# Intra Energy Corporation Limited

(ABN 65 124 408 751)

## Annual Financial Report

For the year ended 30 June 2016

# Contents

# Corporate Directory

**DIRECTORS**

Graeme Robertson (Chairman)
David Mason
Mark McAndrew (appointed 7 October 2015)
Jonathan Warrand (resigned 8 August 2016)
William Paterson (resigned 7 October 2015)
Simon Harvey (Alternate Director for Jonathan Warrand) (resigned 20 June 2016)

**COMPANY SECRETARY**

Rozanna Lee

**ACTING CHIEF OPERATING OFFICER**

Mark McAndrew

**REGISTERED OFFICE - AUSTRALIA**

Level 40, 2 Park Street
Sydney NSW 2000

Email: info@intraenergycorp.com.au

**REGISTERED OFFICE - TANZANIA**

Amverton Tower
Plot No 1127
Chole Road, Masaki
PO Box 23059
Dar es Salaam, Tanzania

**REGISTERED OFFICE - MALAWI**

1st Floor, Part of East Wing
Kang'ombe House
City Centre
Lilongwe, Malawi

**Share Registry**

Link Market Service Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: (02) 8280 7111
Facsimile: (02) 9287 0309

**AUDITORS**

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000
Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800

**INTERNET ADDRESS**

www.intraenergycorp.com.au

**ABN** 65 124 408 751
**ASX CODE (IEC)**

On behalf of the Board of Directors of Intra Energy Corporation Limited ("IEC", "Intra Energy" or "the Company"), it is my pleasure to present this summary of operations for this Annual Financial Report for 2016.

Intra Energy remains the major producer and supplier of thermal coal in East Africa through its 70% ownership of Tancoal Energy Limited ("Tancoal") which operates the Ngaka coal mine in south west Tanzania. The full year production was 248,468 tonnes and sales were 246,197 tonnes, approximately 10% less than sales in the previous year. Sales revenue for 2016 was A$14,408 million. This was due to the import of coal at below market price from South Africa which has had an adverse impact on both sales, price and consequently financial results. Approximately 150,000 tonnes were imported into Tanzania from December 2015 through to April 2016, causing a decrease in sales in the first half of the year from 137,055 tonnes to 109,142 tonnes in the second half instead of an anticipated increase. This resulted in the profit in Tancoal of A$432,000 at 31 December 2015 turning into a loss of A$2,120,000 for the second half of the year. Management raised this matter with the Ministry of Energy and Mines and a decision was taken in August 2016 to ban the import of coal into Tanzania as long as domestic coal can fulfil the requirements of local industries.

The domestic and regional market for coal remains robust with Eastern Africa continuing to be one of the highest growth regions internationally. This is evidenced by sales, with 65% to cement, 11% to paper and 8% to textile industries. Sales were mainly to customers in Tanzania (87%), with the remainder to customers in Rwanda (9%), Kenya (2.8%) and Malawi (1.5%). During 2016, expansions of two cement producers and one new large cement plant were completed and which had used imported coal. This has now changed and sales tonnages from Tancoal will increase as imported coal stockpiles are depleted over the first quarter of the 2017 year. It is estimated that at full capacity, the cement industry will require up to 500,000 tonnes per year and Tancoal is in an excellent position to supply this tonnage.

During the year, IEC closed its loss-making Malawi operations which increased its losses from A$1,134,000 in 2015 to A$2,583,000 in 2016, a majority of which comprised one-off closure costs. The Malawi Government was not prepared to defend the Malcoal mine from imported coal from Mozambique. Discussions were held during the year leading to an agreement for the sale of the Malawi assets, subject to conditions precedent. The agreement has not completed due to delays in gaining clearances from the Malawi Government and a court case brought forward by an equipment leasing company claiming what is believed by IEC to be unreasonable and irrational costs. IEC is strenuously defending this claim. The acquisition is still proceeding and the buyer has commenced buying coal from Tancoal to assist servicing markets while waiting settlement for Malcoal.

While operating cash flow has been extremely tight with the decline in sales, the Company has significantly reduced costs with the closure of Malawi mining and the reduction in Australian costs from A$2,426,000 in 2015 to A$1,129,000 in 2016. Total trading losses for the year totalled A$8,197,000 for the Group which includes the closure costs of Malawi and provisions for the impairment of the Malawi assets and the closure of drilling operations.

In the power development projects promoted by the Company, the 120MW "Pamodzi" coal-fired power station in Malawi reached preliminary approval by the Malawi Government with the signing of the Term Sheet for the Power Purchase Agreement ("PPA"). This project is on hold until a suitable power station developer is found. On the other hand, the 270MW "Ngaka" minemouth coal-fired power station project in Tanzania has developed into a partnership with Sinohydro Corporation Limited (“Sinohydro”) from China, one of China's largest international power developers. Sinohydro has recently completed a Feasibility Study for the power station. Sinohydro will be responsible for the engineering, procurement and construction of the power station and IEC will be responsible for the North Ngaka Coal Mine which will supply coal at the rate of approximately 1,200,000 tonnes per year to the power station. Discussions with Government will commence in the first half of the next FY with the aim of signing a PPA in the second half of next year. The Ngaka Power Station will take approximately 36 months to complete after the signing of the PPA.

IEC maintained its active presence through the Tancoal partnership in significant community development with the local Women's Group which grows food products on reclaimed mining land and caters to Tancoal workers. IEC provided a briquetting machine from China to the Women's Group who are developing a briquette from coal fines and clay to replace charcoal in cooking fires and hence saving Tanzanian forests from the harmful effects of the charcoal industry.

IEC and NDC are both pleased to see the development of the Tancoal Mine to be entirely managed by Tanzanians, one of very few mining operations in Tanzania to be run by Tanzanians for Tanzania.

IEC regrets to advise the death from natural causes of its CEO, Tarn Brereton, aged 44, in Dar es Salaam in July 2016. The Company expresses its sincere condolences to his wife and family. Mark McAndrew, IEC Director and COO has taken over the role of Acting CEO in Dar es Salaam.

Sincerely

Graeme Robertson
**Chairman – Intra Energy Corporation Limited**

## MINING OPERATIONS

IEC's 100% owned subsidiary, Intra Energy Tanzania Limited ("IETL"), owns a 70% interest in Tancoal Energy Limited ("Tancoal"), a joint venture with the National Development Corporation of Tanzania ("NDC"), which holds the remaining 30% interest. Tancoal was granted a Mining Licence ("ML") by the Tanzanian Government on 18 August 2011 and commenced mining and supply of coal to domestic and regional industrial customers in Tanzania, Kenya, Uganda, Zambia and Malawi. Sales increased across the Eastern African region, with a particular focus on Tanzanian industrial users.

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

| | FY16 | FY15 | FY14 |
|---|---|---|---|
| Overburden Stripped (BCM) | 1,129,918 | 1,111,670 | 461,043 |
| Coal mined (tonnes) | 248,468 | 271,848 | 203,264 |
| Coal Sold (tonnes) | 246,197 | 257,946 | 189,597 |

In the second half of the year to June 2016, Tancoal suffered from intense competition from imported coal from South Africa. This greatly restricted tonnes sold from the mine during the six-month period to 30 June 2016.

The Tanzanian Government issued a Directive in August 2016 to all Tanzanian coal suppliers and customers, whereby all imported coal from outside Tanzania would cease immediately. It is expected that as a result of this Directive, Tancoal's sales will double in the second quarter of FY17. Coal sales are projected to increase from a current level of around 20,000 tonnes per month to a level above of 30,000 tonnes per month in the second quarter of FY17. Measures have already been undertaken to double production at the mine including the introduction of a new contractor fleet of equipment and increased availability of Tancoal's mining equipment through improved maintenance facilities and enhanced efficiency systems.

Tancoal produces a high quality thermal with an energy of 6000Kcals/kg which consistently meets client specifications.

Product coal is sold and distributed from a stockpile at Kitai, some 50 kilometres from the mine pit. It is trucked by Tancoal to this location along an existing public road maintained by the Company. Significant road upgrades and village bypasses, and an alternative dedicated haul road, have been investigated by the Company, and the former option will be constructed when funds allow.

As a result of the blanket ban on imported coal, management has entered into discussions with the major cement and ceramic companies regarding long term contracts and increased coal sales. Tancoal is now starting to see the fruits of these changes.

## MALCOAL (MALAWI)

Malcoal Mining Limited ("Malcoal") is a joint venture between IEC (90%) and its local partner, Consolidated Mining Industries Limited ("CMI", 10%). Malcoal was an important part of IEC's Eastern African strategy to be the dominant coal supplier in the region however, Malcoal suffered from intense competition from cheap imported coal throughout the year and the decision was made to halt operations early in the year.

Discussions were entered into with a potential buyer Malcoal and a Share Purchase Agreement was signed. Malcoal is in the process of obtaining the necessary government approvals for the share transaction to occur.

Coal mining operations for the current and previous financial years are as follow:

| | FY15 | FY14 |
|---|---|---|
| Overburden Stripped (BCM) | 91,126 | 67,529 |
| Coal mined (tonnes) | 18,996 | 27,539 |
| Coal Sold (tonnes) | 13,947 | 10,780 |

## OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT ("OHSE")

OHSE is an important priority for IEC, and is planned at a policy level in Dar es Salaam and managed and implemented at the mine sites.

Each mine operation is subject to an Environmental Impact Assessment Plan and the operations are regularly audited by the relevant regulatory authorities. No major issues were identified for the financial year. Initiatives undertaken included improvement of storm water management systems at both Tancoal and Malcoal by construction of trenches and ponds, which eliminated stream water pollution, and tree transplanting surrounding the Tancoal mine, Kitai stockpile and surrounding villages.

## PROJECTS

### POWER STATION DEVELOPMENT

IEC continues to sponsor two major coal-fired energy projects, Project Pamodzi and Project Ngaka. The sponsor's role is to be the originator of the projects, providing the initial equity. IEC will be the exclusive coal supplier to the proposed power stations.

### PROJECT NGAKA (TANZANIA) – 270 MW

In November 2015, IEC announced that it had executed a memorandum of understanding ("MOU") with Sinohydro Corporation Limited ("Sinohydro") to assess the potential joint development of its 270 MW Ngaka coal-fired power mine mouth project, located near the Tancoal Mine in Tanzania. The MOU sets out the intention of IEC and Sinohydro to complete a feasibility study and a financing proposal for the project, and to negotiate a Joint Venture Agreement for the development of the project. Sinohydro will be the major shareholder with IEC holding a minor share.

Project Ngaka will use high quality, low sulphur thermal coal from the Tancoal Mine located in south western Tanzania. It is proposed to site the generating facilities adjacent to Tancoal's northern coal deposit while the southern coal deposit will continue to meet the growing industrial and cement requirements of Tanzania and its neighbours.

