INTRA ENERGY CORPORATION LIMITED

ABN 65 124 408 751

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2019

Contents

Directors' Report

The Directors submit their report for the half year ended 31 December 2019.

Directors

The names of the Company's Directors in office during the half year and until the date of the report are as follows:

Mr Graeme Robertson (Chairman)
Mr Troy Wilson
Mr Alan Fraser
Mr Marc Schwartz (appointed 31 July 2019)
Mr James Shedd

Company Secretary

Ms. Rozanna Lee

Principal activities

The principal activities of the Consolidated Entity during the period were gold exploration and coal exploration, production and supply in Eastern Africa.

Operating results

Results Summary

The consolidated results for the half-year ended 31 December 2019 were impacted by the recognition of significant expenses from prior periods of which the two largest were disclosed as contingent liabilities in the June 2019 Annual Report.

The underlying profit after tax on continuing operations before significant expenses was $748,000.

	31-Dec 2019 $'000	31-Dec 2018 $'000
Operating revenue	22,806	26,484
Operating expenses	(21,067)	(23,222)
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**1,739**	**3,262**
Depreciation & amortisation	(780)	(480)
Interest and dividend expenses	(211)	(155)
Underlying Profit after tax on continuing operations	**748**	**2,627**
Significant items after tax *	(16,516)	0
Statutory loss from continuing operations	(15,768)	2,627
Loss from discontinued operations	(98)	(93)
Statutory loss for the period	(15,866)	2,534

Significant items

The following significant items in the half-year accounts were contingent liabilities in the June 2019 annual accounts.

1. The Ministry of Energy and Minerals has made a claim to Tancoal for US$10.4 million (A$15.205m) (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.

2. 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$684,000).

An additional significant item is an assessment from the TRA for a withholding tax audit of TZS 278,662,706 (A$178,000), the majority of this assessment was for withholding tax on the full value of management fees up to 30 June 2016, the assessment was imposed retrospectively after the law was brought in on 1 July 2016, prior to this withholding tax under the law was properly charged on only 30% of the management fees.

The Underlying Profit after Tax on Continuing Operations also includes an expense of $1.521m for royalty on transport charges in the half-year, the re-charging of these costs to customers is still under discussion but not resolved.

Review of operations

The 'Consolidated Entity' referred to in the financial statements refers to the Intra Energy Corporation Limited combined Group comprising Intra Energy Corporation Limited (referred to either as "Intra Energy", "IEC" or "the Company"), Intra Energy (Tanzania) Limited ("IETL"), Tancoal Energy Limited ("Tancoal"), Tanzacoal East Africa Mining Limited ("Tanzacoal"), AAA Drilling Limited ("AAA Tanzania"), Malcoal Mining Limited ("Malcoal"), Intra Energy Trading Limited, East Africa Mining Limited, Intra Energy Limited, Intrafrican Resources Limited ("Intrafrican") and Pamodzi Power Limited.

Mining Operations:

Tancoal (Tanzania)

Intra Energy's 100% owned Tanzanian subsidiary, IETL owns a 70% interest in Tancoal, a joint venture with the National Development Corporation of Tanzania ("NDC"), holding the remaining 30% interest. Tancoal was granted a Mining Licence by the Tanzanian Government on 18 August 2011 and commenced mining and supply of thermal coal to domestic and regional industrial customers mainly in Tanzania, Kenya, Uganda and Rwanda. The mine is manned exclusively by Tanzanians.

IEC's flagship project, the Tancoal Mine, is a project of Tanzanian national significance and remains the major operating coal mine in Tanzania.

SALES	**Dec 19 HY**	**Dec 18 HY**
Coal Sold (tonnes)	317,645	408,595
PRODUCTION	**Dec 19 HY**	**Dec 18 HY**
Overburden Stripped (BCM)	1,548,608	1,565,572
Coal Mined (tonnes)	307,360	364,519

Sales began strongly at the start of the half-year but the imposition of the royalty on transport, the startup of some smaller competitor mines, lower sales to some major customers undergoing refurbishment of their plants and the rainy season reduced sales during the period.

Production capacity at the mine has been increased to 80,000 tonnes per month which enables Tancoal to increase production to meet customer demand when it increases.

