

ASX Release

2 September 2019

**TANZANIA MINING COMMISSION DEMANDS ROYALTY
ON TRANSPORT OF COAL**

On 27 August 2019, Tancoal Energy Limited (Tancoal), the 70% owned subsidiary of Intra Energy Corporation Ltd ("IEC" or "the Company") and 30% the National Development Corporation (NDC) received the attached notification from the Ministry of Minerals, Mining Commission directing Tancoal to charge royalty to customers on their cost of transport.

The following summarises the impact on customers and gives a background to the royalty issue.

- 3% Royalty + 1% Clearance and Inspection Fee to be charged on the cost of transport from Tancoal mine to customers plants for both domestic and export customers;
- Mining Commission has given standard rates per ton per kilometre to be charged;
- USD \$0.06 per ton per kilometer for domestic customers;
- USD \$0.08 per ton per kilometer for export customers;
- Price of coal will increase by USD \$2.94 per tonne to largest domestic customers and USD \$8.23 per tonne to largest export customers;
- Mining Commission will not issue coal transportation permits after 15 September 2019 if the royalty on transport is not implemented;
- Tancoal does not own trucks and will be forced to sell to licenced dealers who will buy on behalf of customers creating an additional cost.

Background

Tancoal has been producing and selling coal in Tanzania since 2011. Coal from the mine is transported 52 kilometers to the sales point at Kitai where the coal undergoes final processing and is then loaded onto customers trucks Free On Transport (FOT), which is where change of ownership takes place. Royalties have always been paid at the sales point where the Government calculates the royalty and issues an invoice for payment. Three independent law firms and a report received in July 2019 from the Attorney General all agreed that this was the proper interpretation of the law.

In addition, Tancoal has gone through numerous Government audits over the past 8 years, from agencies such as the Tanzania Revenue Authority (TRA), Tanzania Minerals Audit Agency and the Tanzania National Audit Office (CAG) which have never mentioned this procedure as being incorrect.

The Attorney General has now recalled his July report and has changed the ruling to state that Tancoal is not in compliance with the law and should charge royalty on the transportation of the coal to the final destination, wherever that may be. Tancoal has been notified by the office of the Ministry of Minerals that the law must be implemented by 15 September 2019 otherwise trucks will not be allowed to leave the sales point.

The Company continues to discuss this matter with the Government and customers to find a solution.

ENDS

Shareholder Enquiries

Jim Shedd

Managing Director

Intra Energy Corporation Limited

www.intraenergycorp.com.au

Registered Office: Level 40, 2 Park Street, Sydney NSW 2000

Postal Address: PO Box 1930, North Sydney NSW 2059

About Intra Energy

Intra Energy is an environmentally responsible, diversified mining and energy group, focused on Eastern Africa, and is listed on the Australian Stock Exchange (ASX:IEC). IEC is a developer and producer of thermal coal in Eastern Africa operating under the motto of “African coal for African growth” and is the only operating thermal coal miner in Eastern Africa. Its flagship coal project is the Tancoal mine in the Ngaka coalfield of Tanzania, operated by Tancoal Energy Limited, a joint venture with the National Development Corporation of Tanzania.

Intra Energy has made significant progress with its Eastern African regional expansion strategy into new mining and renewable energy projects and battery storage materials, and maintains cost effective and efficient operations to remain a low cost producer in this dynamically growing region where it occupies the prime supply position.

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF MINERALS

MINING COMMISSION

Telegrams "MADINI".
Phone: 025-2602458
Fax: 025-2602458
email: ruvuma@tumemadini.go.tz



Resident Mines Office,
P.O. Box 327,
SONGEA

In reply please quote:

Ref. No. DA 169/250/80/V/5

27th August, 2019

Chief Executive Officer,
Tan coal Energy Limited,
P.O. Box 327,
DAR ES SALAAM

Re: COMPLIANCE WITH REQUIREMENTS OF THE MINING ACT, 2010 R.E 2017

Refer to our letter with Ref. No. DA/169/250/80/IV/19 dated 22nd November 2018 headed "CORRECT PAYMENT OF ROYALTY, INSPECTION & CLEARANCE FEES" on the above subject.

The Office of the Resident Mines Officer Ruvuma contacted coal customers listed in your letter dated 15 November 2018 headed "TRANSPORTATION COSTS FROM KITAI TO CUSTOMERS PLANTS", for submission of requisite coal transportation costs from Kitai Coal Depot to their plants.

Following a thorough analysis of the submitted coal transportation costs from September 2011 (when you commenced coal sales) through June 2019, it was noted that there are two distinct unit coal transportation rates for **domestic** and **exports**. It was established that average unit coal transportation cost is **USD 0.06** per ton per kilometer for **local customers**; and **USD 0.08** per ton per kilometer for **exports**. Be informed that such rates should be utilized for establishment of "**Gross Value**" of coal at the "**point of delivery**" for local customers and "**point of sale**" for exports; applicable for computation of payable royalty, inspection & clearance fees. The rates shall be subject for review semi-annually.

Be reminded to transport coal produced from your Ngaka Coal Mine up to customers' plants through either **self-owned trucks, contractors or transport agents**. Alternatively, you may wish to sell it to **licensed dealers** who shall be responsible for onward delivery to customers and payment of royalties, inspection & clearance fees. Note that disposal of minerals to unlicensed customers is contrary to **Section 18** of the **Mining Act, 2010 R.E 2017**. Be further informed that my office shall not be in a position to issue coal transportation permits after **September 15, 2019** if **Section 18** of the Mining Act, 2010 R.E 2017 **shall not be adhered**. Please do the needful to avoid unnecessary inconveniences.

A handwritten signature in blue ink, appearing to read 'J. Nkana'.

Jumanne M. Nkana

Ag. RESIDENT MINES OFFICER - RUVUMA

Copy:

Executive Secretary,
Mining Commission,
P.O. Box 2292,
DODOMA

Managing Director,
NDC,
P.O. Box 2669,
DAR ES SALAAM