Sinohydro is a driving force behind China's industrial development. It has 130,000 employees and provides one-stop services for financing, engineering, purchasing, implementation and operation of projects for power, water conservation, transport infrastructure and civil works such as public and private buildings.

IEC believes that Sinohydro will be an excellent strategic co-developer for Project Ngaka.

Technical and Commercial Proposals for the development of the power station will be submitted to the Tanzanian Government during September 2016.

### PROJECT PAMODZI (MALAWI) – 120 MW

Execution of the PPA term sheet for Project Pamodzi Power Station in Malawi was completed in April 2016 after long deliberation by the Government of Malawi. This term sheet will form part of the sale of the Malawian entities, with Tancoal securing an option to supply coal to the power station in Malawi, located across Lake Nyasa from Tancoal. As the sale of the Malawi assets has not settled, IEC may consider alternative options for the power project.

Mott MacDonald, the Consultants engaged by the Malawi Energy Ministry responsible to review all unsolicited Independent Power Projects, are submitting their findings and recommendations to the Ministry during August 2016. It is expected that the Pamodzi Project will be on the shortlist of recommended projects for further investigation.

## DRILLING

IEC and JV partner GPOT elected to wind up AAA Drilling as market conditions for drilling services in Eastern Africa continue to be depressed. Discussions were taking place with several potential buyers at year end and the Company expects the sale to be concluded in the near future.

## EXPLORATION

Limited exploration was undertaken for the financial year, with expenditure controlled so as to preserve cash whilst still maintaining the Company's portfolio of tenements in good standing.

In line with IEC's diversification plans, three lithium tenements were acquired in July 2016 and applications were submitted for three graphite tenements,

IEC's total resources were unchanged for the financial year and remain as outlined in Table 1.

***Table 1 – Intra Energy JORC resources***

| Project | Measured (Mt) | Indicated (Mt) | Inferred (Mt) | Total (Mt) |
|---|---|---|---|---|
| *Tanzania* | | | | |
| Tancoal – North | 16.4 | 49.1 | 142.0 | 207.5 |
| Tancoal – South | 38.9 | 63.0 | 114.0 | 215.9 |
| **Tanzania Total** | **55.3** | **112.1** | **256.0** | **423.4** |
| *Malawi* | | | | |
| Kopakopa | 3.4 | 5.0 | 15.4 | 23.8 |
| Nkhachira | 10.1 | 13.8 | 14.4 | 38.3 |
| **Malawi Total** | **13.5** | **18.8** | **29.8** | **62.1** |
| **Total JORC resources** | **68.8** | **130.9** | **285.8** | **485.5** |

## COMPETENT PERSON STATEMENT

### MBALAWALA

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 and the Resource Model Assessment and Review, Ngaka Project Area as at 20 July 2010, the Memorandum Summary provided by JB Mining Services Pty Ltd dated 18 October 2012 and have been reviewed by Mr David Mason MBA, BSc (Hons). Mr Mason is a Fellow of the Australasian Institute of Mining and Metallurgy, has Chartered Professional (Management) status, 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 Mason is a Non-Executive Director of Intra Energy Corporation Limited and has sufficient experience to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting of Mineral Resources and Ore reserves". Mr Mason consents to the inclusion of the matters based on his information in the form and context in which it appears.

### SONGWE-KIWIRA (SONGWE KABULO)

The Resource Statement in relation to Songwe-Kiwira and the Memorandum Summary relating to the Ngaka coal leases were compiled by Phillip Sides, a qualified senior geologist employed by JB Mining Services Pty Ltd (JBMS), who has over 25 years' experience in the exploration and evaluation of coal resources. 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". The report has been prepared using the guidelines for the estimation of black coal resources and reserves as contained in The JORC Code.

Neither Mr Sides nor JBMS has any material interest or entitlement, direct or indirect, in the securities of Intra Energy Corporation Limited. JBMS has been providing geological services to Intra Energy Corporation on the Kabulo Project since early 2011.

Mr David Mason, Non-Executive Director of Intra Energy Corporation Limited, originally requested this resource evaluation. All fees for the preparation of this report are charged on a time and materials basis.

Initial evaluation, computer modelling of seam structure and coal quality and initial coal tonnage estimates were undertaken by Greg Jones, Senior Consultant/Director of JBMS prior to handing over responsibility of the resource evaluation to Phillip Sides.

### NKHACHIRA AND KOPAKOPA

The information in this report that relates to the Nkhachira and Kopakopa coal resources is based on a report compiled by Mr David Mason. The reporting is in compliance with the 2012 JORC Code. Mr Mason is a qualified coal geologist, a Fellow of the Australasian Institute of Mining and Metallurgy (No 100405) and a Non-Executive Director employed by Intra Energy Corporation Limited. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee (The JORC Code – 2012 Edition). Mr Mason has given his consent for the inclusion of this information in the report and has reviewed all statements pertaining to the information in the form and context in which it appears.

## CORPORATE

There was a decline in sales that restricted operating cash flow during the year. The Company has reduced costs by closing the Malawi operations and reducing costs in Australia.

Due to the Director's belief in the Company's ability to reach profitability the Non-Executive Directors have elected not to be paid until there is an improvement in operating cash flow. At the end of the year A$554k was owing to current and past Directors of the Company.

## CORPORATE SOCIAL RESPONSIBILITY ("CSR")

### COMMUNITY

At IEC our approach to corporate social responsibility ("CSR") is about partnership with local communities to develop initiatives to provide social and economic development as well as environmental protection and conservation in the areas IEC operate.

By developing partnerships with the communities, IEC is helping to foster sustainable development, share the socio-economic benefits from its operations and alleviate poverty.

IEC's focus is helping communities by developing infrastructure, education and health opportunities by the employment of local personnel. It relies on the local community for operational support rather than external contractors in order to boost the local economy where it operates. IEC makes direct contributions to the community through building infrastructure and donations of equipment and supplies, and transfers capabilities and skills to enhance work abilities.

IEC is a member of the Australian African Mining Industry Group ("AAMIG") – an industry body that promotes best practice in corporate social responsibility among Australian mining companies active in Africa.

Some of the key challenges associated with investing in Africa relate to governance, capacity building, human rights, environment and social issues. The mining industry in both Tanzania and Malawi represents a large potential source of income for the long-term development of these economies. IEC is therefore committed to continue to work in conjunction with the government and local communities to put in place programs and develop projects that have a tangible outcome, and priority is given to projects that alleviate poverty, contribute to building skills and support women's and youth economic empowerment, especially through education and business ownership.

## TANZANIA

### MBALAWALA WOMEN'S GROUP ("THE WOMEN'S GROUP")

The Women's Group was established in late 2011 after consultation with local women and in partnership with community leaders. The Women's Group provides local goods and camp services to the mine employees and is funded by Tancoal with assistance from a successful grant application from the Australian Government's Direct Aid Programme.

Significant progress was made in having a coal briquette certified by the Tanzanian Bureau of Standards. These coal briquettes are an alternative to charcoal. Production of briquettes commenced in late June 2016 and production is expected to double over the next six months. Charcoal production is one of the major contributors to deforestation in Tanzania.

### ENVIRONMENTAL

A total of 8000 tree seedlings of indigenous species in our Tree Nursery Project were transplanted to the mine site areas, the camp site, stockpile areas, villages (schools, health centre) surrounding the mine and around the truck haul road. The launch of the tree transplanting was covered in the local media and involved district and village leaders.

Construction of trenches and ponds at Ndumbi port stockpile site and the upgrading of the storm water drainage system at the mine site and Amani Makolo stockpile were also undertaken during the year.

The Directors submit their report for Intra Energy Corporation Limited ("IEC" or "the Company") and its controlled entities for the year ended 30 June 2016 (together referred to as "the Group" or "the Consolidated Entity").

## DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. The Directors were in office for the entire period unless otherwise stated.

| Name | Position | Description |
|---|---|---|
| **Graeme Robertson**<br>BA, FAICD, MAIE | *Non-Executive Chairman* | Graeme joined the Board in November 2010 as Non-Executive Chairman and was appointed Executive Chairman in January 2011. He has over thirty years' experience in the coal, infrastructure and power development industries. Graeme transitioned to Non-Executive Chairman on 1 November 2014. Graeme is a member of the Remuneration Committee.<br>From 1983 to 2005 Graeme was CEO and Managing Director of New Hope Corporation Limited (ASX:NHC). During this period he pioneered the development of major international companies including as President Director of Adaro Indonesia, the largest single open cut coal mine in the Southern Hemisphere, President Director of Indonesia Bulk Terminal, a 12 mtpa capacity bulk coal port and as an advisor to the development of the 1,230MW Paiton Power station, the first IPP in Indonesia.<br>His career has spanned both public and private energy related developments including directorships with the Port of Brisbane Authority and Washington H. Soul Pattinson & Co Ltd, one of Australia's oldest listed companies.<br>Graeme was the recipient of the Asia 500 Award in 2000 and the Coaltrans Lifetime Achievement Award in 2010 for his contribution to the coal industry. He is a Fellow of the Australian Institute of Company Directors and a Member of the Australian Institute of Energy.<br>Graeme currently holds the position of Non-Executive Director of NuEnergy Gas Limited (ASX:NGY). |
| **David Mason**<br>BSc (Hons), MBA | *Non-Executive Director* | David joined the Board in January 2011. He has over thirty years' exploration, resource and mining experience throughout Australasia.<br>David was formerly a Director of Overseas & General Limited (ASX:OGL), a coal producer in Indonesia. Prior to this, David was Operations Director of Haddington Resources (now Altura Mining, ASX:AJM) a diversified resource company which acquired the resource investment and mining service companies of Minvest International, a group he managed.<br>In his prior role as General Manager of Minvest, David assisted in the development of the Adaro Indonesia coal mine, the MHU coal mine, a suite of exploration assets and mining service companies.<br>David currently holds the position of Executive Director of Dark Horse Resources Limited (ASX:DHR) |
| **Mark McAndrew** | *Executive Director and Acting Chief Operating Officer* | Mark is a Mining Engineer with over 38 years of experience in delivering strategic results in mining operations across the globe. He has held numerous senior management positions in the mining |