The focus remains on meeting the requirements of local customers in Tanzania and then the marketing of coal into regional economies while working on the development of export facilities through the Port of Mtwara to allow barge and/or Handymax deliveries to overseas consumers.

Directors' Report – (Cont'd)

Tancoal has complied in full with the new local content regulations of the Tanzanian government.

Intrafrican Resources (Mozambique)

During the half-year, Intrafrican Resources, a fully owned subsidiary of IEC registered in Mauritius (previously named AAA Drilling Limited), acquired 15% of the issued capital in Intra Minerals Limited, a company registered in Mauritius. Intra Minerals Limited did not contribute any profit to the Group's consolidated profit from ordinary activities during the period.

Intra Minerals Limited owns 95% of the Lúrio Gold Project in Mozambique. The exploration project currently comprises a 168.56 km2 large prospecting license (8416L) in the historically underexplored Lúrio Belt. As part of recent exploration activities, an initial trenching and sampling program has been completed at Savane, a prospective area within the aforementioned prospecting licence.

An independent expert, Benedikt Steiner (CGeol EurGeol), has been retained to advise on the project and to compile a non-JORC technical report summarising and evaluating the exploration activities on the project from 2017 to 2019. Mr Steiner's initial observations confirmed the validity of the exploration project, which is considered as an encouraging first-mover opportunity into a much larger prospective area.

Intrafrican Resources is investigating options to raise capital to continue with the exploration program in the Lurio Gold Project as well as investigating another recently found gold area for exploration potential.

Malcoal (Malawi)

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

Projects:

Project Ngaka (Tanzania)

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.

Exploration:

Limited exploration was undertaken during the period, with expenditure continuing to be controlled so as to preserve cash whilst still maintaining the Company's portfolio of tenements in good standing.

IEC's total resources no longer include the resource for Malawi.

Table 1 - Intra Energy JORC resources

Project	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Tanzania				
Tancoal – North	51.00	73.70	71.73	196.43
Tancoal – South	25.53	71.80	63.00	160.33
Total JORC resources	**76.53**	**145.50**	**134.73**	**356.76**

Directors' Report – (Cont'd)

COMPETENT PERSON STATEMENT

MBALAWALA/MBUYURA-MKAPA

The information in this report relates to Exploration Results, Mineral Resources or Ore Reserves based on the Mbalawala Mine Bankable Feasibility Study with related infrastructure feasibility options as at 31 August 2010, the Mbalawala Coal Mine Bankable Feasibility Study as at 13 August 2010, the Resource Model Assessment and Review, Ngaka Project Area as at 20 July 2010 an the Updated Raw Coal Resource Estimate provided by JB Mining Services Pty Ltd dated 30 September 2017 and 30 November 2017 and have been reviewed by Mr Phillip Sides. Mr Sides is a Member of the Australian Institute of Geoscientists and as such qualifies as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ~ The JORC Code ~ 2012 Edition". Mr Sides is a consultant to JB Mining Services Pty Ltd and has sufficient experience to qualify as a Competent Person as defined in The JORC Code. Mr Sides consents to the inclusion of the matters based on his information in the form and context in which it appears.

Financial:

KCB Bank Tanzania Limited (KCB) has provided the following facilities. All facilities are in place with a review due in June 2020. The main terms of the facilities are summarised below:

- US$900,000 overdraft facility, 8%
- US$900,000 term loan at 8%
- Term Loan US$936,000 for Crusher and Screening Plant, 8%
- Spot rate at 31 December 2019 was 0.69939

Kanu Equipment Tanzania has financed the purchase of mining plant and equipment for a total of US$1,731,000 at 9%. At 31 December 2019 US$1,144,000 was outstanding.

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.

Corporate Social Responsibility:

The Mbalawala Women's Organisation ("MWO") in Tanzania has been supported by the company for many years. MWO has worked very hard and with the increased production and sales at the mine their catering and accommodation service business has achieved financial independence, the company will continue to support them with technical and other ongoing support that they need. MWO has received a Tested Product Certificate from the Tanzania Bureau of Standards which is a licence for them to manufacture coal briquettes. These briquettes from coal fines mixed with clay, have the potential to reduce the use of charcoal in cooking fires and hence reduce the environmental devastation caused by the charcoal industry.

