited on the other hand shows good potential through its associated company, Intra Minerals Limited, in the Lurio Gold Project in Mozambique. Mining development is encouraged in Mozambique and the terms of licensing are realistic. Funding is being reviewed through the potential secondary listing of Intrafrican Resources in Mauritius, but this has been delayed by the COVID-19 lockdowns internationally.

For further information please contact:

### Shareholder Enquiries

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Tenement ID	Country	Company	% Ownership	Locality	Minerals	Status
PL 7620/2012	Tanzania	Tancoal	100	Mbuyura/Mkapa	coal	2 <sup>nd</sup> Renewal pending
PL 7713/2012	Tanzania	Tancoal	100	Mhukuru	coal	active
PL 8999/2013	Tanzania	Tancoal	100	Mbalawala East	coal	active
ML 439/2011	Tanzania	Tancoal	100	Tancoal	coal	Active
PL 7391/2011	Tanzania	Tancoal	100	Mbalawala	coal	active
PL 9807/2014	Tanzania	Tancoal	100	Mbamba bay	coal	active
ML/608/19	Tanzania	Tancoal	100	Mbuyura/Mkapa	coal	ML Application recommended
ML/609/19	Tanzania	Tancoal	100	Mbuyura	coal	ML Application recommended
ML610/20	Tanzania	Tancoal	100	Mbalawala	coal	Active
PL 10417/2014	Tanzania	Tancoal	100	Mhukuru	coal	Active
PL 11156/2017	Tanzania	Tancoal	100	Mbinga/Ruvuma	coal	Active
PL 11086/2016	Tanzania	Tancoal	100	Mbinga/Ruvuma	coal	Active
PL 13996/2019	Tanzania	Tancoal	100	Mbinga/Ruvuma	coal	Active
PL 10116/14	Tanzania	Tanzacoal	100	Songwe/Kiwira	coal	Active
PL 10058/14	Tanzania	Tanzacoal	100	Songwe/Kiwira	coal	Active
ML 0143/2005	Malawi	Malcoal	100	Kayelekera	coal	Active
PL10975/2016	Tanzania	Intra Energy (Tanzania)	100	Dodoma	lithium	Active
PL10976/2016	Tanzania	Intra Energy (Tanzania)	100	Dodoma	lithium	Active
PL10977/2016	Tanzania	Intra Energy (Tanzania)	100	Dodoma	lithium	Active
PL/10979/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active
PL10950/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active
PL/10980/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active
PL10981/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active

Tancoal is owned 70% by IEC

Malcoal is owned 90% by IEC