| | | |
|---|---|---|
| | *(appointed 7 October 2015) Acting Chief Executive Officer (appointed 18 July 2016)* | industry prior to establishing Optimine Pty Ltd, which has operated successfully since 1996.<br>Mark has extensive technical, operational and managerial experience in mining enterprises throughout Australia and offshore in Indonesia, Venezuela, New Caledonia, New Zealand and Tanzania, working in both contract and owner-managed projects and operations. He has experience in setting up new mines and targeting existing mines with efficiency standards that match world's best practice. |
| **Jonathan Warrand**<br>MBA (Exec), CA, FINSIA, IPAA, BCom (Accounting) | *Non-Executive Director (resigned 8 August 2016)* | Jonathan was a Director from January 2011 to August 2016. Jonathan has over twenty-five years of corporate advisory experience across various sectors including resources, financial services and real estate and has experience in equity and debt capital markets, strategic planning, capital management and corporate advisory.<br>Jonathan holds a Masters of Business Administration (AGSM, University of Sydney and University of New South Wales), is a Chartered Accountant, Fellow of Finsia, Associate of the Insolvency Practitioners' Association of Australia and holds a Bachelor of Commerce (Accounting) from the University of Wollongong.<br>Jonathan currently holds the position of Non-Executive Director of Smoke Alarm Holdings Limited, Non-Executive Director of NobleOak Life Limited, Managing Director of Greenwich Capital Partners Pty Ltd and Non-Executive Chairman of Intrasia Oxley Managed Investments Limited. |
| **William Paterson**<br>BE (Civil) Hons | *Non-Executive Director (resigned 7 October 2015)* | Bill was on the IEC Board as Non-Executive Director from March 2012 to October 2015. Bill graduated in 1964 from Auckland University with an honours degree in civil engineering. From 1973, for 27 years, he made major contributions as a director to the growth and success of one of Australia's premier engineering consultancies. In 2002, that business became a listed engineering services provider, now known as Worley Parsons Ltd.<br>Bill has extensive experience and continuing involvement in the planning, design and implementation of a wide range of civil, infrastructure and building projects in the commercial, industrial and energy related sectors. |
| **Simon Harvey**<br>CA BCom | *(Non-Executive Alternate Director for Jonathan Warrand) (resigned 20 June 2016)* | Simon held the position of CFO of an ASX listed company, NuEnergy Gas Limited (ASX: NGY) until 30 April 2015 and is now CFO of Smoke Alarm Holdings Limited. |

## COMPANY SECRETARY

| | | |
|---|---|---|
| **Rozanna Lee**<br>B. Com (Hons), LLB, GradDipACG, AGIA, AGIS | *Company Secretary* | Rozanna is a Chartered Company Secretary and has acted as Company Secretary of IEC since October 2011. Rozanna's career has spanned numerous industry sectors and includes a period of over 8 years working for an international trust company in the Netherlands, which provided company secretarial, tax and administration services to private and corporate clients. Rozanna recently completed the Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia. |

## CORPORATE STRUCTURE

IEC is a public company domiciled in Australia and listed on the Australian Stock Exchange (ASX:IEC). The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in Note 20 of the financial statements.

## INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares of the Company were:

| | Special Responsibilities | Ordinary Shares | Performance rights |
|---|---|---|---|
| G Robertson | Non-Executive Chairman[1] | 118,806,585 | – |
| D Mason | Non-Executive Director[1] | 7,950,228 | – |
| M McAndrew | Executive Director, Chief Operating Officer and Acting Chief Executive Officer[2] | – | – |
| J Warrand | Non-Executive Director[3] | 7,680,237 | – |
| W Paterson | Non-Executive Director[4] | 34,179,370 | – |
| S Harvey | Alternate Director to J Warrand[5] | 59,000 | – |

1. Mr Graeme Robertson and Mr David Mason were parties to a convertible note issued in April 2016. The note can be converted to shares if approved by shareholders at the AGM.
2. Mr Mark McAndrew was appointed on 7 October 2015, appointed as Acting Chief Executive Officer on 18 July 2016
3. Mr Jonathon Warrand resigned on 8 August 2016
4. Mr William Paterson resigned on 7 October 2015
5. Mr Simon Harvey resigned 20 June 2016

During the 2015 financial year, a private placement was completed whereby 59,648,102 ordinary shares in IEC were issued at $0.027 per share raising $1.6m before transaction costs. Each shareholder participating in the placement received two unlisted options for nil consideration for every five ordinary shares. The options were exercisable at any time prior to 31 August 2015 at an exercise price of $0.05 and as no options were exercised before 31 August 2015, all options lapsed. Directors who participated in the placement received shareholder approval at the meeting of IEC shareholders held on 30 October 2014. 1,295,698 Performance rights vested during the 2015 financial year.

| Loss Per Share | 2016 | 2015 |
|---|---|---|
| Basic loss per share (cents) | (2.07) | (0.05) |

## NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the entities within the Consolidated Entity during the year were coal exploration, production and power generation in Eastern Africa.

## OPERATING REVIEW

The Consolidated Entity's operations are discussed in detail in the Review of Operations which can be found on pages 6 to 10 of this Annual Financial Report.

## REVIEW OF FINANCIAL POSITION

The Consolidated Entity recorded an operating loss after income tax $8.20m (2015 Loss: $1.39m). Income tax benefit for the year is $nil (2015: $0.07m).

## CAPITAL STRUCTURE

As at the date of signing this report, the Company had 356,474,030 fully paid ordinary shares on issue.

## DIVIDEND

No dividend was paid or declared during the year ended 30 June 2016.

## CASH FROM OPERATIONS

The net cash inflow from operations of $0.181m (2015: $0.944m) The net cash inflow from operations was funded by a US$1.0m working capital facility, and a loan from related parties of A$125k. The Group had a net overdraft of $1.29m at year end with $0.065m cash at bank and a bank overdraft facility of $1.355m.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no further significant changes to the state of affairs of the Company.

## SIGNIFICANT EVENT AFTER THE BALANCE DATE

On 18 July 2016, the Company advised that the CEO Mr Tarn Brereton had passed away suddenly and that Mr Mark McAndrew, Executive Director and Chief Operating Officer would take over the duties as Acting CEO until a suitable replacement was found.

On 19 July 2016, the Company advised that it had commenced an energy diversification strategy.

On 25 July 2016, the Company advised that the technical proposal for the Ngaka Power Station had been completed.

On 29 September 2016, the Company advised that Kenya Commercial Bank "KCB" had approved an increase of US$800,000 to the working capital facility for Tancoal energy Limited "Tancoal" a subsidiary company for the expansion of production capacity at the Ngaka coal mine in Tanzania.

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.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is subject to environmental regulations and is compliant with all aspects of environmental regulation in its exploration and mining activities, including provision for environmental rehabilitation costs. The Directors are not aware of any environmental law that is not being complied with.

## SHARES UNDER OPTION

AS at 30 June 2016, there were no unissued ordinary shares under option.

## MEETINGS OF DIRECTORS

| Directors | Attended | Available to attend |
|---|---|---|
| Mr G Robertson | 8 | 8 |
| Mr D Mason | 8 | 8 |
| Mr M McAndrew^ | 7 | 7 |
| Mr J Warrand^^ | 7 | 8 |
| Mr W Paterson^^^ | 1 | 1 |
| Mr S Harvey (Alternate)^^^^ | - | - |

^Appointed 7 October 2015
^^Resigned 8 August 2016
^^^Resigned 7 October 2015
^^^^Resigned 20 June 2016

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Directors' Access Indemnity and Insurance Deeds ("Deed") with each Director. Under the Deed, the Company indemnifies the Directors to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the Directors in connection with the Directors being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed.

Also pursuant to the Deed, the Company must insure the Directors against liability and provide access to all board papers relevant to defending any claim brought against the Directors in their capacity as officers of the Company. Amounts disclosed for remuneration of directors and specified officers exclude insurance premiums of $27,187 (2015: $18,568) paid by the Company in respect of liability for any current and former Directors, executive officers and secretaries of the Company and its controlled entities. This amount has not been allocated to the individuals covered by the insurance policy as, based on all available information, the Directors believe that no reasonable basis for such allocation exists.

## CORPORATE GOVERNANCE

The Board of Directors of IEC is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of IEC on behalf of the shareholders by whom it is elected and to whom it is accountable.

The Company is committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance. The Directors believe that the corporate governance framework is critical in maintaining high standards of corporate governance and fostering a culture that values ethical behaviour, integrity and respect to protect security holders' and other stakeholders' interests at all times.

During the year ended 30 June 2016, the Company's corporate governance framework was consistent with the third edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council.

The Company publishes its Corporate Governance statement on its website rather than in its Annual Report. The Corporate Governance statement may be viewed or downloaded at: www.intraenergycorp.com.au. Copies of the Group policies referred to in the Corporate Governance Statement are also posted on the website.

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of the Company, in connection with the management of the affairs of the entity and its subsidiaries, during the year to 30 June 2016.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company and executives of the Company and the Consolidated Entity.

### A. REMUNERATION POLICY

#### Remuneration Committee

At 30 June 2016, the function of the Remuneration Committee ("the Committee") was carried out by the Board.

The function of the Board in fulfilling its corporate governance responsibilities with respect to remuneration is by reviewing and making appropriate recommendations on:

(a) Remuneration packages of Executive Directors, Non-Executive Directors and Senior Management;
(b) Employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

#### Remuneration Policy

The Committee adopts the following policies on executive compensation and will bear these policies in mind during remuneration reviews:

All key executives should be paid fair market Total Fixed Remuneration ("TFR") for their employment, taking into account their responsibilities and performance expectations.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Prior to August 2013 (when the Board resolved that the employee incentive scheme would be suspended), the Company had a practice of granting shares and/or options to the Executives (being Executive Directors and Senior Management). The shares granted were valued at the difference between the market price of those shares and the amount paid by the Executives. Options were valued using the Black-Scholes methodology.

In 2012 the Remuneration Committee initially adopted Performance Rights as the incentive scheme for the Executive Directors and Senior Management.

The Committee's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when needed. Fees for Non-Executive Directors are not linked to the performance of the Consolidated Entity. The Directors are not required to hold any shares in the Company under the Company's Constitution. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

#### Executive Directors' Remuneration

In considering the Company's Remuneration Policy and levels of remuneration for Executives, the Committee makes recommendations that seek to:

- Motivate Executive Directors and Senior Management to pursue long term growth and success of the Company within an appropriate control framework;
- Demonstrate a clear correlation between Executives' performance and remuneration; and
- Align the interests of Executives with the long-term interests of the Company's shareholders.

To the extent that the Company adopts a different remuneration structure for its Executive Directors, the Committee shall document its reasons for the purpose of disclosure to stakeholders.

In August 2013, the Board resolved that the employee incentive scheme would be suspended for an indefinite period.

On 22 January 2014, Shareholders approved the issue of performance rights to the Executive Directors (as at this date) and Senior Management of IEC in exchange for a voluntarily reduction in their cash remuneration for the six month period from 1 January to 30 June 2014. The Executive Directors at the time voluntarily elected a 20% reduction in base remuneration (excluding superannuation) and the Senior Management elected a 10% reduction in exchange for performance rights as a short term cash saving measure. These Executive Directors and Senior Management were granted a fixed number of IEC performance rights based on their remuneration deferral. The 1,295,698 performance rights issued to the Senior Management and these Executive Directors (now Non-Executive Directors) vested in January 2015, no shares were issued and the performance rights lapsed on 30 September 2015.