Tancoal donates funds to local village organisations to support their activities within the community and has donated funds for new school classrooms and a project to construct a well capable of delivering 7,000 litres per hour of potable water at the Ntunduwaro village close to the mine site.

Tancoal has submitted its Corporate Social Responsibility ("CSR") plan for 2020 to the Government as required.

Directors' Report – (Cont'd)

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Consolidated Entity under ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191. The Consolidated Entity is an entity to which the Class Order applies.

Auditor's independence declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 22.

Signed in accordance with a resolution of the Directors.

Graeme Robertson
Non-Executive Chairman
Dated at Sydney this 12th of March 2020

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2019

	31-Dec 2019 $'000	31-Dec 2018 $'000
Sales income	22,806	26,484
Cost of production	(17,450)	(20,185)
GROSS PROFIT	5,356	6,299
Foreign exchange loss	(12)	(42)
Compliance and regulatory expenses	(122)	(118)
Legal and professional expenses	(216)	(196)
Depreciation and amortisation	(780)	(480)
Remuneration and employee expenses	(1,523)	(1,382)
Exploration expenditure	(13)	(7)
Other expenses	(1,731)	(1,292)
Impairment on financial assets	(449)	-
Royalty on transport costs provided for	(15,205)	-
Prior period tax audit costs provided for	(862)	-
Finance costs	(211)	(155)
PROFIT/(LOSS) BEFORE INCOME TAX	**(15,768)**	**2,627**
Income tax benefit/(expense)	-	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(15,768)**	**2,627**
Loss from discontinued operations	(40)	(50)
Loss from discontinued operations – share of equity-accounted investees	-	(75)
Reversal of impairment of assets from discontinued operations	(58)	32
PROFIT/(LOSS) FOR THE PERIOD	**(15,866)**	**2,534**
OTHER COMPREHENSIVE INCOME		
Foreign currency translation (loss)/gain	281	(17)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(15,585)**	**2,517**
NET PROFIT/(LOSS) FOR THE PERIOD		
Attributed to:		
Shareholders of Intra Energy Corporation Limited	(10,918)	1,837
Non-controlling interest	(4,948)	697
	(15,866)	**2,534**
TOTAL COMPREHENSIVE GAIN/(LOSS) FOR THE PERIOD		
Attributed to:		
Shareholders of Intra Energy Corporation Limited	(10,675)	1,825
Non-controlling interest	(4,910)	692
	(15,585)	**2,517**
PROFIT/(LOSS) PER SHARE (cents per share, basic and diluted)		
- Profit/(loss) per share on continuing and discontinued operations	(2.82)	0.65
- Profit/(loss) per share on continuing operations	(2.79)	0.67
- Profit/(loss) per share on discontinued operations	(0.03)	(0.02)

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the Financial Statements.

Financial Statements

Consolidated Statement of Financial Position
as at 31 December 2019

	Notes	31-Dec 2019 $'000	30-Jun 2019 $'000
Current Assets			
Cash and cash equivalents		691	724
Inventories		2,221	2,204
Trade and other receivables		5,492	5,060
Total Current Assets		**8,404**	**7,988**
Non-Current Assets			
Property, plant and equipment		6,567	7,443
Rights of use assets	5	2,958	828
Mine development costs		5,108	5,079
Exploration expenditure		766	722
Other Financial Assets		150	-
Total Non-Current Assets		**15,549**	**14,072**
TOTAL ASSETS		**23,953**	**22,060**
Current Liabilities			
Bank overdraft		379	967
Trade and other payables		32,215	15,254
Employee benefits		105	89
Interest bearing liabilities	3	1,559	2,005
Lease liabilities	4	1,527	710
Liabilities held for sale	6	1,234	1,182
Total Current Liabilities		**37,019**	**20,207**
Non-Current Liabilities			
Lease liabilities	4	626	-
Provisions		843	803
Total Non-Current Liabilities		**1,469**	**803**
TOTAL LIABILITIES		**38,488**	**21,010**
NET (LIABILITIES)/ASSETS		**(14,535)**	**1,050**
EQUITY			
Issued capital	7	69,590	69,590
Reserves		2,355	2,112
Accumulated losses		(75,831)	(64,913)
Total equity attributed to equity holders of the Company		**(3,886)**	**6,789**
Non-controlling interest		(10,649)	(5,739)
TOTAL EQUITY		**(14,535)**	**1,050**

The Statement of Financial Position should be read in conjunction with the accompanying notes to the Financial Statements.