### Non-Executive Director Remuneration

In considering the Company's Remuneration Policy and levels of remuneration for Non-Executive Directors, the Committee is to ensure that:

- Fees paid to Non-Executive Directors are within the aggregate amount approved by shareholders and recommendations are made to the Board with respect to the need for increases to this aggregate amount at the Company's Annual General Meeting;
- Non-Executive Directors are remunerated by way of fees (in the form of cash);
- Non-Executive Directors are not provided with retirement benefits; and
- Non-Executive Directors are not entitled to participate in equity-based remuneration schemes designed for Executives without due consideration and appropriate disclosure to the Company's shareholders.

To the extent that the Company adopts a different remuneration structure for its Non-Executive Directors, the Committee shall document its reasons for the purpose of disclosure to stakeholders.

### Incentive Scheme

To qualify for the Scheme a person must be an employee and have worked with the Company for a minimum of 6 months (the only exception is to attract Senior Management or a Head of Business and is subject to the approval of the Remuneration Committee).

The incentive scheme has two components, namely, the Short Term Incentive ("STI") and Long Term Incentive ("LTI") respectively. This is to ensure that the key Executives have short and long term interests of the Company in mind in their decision making.

In August 2013, the Board resolved that the employee incentive scheme would be suspended for an indefinite period.

### Executive Management

For Executive Directors the performance conditions are 50% external, 50% internal.

Payout of LTI incentive is dependent on the combined score of both the external and internal measures.

STI: 40% of TFR, payable in lump sum annually when an Executive has satisfactorily achieved his or her performance targets set by the Company.

LTI: 60% of TFR, This is in a form of an equity incentive using Performance Rights as an instrument. Payout will be based on the performance of the entire management team in achieving exceptional performance for the Company and its shareholders.

### Management

The Management team performance conditions are 1/3 satisfaction of individual performance (agreed Key Performance Indicators), 1/3 external measure and 1/3 internal measure. The annual individual performance targets are agreed at the June board meeting.

### External Measure

The vesting of Performance Rights is subject to the Company's Total Shareholder Return ("TSR") outperforming the S&P/ASX300 Energy Index (ASX: XEK) over the vesting period.

| Percentile Ranking | Percentage of Tranche 1 (T1) Performance Rights to Vest (50% component) |
|---|---|
| 50th | Nil |
| > 51st but < 60th | 30% |
| > 60th but < 68th | 60% |
| > 68th but < 76th | 90% |
| > 76th | 100% |

IEC's TSR over the vesting period is ranked against the constituent companies of the S&P/ASX300 Energy Index. T1 Performance Rights will vest based on the IEC TSR Percentile Ranking achieved in this table. The Peer Group is established on the Grant Date as all companies within the S&P/ASX300 Energy Index.

Any companies within the Peer Group which are delisted as at the vesting date are removed from the final analysis.

The Company reserves the right to amend the Peer Group at any time prior to the vesting date.

#### Internal Measure

The internal measure uses earnings per share ("EPS") as the indicator.

The annual EPS target is set by the Board and agreed by the Committee after approval of the following year's Group budget. The vesting of these Rights is subject to achieving the budgeted earnings per share ("Budget EPS") as determined by the Board over the vesting period. That is, the sum of three years' EPS ending 30 June.

The Budget EPS is determined by the Board and takes into account market expectations, economic and industry conditions, meeting financial objectives and the past performance of the Company. EPS is as defined under AIFRS for the relevant period.

| Performance against budget EPS | Percentage of Tranche 2 (T2) Performance Rights to Vest (50% component) |
|---|---|
| < 100% | Nil |
| > 100% but < 107% | 25% |
| > 107% but < 114% | 50% |
| > 114% but < 120% | 75% |
| > 120% | 100% |

## KEY MANAGEMENT PERSONNEL

During the year ended 30 June 2016 the Key Management Personnel ("KMP") of IEC were:

| Name | Position Held |
|---|---|
| Mr Graeme Robertson | Non-Executive Chairman |
| Mr David Mason | Non-Executive Director |
| Mr Mark McAndrew[1] | Executive Director and Chief Operating Officer |
| Mr William Paterson[2] | Non-Executive Director and Chair of Remuneration Committee |
| Mr Jonathan Warrand[3] | Non-Executive Director |
| Mr Tarn Brereton[4] | CEO (Appointed 7 October 2015, was Acting CEO from 31 October 2014 and Chief Operating Officer until 31 October 2014) |
| Mr Simon Harvey[5] | Non-Executive Alternate Director for Jonathan Warrand |
| Ms Kerry Angel[6] | Group Financial Controller |

[1]Mr Mark McAndrew was appointed on 7 October 2015, appointed as Acting Chief Executive Officer 18 July 2016
[2]Mr William Paterson resigned on 7 October 2015
[3]Mr Jonathan Warrand resigned on 8 August 2016
[4]Mr Tarn Brereton ceased on 18 July 2016
[5]Mr Simon Harvey resigned 20 June 2016
[6]Ms Kerry Angel was appointed on 24 April 2015

## B. DETAILS OF REMUNERATION

| 2016 | Short-term Salary and fees $ | Short-term Cash bonus $ | Short-term Non-monetary benefits $ | Post-Employment Superannuation $ | Post-Employment Retirement Benefits $ | Long-term Long service leave $ | Share-based Payment Shares $ | Share-based Payment Options $ | Share-based Payment Incentive plans $ | TOTAL $ | % of Remuneration granted as options % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NON-EXECUTIVE DIRECTORS | | | | | | | | | | | |
| Mr W Paterson^ | 17,473 | – | – | – | – | – | – | – | – | 17,473 | – |
| Mr G Robertson | 109,716 | – | – | – | – | – | – | – | – | 109,716 | – |
| Mr D Mason | 109,716 | – | – | – | – | – | – | – | – | 109,716 | – |
| Mr J Warrand^^ | 85,000 | – | – | – | – | – | – | – | – | 85,000 | – |
| Mr S Harvey^^^ | – | – | – | – | – | – | – | – | – | – | – |
| EXECUTIVE DIRECTOR | | | | | | | | | | | |
| Mr M McAndrew^^^^ | 107,154 | – | – | 10,179 | – | – | – | – | - | 117,333 | – |
| KEY MANAGEMENT PERSONNEL | | | | | | | | | | | |
| Mr T Brereton^^^^^ | 409,194 | – | – | – | – | – | – | – | – | 409,194 | – |
| Ms Kerry Angel^^^^^^ | 228,446 | – | – | – | – | – | – | – | – | 228,446 | – |
| **Total** | **1,066,699** | **–** | **–** | **10,179** | **–** | **–** | **–** | **–** | **–** | **1,076,878** | **–** |

^Resigned on 7 October 2015 ^^Resigned 8 August 2016 ^^^Resigned 20 June 2016 ^^^^Appointed 7 October 2015 ^^^^^Ceased 18 July 2016 ^^^^^^Appointed 24 April 2015

| 2015 | Short-term Salary and fees $ | Short-term Cash bonus $ | Short-term Non-monetary benefits $ | Post-Employment Superannuation $ | Post-Employment Retirement Benefits $ | Long-term Long service leave $ | Share-based Payment Shares $ | Share-based Payment Options $ | Share-based Payment Incentive plans $ | TOTAL $ | % of Remuneration granted as options % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NON-EXECUTIVE DIRECTORS | | | | | | | | | | | |
| Mr G Nasari^ | 3,500 | – | – | – | – | – | – | – | – | 3,500 | – |
| Mr W Paterson | 65,000 | – | – | – | – | – | – | – | – | 65,000 | – |
| Mr G Robertson* | 123,334 | – | – | – | 33,750 | – | – | – | 62,180 | 219,264 | – |
| Mr D Mason* | 114,772 | – | – | 2,917 | 62,785 | – | – | – | 49,466 | 229,940 | – |
| Mr J Warrand* | 148,609 | – | – | 7,953 | 62,785 | – | – | – | 44,701 | 264,048 | – |
| Mr S Harvey | – | – | – | – | – | – | – | – | – | – | – |
| KEY MANAGEMENT PERSONNEL | | | | | | | | | | | |
| Mr T Brereton | 299,222 | – | – | – | – | – | – | – | 15,582 | 314,804 | – |
| **Total** | **754,437** | **–** | **–** | **10,870** | **159,320** | **–** | **–** | **–** | **171,929** | **1,096,556** | **–** |

^Resigned on 31 July 2014. *Mr David Mason resigned as an Executive Director on 31 July 2014. Mr Graeme Robertson resigned as Executive Chairman on 31 October 2014. Mr Jonathan Warrand resigned as Executive Director and Chief Financial Officer on 31 October 2014. Mr Mason and Mr Warrand continue as Non-Executive Directors. Mr Robertson continues as a Non-Executive Chairman.

## C. CASH BONUSES

There were no cash bonuses paid during the year.

## D. SHARE BASED PAYMENT BONUSES

There were no share-based payment bonuses paid during the year.

## E. OPTIONS ISSUED AS PART OF REMUNERATION

2,500,000 options were issued on 7 October 2015 to Mr Tarn Brereton upon his appointment as Chief Executive Officer. The options were not exercised and they expired on 30 June 2016. In 2012 the Committee adopted Performance Rights as the incentive scheme for the Executive Directors and Senior Management. In August 2013, the Board resolved that the employee incentive scheme would be suspended for an indefinite period.

## EMPLOYMENT CONTRACTS OF DIRECTORS AND EXECUTIVES

Until 31 October 2014, Mr Graeme Robertson was employed by the Company as Executive Chairman. Mr Robertson transferred to a non-executive role on 31 October 2014 and continued on the Board as Non-Executive Chairman. He was entitled to receive three months' termination payment. His Non-Executive Chairman's fees are $85,000 per annum. Mr Robertson is also a non-executive director of Tancoal Energy Limited (Tancoal), a 70% owned subsidiary of IEC, during the year he received director's fees of US$18,000 from Tancoal.

Mr Jonathan Warrand was employed by the Company as Executive Director and Chief Financial Officer until 31 October 2014 when he transferred to a non-executive role and continued on the Board as Non-Executive Director. His Non-Executive Director's fees are $85,000 per annum. Mr Warrand resigned on 8 August 2016.

Intrasia Capital Pty Ltd, a related entity of Mr Warrand and Mr Robertson, received monthly management services fees (representing administration, investor relations, accounting and general office support) from IEC until 30 November 2015. Fees of $57,500 were paid to Intrasia Capital Pty Ltd during the year ended 30 June 2016. Until the arrangement ended, the fees were reviewed at least quarterly and approved by Directors of IEC not related to Mr Warrand and Mr Robertson.