Financial Statements

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2019

	Issued Capital	Accumulated Losses	Performance Rights	Option Reserve	Foreign Currency Translation Reserve	Total	Non-Controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2019	**69,590**	**(64,913)**	**795**	**2,216**	**(899)**	**6,789**	**(5,739)**	**1,050**
Net profit/(loss) for the period	-	(10,918)	-	-	-	(10,918)	(4,948)	(15,866)
Foreign currency translation differences	-	-	-	-	243	243	38	281
Total comprehensive income / (loss)	-	(10,918)	-	-	243	(10,675)	(4,910)	(15,585)
Transactions with owners recorded directly into equity								
Shares issued during the period	-	-	-	-	-	-	-	-
Balance at 31 December 2019	**69,590**	**(75,831)**	**795**	**2,216**	**(656)**	**(3,886)**	**(10,649)**	**(14,535)**
At 1 July 2018	**69,590**	**(68,193)**	**795**	**2,216**	**(1,584)**	**2,824**	**(6,694)**	**(3,870)**
Net profit/(loss) for the period	-	1,837	-	-	-	1,837	697	2,534
Foreign currency translation differences	-	-	-	-	(12)	(12)	(5)	(17)
Total comprehensive income / (loss)	-	1,837	-	-	(12)	1,825	692	2,517
Transactions with owners recorded directly into equity								
Shares issued during the period	-	-	-	-	-	-	-	-
Balance at 31 December 2018	**69,590**	**(66,356)**	**795**	**2,216**	**(1,596)**	**4,649**	**(6,002)**	**(1,353)**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes to the Financial Statements.

Financial Statements

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2019

	31-Dec 2019 $'000	31-Dec 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	21,231	25,616
Payments to suppliers and employees	(18,708)	(20,627)
Interest paid	(211)	(155)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**2,312**	**4,834**
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral exploration and development expenditure	(58)	(34)
Purchase of property, plant and equipment	(2,444)	(376)
Payment for investment	(150)	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	**(2,652)**	**(410)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,389	-
Repayment of borrowings	(1,494)	(336)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	**895**	**(336)**
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	555	4,088
Effect of exchange rate changes on cash and cash equivalents	-	(94)
Cash and cash equivalents at beginning of period	(243)	(1,857)
Transfer from bank overdraft to term loan	-	1,187
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**312**	**3,324**

Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management. The Statement of Cash Flows should be read in conjunction with the accompanying notes to the Financial Statements.

1. Summary of Significant Accounting Policies

a) Basis of Preparation

This general purpose half-year financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134 Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Intra Energy Corporation Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

The interim financial statements were authorised for issue by the board of directors on 12 March 2020.

b) 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 loss after tax for the half-year of $15.866m (2018: profit of $2.534m). The loss included $16.067m of expenses from prior periods, including the US$10.400m (A$15.205m) for the royalty on transport from prior years and the repayment of the customs levy, both were contingent liabilities at 30 June 2019 but discussions were not successful during the half year so the liabilities have been expensed, the liabilities will be subject to payment plans. The loss also includes a doubtful debt of $0.449m. The underlying profit from continuing operations is $0.748m. The loss also includes $1.521m for royalty on transport costs in the half-year, this cost is still under discussions with the stakeholders and if an agreement is reached they may be invoiced to the customers.
- Current liabilities exceed current assets by $28.615m. The deficit in net current liabilities includes an overdraft and loan facilities of $1.488m payable to KCB Bank of Tanzania ("KCB") under loan facilities which can be called at any time and also includes $15.205m for the royalty on transport from prior periods that is under discussion to be paid on a payment plan over more than one year.