Mr David Mason was employed as Executive Director – Exploration and Business Development until 31 August 2014. Mr Mason transferred to a non-executive role on 31 August 2014 and continued on the Board as Non-Executive Director. His Non-Executive Director's fees are $85,000 per annum. Mr Mason is also a non-executive director of Tancoal Energy Limited (Tancoal), a 70% owned subsidiary of IEC, during the year he received director's fees of US$18,000 from Tancoal.

Mr Mark McAndrew was employed as Executive Director and Chief Operating Officer on 7 October 2015 for an indefinite period until terminated by either party by giving not less than three months' notice. His salary is $160,000 per annum including superannuation. Mr McAndrew was also appointed Acting Chief Executive Officer on 18 July 2016.

Mr Tarn Brereton was employed as Chief Executive Officer for an indefinite period until terminated by either party by giving not less than three months' notice. Mr Brereton was paid US$280,000 in total as an employee. Mr Brereton passed away and his employment ceased on 18 July 2016.

The key terms of Mr Brereton's remuneration package are as follows:

- Total Fixed Remuneration (TFR) of US$280,000 (including superannuation contributions), subject to annual review;
- Eligibility to participate in the Company's incentive scheme as approved by the Board from time to time;

Mr Brereton was also a non-executive director of Tancoal Energy Limited (Tancoal), a 70% owned subsidiary of IEC, during the year he received director's fees of US$18,000 from Tancoal.

Ms Kerry Angel was employed as Group Financial Controller on 24 April 2015 for an indefinite period until terminated by either party by giving not less than one months' notice. Ms Angel's salary is US$170,000 per annum including superannuation.

Each employment contract of Executive Directors and Executives includes:

- Base total fixed remuneration (including superannuation) to be reviewed annually;
- Provision of annual leave, accrued balance payable upon termination;
- Provision made for the awarding of bonuses at the recommendation of the Committee ("STI"); and
- Provision made for the award of performance share rights ("LTI"), subject to shareholder approval.

No payments were made under an LTI or STI scheme for the year ended 30 June 2015.

## F. KEY MANAGEMENT PERSONNEL COMPENSATION – OPTIONS

| 2016 | Balance at beginning of year | Granted during the year as compensation | Exercised during the year | Lapsed / cancelled during the year | Balance at the end of the year | Vested and exercisable |
|---|---|---|---|---|---|---|
| Mr G Robertson | – | – | – | – | – | – |
| Mr D Mason | – | – | – | – | – | – |
| Mr J Warrand^ | – | – | – | – | – | – |
| Mr W Paterson^^ | – | – | – | – | – | – |
| Mr M McAndrew^^^ | – | – | – | – | – | – |
| Mr T Brereton^^^^ | – | 2,500,000 | – | (2,500,000) | – | – |
| Mr S Harvey^^^^^ | – | – | – | – | – | – |
| Ms Kerry Angel^^^^^^ | – | – | – | – | – | – |
| Total | - | 2,500,000 | – | (2,500,000) | – | – |

^Resigned on 8 August 2016
^^Resigned on 7 October 2015
^^^Appointed Executive Director and Chief Operating Officer on 7 October 2015, appointed Acting Chief Executive Officer on 18 July 2106
^^^^ Appointed Chief Executive Officer on 7 October 2015, ceased 18 July 2016
^^^^^Resigned 20 June 2016
^^^^^Appointed Group Financial Controller 24 April 2015

| 2015 | Balance at beginning of year | Granted during the year as compensation | Exercised during the year | Lapsed / cancelled during the year | Balance at the end of the year | Vested and exercisable |
|---|---|---|---|---|---|---|
| Mr G Robertson | – | – | – | – | – | – |
| Mr J Warrand | – | – | – | – | – | – |
| Mr D Mason | – | – | – | – | – | – |
| Mr G Nasari^ | – | – | – | – | – | – |
| Mr W Paterson | – | – | – | – | – | – |
| Mr T Brereton | – | – | – | – | – | – |
| Mr S Harvey | – | – | – | – | – | – |
| Total | - | – | – | - | – | – |

^Resigned on 31 July 2014

## G. KEY MANAGEMENT PERSONNEL COMPENSATION – FULLY PAID SHARES

The numbers of shares in the Company held during the financial year or at time of resignation by each Director or KMP of IEC are set out below:

| 2016 | Balance at beginning of year | Granted during the year as compensation | Received during the year on exercise of options | Changes during the year* | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr G Robertson | 83,118,517 | – | – | 35,688,068 | 118,806,585 |
| Mr D Mason | 7,950,228 | – | – | – | 7,950,228 |
| Mr J Warrand^ | 7,680,237 | – | – | – | 7,680,237 |
| Mr W Paterson^^ | 34,179,370 | – | – | – | 34,179,370 |
| Mr M McAndrew^^^ | – | – | – | – | – |
| Mr T Brereton^^^^ | – | – | – | – | – |
| Mr S Harvey^^^^^ | 59,000 | – | – | – | 59,000 |
| Ms K Angel^^^^^^ | – | – | – | – | – |
| **Total** | **132,987,352** | **–** | – | **35,688,068** | **168,675,420** |

^Resigned on 8 August 2016
^^Resigned on 7 October 2015
^^^Appointed Executive Director and Chief Operating Officer on 7 October 2015, appointed Acting Chief Executive Officer on 18 July 2106
^^^^ Appointed Chief Executive Officer on 7 October 2015, ceased 18 July 2016
^^^^^Resigned 20 June 2016
^^^^^Appointed Group Financial Controller 24 April 2015

| 2015 | Balance at beginning of year | Granted during the year as compensation | Received during the year on exercise of options | Changes during the year* | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr G Robertson | 70,345,741 | – | – | 12,772,776 | 83,118,517 |
| Mr J Warrand | 2,835,930 | – | – | 4,844,307 | 7,680,237 |
| Mr D Mason | 6,421,923 | – | – | 1,528,305 | 7,950,228 |
| Mr W Paterson | 29,000,000 | – | – | 5,179,370 | 34,179,370 |
| Mr G Nasari^ | – | – | – | – | – |
| Mr T Brereton | – | – | – | – | – |
| Mr S Harvey | 59,000 | – | – | – | 59,000 |
| **Total** | **108,662,594** | **–** | – | **24,324,758** | **132,987,352** |

*Changes during the year represent shares acquired or sold by Directors or their associates
^Resigned on 31 July 2014

## H. KEY MANAGEMENT PERSONNEL COMPENSATION – PERFORMANCE RIGHTS

The numbers of performance rights in the Company held during the financial year or at time of resignation by each Director or KMP of IEC, including their personally related parties, are set out below:

| 2016 | Balance at beginning of year | Granted during the year as compensation | Vested during the year | Lapsed/cancelled during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr G Robertson | 1,666,666 | – | – | (1,666,666) | – |
| Mr D Mason | 1,083,333 | – | – | (1,083,333) | – |
| Mr J Warrand^ | 916,666 | – | – | (916,666) | – |
| Mr W Paterson^^ | – | – | – | – | – |
| Mr M McAndrew^^^ | – | – | – | – | – |
| Mr T Brereton^^^^ | 392,063 | – | – | (392,063) | – |
| Mr S Harvey^^^^^ | – | – | – | – | – |
| Ms K Angel^^^^^^ | – | – | – | – | – |
| **Total** | **4,058,728** | **–** | **–** | **(4,058,728)** | **–** |

^Resigned on 8 August 2016
^^Resigned on 7 October 2015
^^^Appointed Executive Director and Chief Operating Officer on 7 October 2015, appointed Acting Chief Executive Officer on 18 July 2106
^^^^ Appointed Chief Executive Officer on 7 October 2015, ceased 18 July 2016
^^^^^Resigned 20 June 2016
^^^^^Appointed Group Financial Controller 24 April 2015

| 2015 | Balance at beginning of year | Granted during the year as compensation | Vested during the year | Lapsed/cancelled during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr G Robertson | 2,832,240 | - | 135,000 | (1,030,574) | 1,666,666 |
| Mr J Warrand | 1,889,784 | - | 251,716 | (721,402) | 916,666 |
| Mr D Mason | 2,004,922 | - | 251,716 | (669,873) | 1,083,333 |
| Mr W Paterson | - | - | – | – | – |
| Mr G Nasari^ | - | - | – | – | – |
| Mr T Brereton | 532,305 | - | 140,242 | – | 392,063 |
| Mr S Harvey | - | - | – | – | – |
| **Total** | **7,259,251** | **-** | **778,674** | **(2,421,849)** | **4,058,728** |

^Resigned on 31 July 2014

## I. LOANS TO DIRECTORS AND EXECUTIVES

No loans were made to any Directors or Executives during the financial year.

## J. PAYMENTS TO DIRECTORS

Due to the Director's belief in the Company's ability to reach profitability the Non-Executive Directors have elected not to be paid until there is an improvement in operating cash flow. At the end of the year A$554k was owing to current and past Directors of the Company.

**End of Remuneration Report**

## NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES110 Code of Ethics for Professional Accountants.

There were no fees for non-audit services were paid to an affiliated entity of the external auditors during the year ended 30 June 2016.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 26 and forms part of the Directors' Report for the financial year ended 30 June 2016.

## ROUNDING OFF

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This Directors' Report, Remuneration Report and Corporate Governance Statement are made with a resolution of the Directors.

GRAEME ROBERTSON
*Chairman*
Dated this 30 September 2016

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx : (612) 9263 2800

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

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been no contraventions of:

i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
ii. any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

**DREW TOWNSEND**
Partner
Dated: 30 September 2016

# Directors' Declaration

1. In the opinion of the Directors:

   (a) the accompanying financial statements, notes and additional disclosures are in accordance with the Corporations Act 2001 including:

      (i) giving a true and fair view of the Company and Group's financial position as at 30 June 2016 and its performance for the financial year ended on that date; and

      (ii) complying with Accounting Standards (includes the Australian Accounting Interpretations), the Corporations Regulations 2001 and any other mandatory professional reporting requirements.

   (b) as disclosed in note 1(A) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

The declaration is signed in accordance with a resolution of the Board of Directors.

**GRAEME ROBERTSON**
***Chairman***

Dated this 30 September 2016

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

SYDNEY

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2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx : (612) 9263 2800

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

**Report on the Financial Report**

We have audited the accompanying financial report of Intra Energy Corporation Limited which comprises the consolidated statement of financial position as at 30 June 2016, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(B), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirement of the Corporation Act 2001.

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

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

*Auditor's Opinion*

In our opinion:

a. the financial report of Intra Energy Corporation Limited is in accordance with the Corporations Act 2001 including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(B).