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

- Noted the continued support from KCB bank.
- Considered the improved market conditions for coal supply and coal sales have continued to increase as the Group responds to growing demand in the East African cement and industrial markets segment. The ban on the importation of coal has resulted in increased sales orders and this trend is expected to continue. As Tancoal continues to implement productivity improvements and expand the export market, 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 improvements to the mine infrastructure.
- Retained their confidence in the strategic value of the Group as it develops its coal projects across East Africa. IEC is the dominant and growing coal miner and supplier to industrial energy users in the Eastern African region. Eastern Africa is one of the fastest growing regions in the world with national growth rates between 5% and 8%.
- 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 debt facility or repayment plans can't be negotiated, the Group will be required to raise further debt or equity or divest assets to continue as a going concern.

1. Summary of Significant Accounting Policies – (Cont'd)

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.

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.

c) Accounting Policies
The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 1(d) below.

d) New and Amended Standards Adopted by the Group
The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

- AASB 16: *Leases*

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 2

e) Significant accounting judgements, estimates and assumptions

In the application of the Consolidated Entity's accounting policies 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 ongoing 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:

Rehabilitation expenditure

The mining, extraction and processing activities of the Company give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal of 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 the 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 recognized, the corresponding cost is capitalized 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 'Mine Development Costs' 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 Consolidated Statement of Financial Position date and the costs charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in line with remaining future cash flows.

1. Summary of Significant Accounting Policies – (Cont'd)

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.

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.

2. Changes in Accounting Policies

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

There were no changes to the prior year financial statements as a result of the changes in the Group's accounting policies.

a. Leases

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset

3. Interest bearing liabilities

	31-Dec 2019 $'000	30-Jun 2019 $'000
Current		
Secured loan facility – overdraft transferred to term loan	720	924
Secured loan facility – crushing and screening plant	769	897
Insurance premium funding	70	184
	1,559	**2,005**

Secured loan facility

The secured loans are with KCB Bank Tanzania Limited ("KCB"). The main terms of the facilities (current liabilities) are summarised below:

- Term Loan (at call) for US$936,000 at 8% interest rate for the purchase of the crushing and screening plant;
- Term Loan (at call) for US$900,000 at 8% interest rate for half the overdraft transferred to a term loan in July 2018.

The loan is classified as current debt as KCB retains the right to demand immediate repayment of the facility.

The Insurance premium funding terms are;

- Commercial Bank of Africa Ltd TZS 111,753,168 that was paid by 31 January 2020

4. Lease liabilities

	31-Dec 2019 $'000	30-Jun 2019 $'000
Current		
Secured loan facility – mining equipment	1,192	376
Hire purchase	335	334
	1,527	**710**
Non current		
Secured loan facility – mining equipment	626	-
	626	**-**

5. Right-of-Use Assets

	31-Dec 2019 $'000	30-Jun 2019 $'000
Current		
Leased equipment	3,235	846
Accumulated depreciation	(277)	(18)
	2,958	828

The secured loans for mining equipment are with Kanu Equipment Tanzania at 9% interest rate secured against the equipment that is financed.

6. Disposal group held for sale

The Malawi Group is presented as a disposal group held for sale. The carrying value of the assets was fully impaired as at 30 June 2016. The Company continues to work to progress a sale with potential purchasers. As at 31 December 2019, the disposal group was stated at fair value and comprised the following assets and liabilities:

	31-Dec 2019 $'000s	30-Jun 2019 $'000s
Property, plant and equipment	252	244
Mine development and exploration costs	1,327	1,277
Inventories	1	1
Trade and other receivables	9	9
Less: Provision for impairment	(1,589)	(1,531)
Assets held for sale	**-**	**-**
Trade and other payables	1,234	1,182
Provisions	-	-
Liabilities held for sale	**1,234**	**1,182**

7. Issued capital

	31-Dec 2019 $'000	30-Jun 2019 $'000
Fully Paid Ordinary Shares		
387,724,030 shares (30 June 2019: 387,724,030 ordinary shares)	69,590	69,590

During the period to 31 December 2019 there were no shares issued in the Company.

8. Post Balance Date Events

There has not arisen in the interval between 31 December 2019 and the date of this report, any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, in future financial years.

9. 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 31 December 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 Bank has lodged an appeal and the outcome is pending.

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.