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 1(A) in the financial report, which indicates that the Group has incurred a net loss after tax of $8,197,000 during the year ended 30 June 2016 and, as of that date, the Group's total current liabilities exceeded its total current assets by $8,748,000. These conditions, along with other matters as set forth in Note 1(A), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 16 to 24 of the Directors' Report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the remuneration report of Intra Energy Corporation Limited for the year ended 30 June 2016 complies with Section 300A of the Corporations Act 2001.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

**Drew Townsend**
Partner
Dated: 30 September 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

**FOR THE YEAR ENDED 30 JUNE 2016**

| | | CONSOLIDATED | |
|---|---|---|---|
| | | 2016 | *RE-STATED 2015 |
| | NOTES | $'000s | $'000s |
| Sales revenue | 2 | 14,408 | 14,393 |
| Cost of production | | (8,911) | (8,219) |
| **Gross Profit** | | **5,497** | **6,174** |
| Other income | | - | 1,031 |
| Foreign exchange gain / (loss) | | (188) | 231 |
| Compliance and regulatory expenses | | (248) | (295) |
| Legal and professional expenses | | (527) | (929) |
| Depreciation and amortisation | 3 | (1,052) | (1,052) |
| Remuneration and employee expenses | | (3,984) | (2193) |
| Exploration expense | | (28) | (175) |
| Project expenditure | | - | (173) |
| Impairment of tenements | | - | (126) |
| Share based payments | | - | (206) |
| Other expenses | | (1,540) | (2,135) |
| Share of loss of equity-accounted investees | 11 | (257) | (77) |
| Finance income | | - | 2 |
| Finance expenses | | (300) | (259) |
| Loss on sale and write-off of asset | | (481) | (142) |
| Impairment of assets | | (759) | - |
| **Loss Before Income Tax** | | **(3,867)** | **(324)** |
| **Income tax benefit** | 4 | **-** | **71** |
| **Loss from continuing operations** | | **(3,867)** | **(253)** |
| Loss from discontinued operations | 10 | (2,583) | (1,134) |
| Loss from impairment of assets of discontinued operations | 10 | (1,747) | - |
| **Loss for the Year** | | **(8,197)** | **(1,387)** |
| **Other Comprehensive Income** | | | |
| Foreign currency translation (loss)/gain^ | | (430) | (1,457) |
| **Total Comprehensive Loss for the Year** | | **(8,627)** | **(2,844)** |
| **Net Loss for the Year Attributable to:** | | | |
| Shareholders of IEC | | (7,370) | (1,745) |
| Non-controlling interest | | (827) | 358 |
| | | **(8,197)** | **(1,387)** |
| **Total Comprehensive Loss for the Year Attributable to:** | | | |
| Shareholders of IEC | | (7,985) | (3,119) |
| Non-controlling interest | | (642) | 275 |
| | | **(8,627)** | **(2,844)** |
| **Loss per share** | | | |
| Loss per share (cents per share, basic and diluted) | 7 | (2.07) | (0.05) |
| Loss per share (cents per share, basic and diluted) on continuing operations | 7 | (1.09) | (0.01) |
| Loss per share (cents per share, basic and diluted) on discontinued operations | 7 | (0.98) | (0.04) |

^ Item that may be classified or disclosed subsequently to Statement of Comprehensive Income

*Loss on discontinued operations has been re-stated in 2015

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

# Consolidated Statement of Financial Position

**AS AT 30 JUNE 2016**

| | | CONSOLIDATED | |
|---|---|---|---|
| | NOTES | 2016 $'000s | 2015 $'000s |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 65 | 40 |
| Inventories | 8 | 1,285 | 2,185 |
| Trade and other receivables | 9 | 1,775 | 2,529 |
| Assets held for sale | 10 | - | - |
| **Total Current Assets** | | **3,125** | **4,754** |
| **Non-Current Assets** | | | |
| Trade and other receivables | | - | 196 |
| Equity accounted investments | 11 | - | 989 |
| Property, plant and equipment | 12 | 6,632 | 9,859 |
| Mine development costs | 13 | 4,917 | 7,071 |
| Exploration expenditure | 14 | 652 | 513 |
| **Total Non-Current Assets** | | **12,201** | **18,628** |
| **Total Assets** | | **15,326** | **23,382** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Bank overdraft | 16(b) | 1,355 | 644 |
| Trade and other payables | 15 | 7,263 | 7,260 |
| Employee benefits | | 59 | 87 |
| Interest bearing liabilities | 16 | 1,967 | 2,429 |
| Liabilities held for sale | 10 | 1,229 | - |
| **Total Current Liabilities** | | **11,873** | **10,420** |
| **Non-Current Liabilities** | | | |
| Trade and other payables | | - | 196 |
| Provisions | 17 | 591 | 550 |
| Interest bearing liabilities | 16 | - | 805 |
| **Total Non-Current Liabilities** | | **591** | **1,551** |
| **Total Liabilities** | | **12,464** | **11,971** |
| **Net Assets** | | **2,862** | **11,411** |
| **Equity** | | | |
| Issued capital | 18 | 69,465 | 69,387 |
| Reserves | 19 | 2,364 | 2,979 |
| Accumulated losses | | (63,445) | (56,075) |
| **Total equity attributed to equity holders of the Company** | | **8,384** | **16,291** |
| Non-controlling interest | 21 | (5,522) | (4,880) |
| **Total Equity** | | **2,862** | **11,411** |

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

# Consolidated Statement of Cash Flows

**FOR THE YEAR ENDED 30 JUNE 2016**

| | NOTES | CONSOLIDATED 2016 $'000s | CONSOLIDATED 2015 $'000s |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from customers | | 14,778 | 17,389 |
| Payments to creditors and suppliers | | (14,099) | (16,076) |
| Interest received | | - | 2 |
| Interest paid | | (498) | (532) |
| Tax received | | - | 161 |
| **Net cash provided in operating activities** | 25 | **181** | **944** |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Mine development and capitalised exploration costs | | (145) | (578) |
| Purchase of property, plant and equipment | | (404) | (767) |
| Contribution to equity accounted investment | | - | (125) |
| **Net cash (used)/provided in investing activities** | | **(549)** | **(1,470)** |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from issue of shares and options | | - | 1,610 |
| Share and option issue costs | | - | (81) |
| Proceeds from borrowings | | 1,865 | 5,723 |
| Repayment of borrowings | | (2,291) | (6,796) |
| Proceeds from related party borrowings | | 125 | - |
| **Net cash (used)/provided in financing activities** | | **(301)** | **456** |
| | | | |
| Net (decrease) in cash and cash equivalents | | (669) | (70) |
| Cash and cash equivalents at beginning of year | | (604) | (434) |
| Effects of exchange rate changes on cash | | (17) | (100) |
| **Cash and Cash Equivalents/(Net Overdraft) at end of year** | | **(1,290)** | **(604)** |
| Cash and cash equivalents | | 65 | 40 |
| Bank overdrafts used for cash management purposes | | (1,355) | (644) |
| **Cash and Cash equivalents/(Net Overdraft) in the Statement of Cash Flows** | | **(1,290)** | **(604)** |

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

# Consolidated Statement of Changes in Equity

**FOR THE YEAR ENDED 30 JUNE 2016**

INTRA ENERGY

| CONSOLIDATED | ISSUED CAPITAL $'000s | ACCUMULATED LOSSES $'000s | PERFORMANCE RIGHTS $'000s | OPTION RESERVE $'000s | FOREIGN CURRENCY TRANSLATION RESERVE $'000s | TOTAL $'000s | NON-CONTROLLING INTEREST $'000s | TOTAL EQUITY $'000s |
|---|---|---|---|---|---|---|---|---|
| **At 1 July 2016** | **69,387** | **(56,075)** | **795** | **2,216** | **(32)** | **16,291** | **(4,880)** | **11,411** |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | | | | | | | |
| Loss for the year | – | (7,370) | – | – | – | (7,370) | (827) | (8,197) |
| **Other Comprehensive Income** | | | | | | | | |
| Foreign currency translation differences | – | – | – | – | (615) | (615) | 185 | (430) |
| **Total Comprehensive Income** | J | **(7,370)** | J | J | **(615)** | **(7,985)** | **(642)** | **(8,627)** |
| TRANSACTIONS WITH OWNERS RECORDED DIRECTLY INTO EQUITY | | | | | | | | |
| Shares issued during the year | 78 | – | – | – | – | 78 | – | 78 |
| Share raising cost (net of tax) | – | – | – | – | – | – | – | – |
| Performance rights granted | – | – | – | – | – | – | – | – |
| **Total transactions with owners** | **78** | J | J | J | J | **78** | J | **78** |
| **Balance at 30 June 2016** | **69,465** | **(63,445)** | **795** | **2,216** | **(647)** | **8,384** | **(5,522)** | **2,862** |
| | | | | | | | | |
| **At 1 July 2015** | 67,858 | (54,330) | 589 | 2,216 | 1,342 | 17,675 | (5,155) | 12,520 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | | | | | | | |
| Loss for the year | – | (1,745) | – | – | – | (1,745) | 358 | (1,387) |
| **Other Comprehensive Income** | | | | | | | | |
| Foreign currency translation differences | – | – | – | – | (1,374) | (1,374) | (83) | (1,457) |
| **Total Comprehensive Income** | J | **(1,745)** | J | J | **(1,374)** | **(3,119)** | **275** | **(2,844)** |
| TRANSACTIONS WITH OWNERS RECORDED DIRECTLY INTO EQUITY | | | | | | | | |
| Shares issued during the year | 1,610 | – | – | – | – | 1,610 | – | 1,610 |
| Share raising cost (net of tax) | (81) | – | – | – | – | (81) | – | (81) |
| Performance rights granted | – | – | 206 | – | – | 206 | – | 206 |
| **Total transactions with owners** | **1,529** | J | **206** | J | J | **1,735** | J | **1,735** |
| **Balance at 30 June 2015** | **69,387** | **(56,075)** | **795** | **2,216** | **(32)** | **16,291** | **(4,880)** | **11,411** |

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

## 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 publically traded on the Australian Stock Exchange. The consolidated financial statements for the year ended 30 June 2016 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 2016.

### 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 loss after tax for the year of $8.197m (2015: $1.387m) primarily as a result of impairments and losses from discontinued operations of $5.346m, non-cash depreciation and amortisation charges of $1.052m together with operating losses due to difficult market conditions; and
- As at balance date, the Group's current liabilities exceeded its current assets by $8.748m. The deficit in net current assets includes a $1.355m overdraft payable to KCB Bank of Tanzania ("KCB") and $1.554m payable to the KCB Bank under loan facilities which expire in November 2017 although these facilities can be called at any time.