Other than the above, the Directors are not aware of any contingent liabilities or contingent assets at 31 December 2019.

10. Segment Information

The Consolidated Entity operates in two geographical segments being Australia and Africa.

Segment information

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Consolidated Entity's business is coal exploration, production and the provision of drilling services in Eastern Africa.

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 Consolidated Entity.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs.

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 Consolidated Entity as a whole and are not allocated. Segment liabilities include trade and other payables.

10. Segment Information – (Cont'd)

Geographical Segment	Australia Period Ended 31-Dec-19 $'000	Australia Period Ended 31-Dec-18 $'000	Africa Period Ended 31-Dec-19 $'000	Africa Period Ended 31-Dec-18 $'000	Eliminations Period Ended 31-Dec-19 $'000	Eliminations Period Ended 31-Dec-18 $'000	Consolidated Period Ended 31-Dec-19 $'000	Consolidated Period Ended 31-Dec-18 $'000
Revenue								
Sales revenue	-	-	22,806	26,484	-	-	22,806	26,484
Inter segment revenue	1,639	1,071	-	-	(1,639)	(1,071)	-	-
Total revenue	1,639	1,071	22,806	26,484	(1,639)	(1,071)	22,806	26,484
Cost of production	-	-	(17,450)	(20,185)	-	-	(17,450)	(20,185)
Gross Profit	**1,639**	**1,071**	**5,356**	**6,299**	**(1,639)**	**(1,071)**	**5,356**	**6,299**
Other income		-	-	-	-	-	-	-
Other operating expenses	(896)	(813)	(18,788)	(2,224)	-	-	(19,684)	(3,037)
(Loss)/profit before impairment, depreciation, amortisation, net finance costs	**743**	**258**	**(13,432)**	**4,075**	**(1,639)**	**(1,071)**	**(14,328)**	**3,262**
Impairment							(449)	-
Depreciation							(745)	(442)
Amortisation							(35)	(38)
Results from operating activities							(15,557)	2,782
Finance income								
Finance expenses							(211)	(155)
(Loss)/Profit Before Tax							(15,768)	2,627
Income tax benefit/(expense)							-	-
(Loss)/Profit from continuing operations							(15,768)	2,627
Loss from discontinued operations							(98)	(93)
(Loss)/profit for the period							(15,866)	2,534

10. Segment Information – (Cont'd)

Geographical Segment	Australia Period Ended 31-Dec-19 $'000	Australia Period Ended 30-Jun-19 $'000	Africa Period Ended 31-Dec-19 $'000	Africa Period Ended 30-Jun-19 $'000	Eliminations Period Ended 31-Dec-19 $'000	Eliminations Period Ended 30-Jun-19 $'000	Consolidated Period Ended 31-Dec-19 $'000	Consolidated Period Ended 30-Jun-19 $'000
Balance per statutory accounts								
Total assets	4,775	4,684	24,541	22,124	(5,363)	(4,748)	23,953	22,060
Total liabilities	(204)	(142)	(79,653)	(60,651)	41,369	39,783	(38,488)	(21,010)

Directors' Declaration

In accordance with a resolution of the Directors of Intra Energy Corporation Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Consolidated Entity, as set out on pages 8 to 20:

   (i) give a true and fair view of the financial position as at 31 December 2019 and the performance for the half-year ended on that date of the Consolidated Entity; and

   (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Graeme Robertson
Executive Chairman
Dated at Sydney this 12th day of March 2020

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INTRA ENERGY CORPORATION LIMITED
ABN 65 124 408 751
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF INTRA ENERGY CORPORATION LIMITED

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Intra Energy Corporation Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Intra Energy Corporation Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Intra Energy Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

INTRA ENERGY CORPORATION LIMITED
ABN 65 124 408 751
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF INTRA ENERGY CORPORATION LIMITED

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Intra Energy Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report, which indicates that the Group's current liabilities exceeded its current assets by $13,183,000. As stated in Note 1(b), this event or condition, along with other matters as set forth in Note 1(b), indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 12 March 2020

INTRA ENERGY CORPORATION LIMITED
ABN 65 124 408 751
AND ITS CONTROLLED ENTITIES

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF INTRA ENERGY CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Date: 12 March 2020