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

- Secured additional working capital from KCB of US$800,000. KCB has shown support for the improved operating environment now that the Government of Tanzania has banned the import of coal under the directive advised to the market on 12 August 2016.
- Considered the improved market conditions for coal supply and coal sales are expected to increase as the Group continues to respond 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 further initiatives to expand equipment capacity to produce more coal, the working capital position of the Company is expected to improve in the longer term.
- Continued to implement a number of cost saving initiatives 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%. In 2016, IEC supplied 87% of its production to Tanzania and 13% to Kenya, Rwanda and Malawi. Approximately 65% was supplied to the cement industry, 8% to textile manufacturers, 11% to paper and ceramics industries and the remainder to processing plants.
- Commenced the sale of assets in the Malawi business and the AAA Drilling joint venture.
- Recognised that the interest bearing liabilities relating to the loans from the KCB are secured against the Group's mining equipment.
- Noted JORC compliant resources of 62 million tonnes in Malawi and 423 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 the KCB Bank of Tanzania demands repayment of their combined $2.909m debt facility, 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 2016 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 2016 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 9 Financial Instruments and associated amending standards, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. As the Group does not have hedging arrangements, this will not have a significant impact to the Group or its results.

AASB 15 Revenue from Contracts with Customers, AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group does not consider that this will have a significant impact to the Group or its results.

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 impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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.

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

### 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.ii 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.

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

#### c.iii 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.iv 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.v 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.

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

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.

### 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 | 10 to 15 years |
| Motor Vehicles | 10 years |
| Office Equipment | 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.

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

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.

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

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

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.

### L. Financial Instruments

#### l.i Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### l.ii Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### l.iii Financial Liabilities

Financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

#### l.iv Impairment of financial assets

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if Directors establish that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

## 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.

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

**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 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

Revenue is measured at the fair value of gross consideration received or receivable. IEC recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

IEC recognises revenue when the risks and rewards transfer to the customer which is defined in the customer contract.

### 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.

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.

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

### 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.

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

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

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 asets.
- **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 an impairment charge of $1,747,000 on the carrying value of its Malawian subsidiaries.

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'000s | $'000s |
| **2. REVENUES** | | |
| **From continuing operations** | | |
| Coal sales | **14,408** | **16,555** |

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'000s | $'000s |
| **3. DEPRECIATION AND AMORTISATION** | | |
| **Loss before income tax includes the following specific expenses:** | | |
| Depreciation and amortisation | | |
| Depreciation | | |
| Plant and equipment | (1,021) | (1,261) |
| Less depreciation capitalised | - | - |
| Total depreciation | (1,021) | (1,261) |
| Amortisation | (31) | (27) |
| **Total** | **(1,052)** | **(1,288)** |

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'000s | $'000s |
| **4. INCOME TAX BENEFIT** | | |
| **(a) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Loss from ordinary activities before income tax expense | (8,197) | (1,458) |
| Prima facie tax benefit on loss from ordinary activities at 30% | (2,459) | (437) |
| Non-deductible expenditure | 594 | 178 |
| Tax effect of temporary differences not recognised | 671 | 487 |
| Tax effect of current year tax losses for which no deferred tax asset has been recognised | 1,194 | 537 |
| Foreign tax losses utilised | - | (719) |
| Foreign income tax payable | - | 43 |
| Research & development grant | - | (160) |
| **Income tax (Benefit)/ Expense** | **-** | **(71)** |

| | | |
|---|---|---|
| **(b) Unrecognised temporary differences** | | |
| **Deferred Tax Assets (at 30%)** | | |
| Temporary differences | 1,639 | 1,314 |
| Carry forward revenue tax losses | 5,931 | 5,749 |
| Carry forward capital tax losses | 8 | 8 |
| Carry forward foreign tax losses | 13,816 | 12,769 |
| **Total** | **21,394** | **19,840** |

The deferred tax asset 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 revenue to utilise them.

## 5. KEY MANAGEMENT PERSONNEL COMPENSATION

The following persons were Directors of the Company during the financial year:

| Non-Executive Directors | Non-Executive Directors | Chief Executive Officer/Executive Directors |
|---|---|---|
| Mr G Robertson (Chairman) | Mr W Paterson[1] | Mr T Brereton[3] |
| Mr D Mason | Mr S Harvey[2] | Mr Mark McAndrew[4] |
| Mr J Warrand | | |

[1]Mr William Paterson resigned as a Non-Executive Director on 7 October 2015.

[2]Mr Simon Harvey was appointed as an Alternate Director for Mr Jonathan Warrand on 10 December 2013. Mr Harvey did not receive any remuneration for acting in his capacity as Alternate Director. Mr Harvey resigned on 20 June 2016.

[3]Mr Tarn Brereton was appointed Chief Executive Officer on 7 October 2015, previously Mr Brereton held the position of Acting Chief Executive Officer from 31 October 2014 and previously held the position of Chief Operating Officer. Mr Brereton ceased 18 July 2016.

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

[4]Mr Mark McAndrew was appointed as Executive Director and Chief Operating Officer on 7 October 2015. Mr McAndrew was appointed Acting Chief Executive Officer on 18 July 2016.

| KEY MANAGEMENT PERSONNEL COMPENSATION | 2016 $ | 2015 $ |
|---|---|---|
| Short-term employee benefits | 1,066,699 | 754,437 |
| Superannuation | 10,179 | 10,870 |
| Post-employment benefits | - | 159,320 |
| Performance rights | - | 171,929 |
| **Total Compensation** | **1,076,878** | **1,096,556** |

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 | |
|---|---|---|
| | 2016 $'000s | 2015 $'000s |
| Audit services | | |
| **Auditors of the Group** | | |
| Audit and review of financial reports – Hall Chadwick* | 195 | - |
| Audit and review of financial reports - KPMG | - | 312 |
| **Other auditors – non-Hall Chadwick or KPMG firms** | | |
| Audit and review of financial reports | – | – |
| | **195** | **312** |
| Non-Audit services | | |
| **Services provided other than statutory audit – KPMG** | | |
| Tax advisory services | 7 | 23 |
| Other advisory services | - | 18 |
| | **7** | **41** |

*Hall Chadwick were appointed auditors on 24 November 2015

## 7. EARNINGS PER SHARE

| | 2016 | 2015 |
|---|---|---|
| **Basic and diluted loss per share** | | |
| Loss from continuing operations attributable to the ordinary equity holders of the Company | $3,867,000 | $253,000 |
| Loss from discontinued operations attributable to the ordinary equity holders of the Company | $3,503,000 | $1,492,000 |
| **Loss attributable to the ordinary equity holders of the Company** | **$7,370,000** | **$1,745,000** |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 354,391,908 | 336,264,875 |
| **Loss per share (cents) – basic and diluted from continuing operations** | **(1.09)** | **(0.08)** |
| **Loss per share (cents) – basic and diluted from discontinued operations** | **(0.98)** | **(0.44)** |
| **Loss per share (cents) – basic and diluted** | **(2.07)** | **(0.52)** |

## 8. INVENTORIES

| | CONSOLIDATED | |
|---|---|---|
| | 2016<br>$'000s | 2015<br>$'000s |
| Consumables, fuel and other equipment | 802 | 435 |
| Coal stock | 483 | 1,750 |
| | **1,285** | **2,185** |

## 9. TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | |
|---|---|---|
| | 2016<br>$'000s | 2015<br>$'000s |
| **Current** | | |
| Trade receivables | 779 | 924 |
| Other receivables | 438 | 946 |
| Related party receivables | 65 | 63 |
| Taxation receivables | - | 91 |
| Prepayments | 493 | 505 |
| | **1,775** | **2,529** |
| **Non-current** | | |
| Other receivables | 202 | 196 |
| Less: Provision for impairment | (202) | - |
| | **-** | **196** |

## 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. Accordingly the Malawi Group is presented as a disposal group held for sale. The sale of the disposal group is expected to be completed in the next financial year. The carrying value of the assets has 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 2016, 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 | 2016 $'000s |
| **Current Assets** | |
| Property, plant and equipment | 280 |
| Mine development and exploration expenditure | 1,335 |
| Inventories | 117 |
| Trade and other receivables | 15 |
| Less: Provision for impairment | (1,747) |
| **Assets held for sale** | - |
| | |
| **Current Liabilities** | |
| Trade and other payables | 1,225 |
| Employee benefits | 4 |
| **Liabilities held for sale** | **1,229** |
| | |

^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 minimal revenue and recorded a loss after tax of $2,583,000 and an impairment charge of $1,747,000 for the year ended 30 June 2016.

## 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 an impairment charge of $558,000 following a review of the market conditions that have effect to the AAA Drilling Joint Venture business and operations.

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

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

| | CONSOLIDATED | |
|---|---|---|
| | 2016 $'000s | 2015 $'000s |
| Equity accounted investments | 558 | 989 |
| Less: impairment of equity accounted investments | (558) | - |
| **Carrying amount** | **-** | **989** |

IEC's share of loss after tax in its equity accounted investee before impairment was $257,000 loss (2015: $77,000 loss)[1]

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 | 2016 $'000s | 2015 $'000s |
| **Current Assets** | | |
| Cash and cash equivalents | 4 | 8 |
| Total current assets | 511 | 992 |
| Total non-current assets | 1,186 | 1,464 |
| Total current liabilities | (581) | (477) |
| **Net Assets** | 1,116 | 1,979 |
| Group's share (%) | 50% | 50% |
| Group's share of joint venture's net assets | **558** | **989** |

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

| | AAA Drilling Limited | |
|---|---|---|
| Summarised Financial Performance | 2016 $'000s | 2015 $'000s |
| Revenue | - | 196 |
| Depreciation and amortisation | (284) | (308) |
| Interest expense | (4) | (54) |
| Other expenses | (226) | (86) |
| **Loss from continuing operations** | **(514)** | **(252)** |
| Income tax expense | - | - |
| **Loss after tax from continuing operations** | **(514)** | **(252)** |
| Other Comprehensive Income | (349) | - |
| **Total comprehensive income** | **(863)** | **(252)** |
| | | |
| **Group's share of total comprehensive income[1]** | **(431)** | **(175)** |

[1]AAA Drilling has been equity accounted from 9 September 2014. AAA Drilling Limited was a fully owned subsidiary of the Group until 9 September 2014. The loss to the Group before AAA Drilling was equity accounted in 2015 was $98,000.

The Group has an obligation under the JV agreement to commit $0.2m per year by the provision of drilling work or by contribution.

INTRA ENERGY

## 12. PROPERTY, PLANT AND EQUIPMENT

| 30 June 2016 | 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 2015** | | | | | | | |
| At 1 July 2015, net of accumulated depreciation | 563 | 6,979 | 1,416 | 564 | 191 | 146 | 9,859 |
| Additions | 28 | 570 | - | 34 | 39 | - | 671 |
| Disposals (net) | - | (1,077) | (467) | - | - | - | (1,544) |
| Impairment and write-off | (55) | (391) | - | - | - | - | (446) |
| Transfers | - | 95 | - | - | (95) | - | - |
| Depreciation charge | (144) | (494) | (257) | (51) | - | (75) | (1,021) |
| Effect of exchange rates (net) | (30) | (789) | (48) | (24) | 4 | - | (887) |
| **At 30 June 2016, net of accumulated depreciation** | **362** | **4,893** | **644** | **523** | **139** | **71** | **6,632** |
| | | | | | | | |
| **At 30 June 2016** | | | | | | | |
| At cost | 851 | 6,734 | 1,462 | 620 | 139 | 502 | 10,308 |
| Accumulated depreciation and impairment | (489) | (1,841) | (818) | (97) | - | (431) | (3,676) |
| **Net carrying amount** | **362** | **4,893** | **644** | **523** | **139** | **71** | **6,632** |

^ $1.554m of Property, Plant and Equipment is held as collateral by KCB Bank of Tanzania in relation to loan facilities.

INTRA ENERGY

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

| 30 June 2015 | 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 2015** | | | | | | | |
| At 1 July 2014, net of accumulated depreciation | 521 | 6,642 | 1,696 | 514 | 498 | 188 | 10,059 |
| Additions | 126 | 531 | - | 64 | - | 46 | 767 |
| Disposals (net) | (10) | - | - | - | - | - | (10) |
| Impairment and write-off | - | - | - | - | - | - | - |
| Transfers | 65 | 242 | - | - | (307) | - | - |
| Depreciation charge | (167) | (660) | (326) | (19) | - | (89) | (1,261) |
| Effect of exchange rates (net) | 28 | 224 | 46 | 5 | - | 1 | 304 |
| **At 30 June 2015, net of accumulated depreciation** | **563** | **6,979** | **1,416** | **564** | **191** | **146** | **9,859** |
| | | | | | | | |
| **At 30 June 2015** | | | | | | | |
| At cost | 949 | 8,844 | 2,410 | 613 | 191 | 490 | 13,497 |
| Accumulated depreciation and impairment | (386) | (1,865) | (994) | (49) | - | (344) | (3,638) |
| **Net carrying amount** | **563** | **6,979** | **1,416** | **564** | **191** | **146** | **9,859** |

^ $1.6m of Property, Plant and Equipment is held as collateral by KCB Bank of Tanzania in relation to loan facilities.
***** Intangible items were re-classified as software in financial year 2015.

## 13. MINE DEVELOPMENT COSTS

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'000s | $'000s |
| **Tancoal Mine** | | |
| Opening balance | 4,918 | 4,530 |
| Mine development expenditure | 45 | 242 |
| Rehabilitation asset | - | 106 |
| Amortisation | (31) | (26) |
| Effect of exchange rates | (15) | 66 |
| | **4,917** | **4,918** |
| **Malcoal Mine** | | |
| Opening balance | 2,153 | 1,912 |
| Mine development expenditure | - | 74 |
| Amortisation | (8) | (1) |
| Effect of exchange rates | (814) | 168 |
| Transfer to assets held for sale | (1,331) | - |
| | **-** | **2,153** |
| **Total** | **4,917** | **7,071** |

## 14. EXPLORATION EXPENDITURE

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'000s | $'000s |
| **Uaroo tenements** | | |
| Opening balance | - | 126 |
| Impairment | - | (126) |
| | – | - |
| **Tancoal Energy Limited tenements** | | |
| Opening balance | 503 | 239 |
| Exploration expenditure | 190 | 262 |
| Effect of exchange rates | (41) | 2 |
| | **652** | **503** |
| **Intra Energy Trading (Malawi) Limited tenements** | | |
| Opening balance | 10 | 10 |
| Effect of exchange rates | (6) | - |
| Transfer to assets held for sale | (4) | |
| | **-** | **10** |
| **Total** | **652** | **513** |

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.

On 20 August 2015, the Company advised the market that its Uaroo tenements in Australia lapsed on 2 July 2015. An impairment charge was recognised for the full carrying value of the licence in the previous financial year.

## 15. TRADE AND OTHER PAYABLES

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'000s | $'000s |
| Trade payables | 3,757 | 5,802 |
| Related party payables | 614 | 358 |
| Accruals | 2,892 | 1,100 |
| **Total** | **7,263** | **7,260** |

## 16. INTEREST BEARING LIABILITIES

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'000s | $'000s |
| **Current** | | |
| Secured loan facility | 1,554 | 1,739 |
| Hire purchase equipment | 288 | 690 |
| Related party convertible note | 125 | - |
| | **1,967** | **2,429** |
| **Non-current** | | |
| Hire purchase equipment | - | 805 |
| | **-** | **805** |
| **Total** | **1,967** | **3,234** |

### 16(a) Secured loan facility

On 1 December 2014 Tancoal re-financed its debt with KCB Bank Tanzania Limited (KCB). The loan facility is repaid over a three year term and principal and interest repayments are made monthly. Full repayment is expected in November 2017. The loan does not have any covenants but is repayable on demand and is secured against plant and equipment. Interest is charged on the facility at a rate of 8% per annum.

### 16(b) Bank overdraft facility

On 28 July 2015, KCB approved an increase in the working capital facility from US$0.5m to US$1.0m to support the monthly working capital cycle of Tancoal. Interest is charged on the facility at a rate of 8% per annum. The overdraft is not subject to any covenant requirements.

### 16(c) 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 moneys initially constitute simple short-term unsecured loans. The loan moneys may be applied as subscription moneys for convertible notes at a face value of $0.004, subject to shareholder approval. Interest is 2% per month payable monthly.

### 16(d) 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 is 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.

## 17. PROVISIONS

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'000s | $'000s |
| **Non-current** | | |
| Rehabilitation provision | 591 | 550 |
| **Total** | **591** | **550** |

### 17. PROVISIONS (CONT'D)

The movement in provisions during the year are as follows:

| 2016<br>$000's | Rehabilitation | Total |
|---|---|---|
| **Opening balance** | **550** | **550** |
| Amortisation | 31 | 31 |
| Effect of exchange rates | 10 | 10 |
| **Closing balance** | **591** | **591** |
| **Represented by;** | | |
| Current | - | - |
| Non-current | 591 | 591 |
| **Closing balance** | **591** | **591** |

| 2015<br>$000's | Rehabilitation | Total |
|---|---|---|
| **Opening balance** | **444** | **444** |
| Amortisation | 26 | 26 |
| Effect of exchange rates | 80 | 80 |
| **Closing balance** | **550** | **550** |
| **Represented by;** | | |
| Current | - | - |
| Non-current | 550 | 550 |
| **Closing balance** | **550** | **550** |

**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

| | 2016 No. | Issue price $ per share | 2016 $'000s | 2015 No. | Issue price $ per share | 2015 $'000s |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the year:** | **351,268,725** | | **69,387** | **290,324,925** | | **67,858** |
| Shares issued as part of the vesting of performance rights[3] | – | – | – | 1,295,698 | – | – |
| Shares issued for cash as part of Share Purchase Plan | – | – | – | 59,648,102 | $0.027 | 1,610 |
| Shares issued for payment of loan[2] | 5,205,305 | $0.015 | 78 | – | – | – |
| Share issue costs | | | - | | | (81) |
| **Balance at the end of the year** | **356,474,030** | | **69,465** | **351,268,725** | | **69,387** |

1. Fully paid ordinary shares carry one vote per share and carry the rights to dividends
2. On 24 November 2015, Shareholders approved the issue of shares as payment for a loan.
3. On 22 January 2014, Shareholders approved the issue of performance rights to the Executive Directors (as at this date) and Senior Management of IEC in exchange for a voluntarily reduction in their cash remuneration for the six month period from 1 January to 30 June 2014. The Executive Directors at the time voluntarily elected a 20% reduction in base remuneration (excluding superannuation) and the Senior Management elected a 10% reduction in exchange for performance rights as a short term cash saving measure. These Executive Directors and Senior Management were granted a fixed number of IEC performance rights based on their remuneration deferral. The 1,295,698 performance rights issued to the Senior Management and these Executive Directors (now Non-Executive Directors) vested in January 2015.

## 19 RESERVES

### 19(a) Options reserve

| | 2016 No. | 2016 $'000s | 2015 No. | 2015 $'000s |
|---|---|---|---|---|
| **Balance at the beginning of the year** | J | **2,216** | **600,000** | **2,216** |
| Options exercised during year | – | – | – | – |
| Options expired during year | (2,500,000) | – | (600,000) | – |
| Issued during the year | 2,500,000 | – | J | – |
| **Balance at the end of the year** | – | **2,216** | – | **2,216** |

1. Options were issued during the year to the Chief Executive Officer, they were not exercised and expired on 30 June 2016. The options were issued above market price and for a short period. The value of the options was not material. No options were granted during the 2015 year.
2. Options reserve recognises the fair value of options issued.

## 19. RESERVES (CONT'D)

### 19(b) Performance Rights reserve

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'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. These Executive Directors and Senior Management were granted a fixed number of IEC performance rights based on their remuneration deferral. The 1,295,698 performance rights issued to the Senior Management and these Executive Directors (now Non-Executive Directors) in FY 2014 vested over the period January 2014 to January 2015.

### 19(c) Foreign currency translation reserve

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $'000s | $'000s |
| **Non-current** | | |
| Balance at the beginning of the year | (32) | (1,342) |
| Foreign currency translation differences | (615) | (1,374) |
| **Balance at the end of the year** | **(647)** | **(32)** |

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 is 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 (%)* 2016 | Equity (%)* 2015 |
|---|---|---|---|---|
| Atomic Resources Pty Ltd | Australia | Ordinary | 100% | 100% |
| 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 | 50% | 50% |
| AAA Drilling Limited | Tanzania | Ordinary | 50% | 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% |
| Intra Energy Corporation (Singapore) Pte Ltd*** | Singapore | Ordinary | 0% | 100% |
| Intra Energy Laos Pte. Ltd*** | Singapore | Ordinary | 0% | 100% |
| Intra Energy Vietnam Pte. Ltd*** | Singapore | Ordinary | 0% | 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.
*** Entity has been wound up.

## 21. NON-CONTROLLING INTEREST

| | CONSOLIDATED | |
|---|---|---|
| | 2016 $'000s | 2015 $'000s |
| Total non-controlling interest | (5,522) | (4,880) |

The Company's subsidiary Intra Energy (Tanzania) Limited ("IETL") owns 70% of Tancoal and 30% is owned by Tancoal's joint 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:

| | 2016<br>$'000s | 2015<br>$'000s |
|---|---|---|
| **Rental and Lease Payments** | | |
| Less than 1 year | 341 | 216 |
| Between 2 and 5 years | 698 | 440 |
| Greater than 5 years | – | – |
| **Total Rental and Lease Payments** | **1,039** | **656** |
| | | |
| **Tenement Leases Expenditure Payable** | | |
| Less than 1 year | 720 | 873 |
| Between 2 and 5 years | 713 | 1,884 |
| Greater than 5 years | – | 39 |
| **Total Tenement Leases Expenditure Payable** | **1,432** | **2,796** |
| **Total** | **2,471** | **3,452** |

## 22. COMMITMENTS (CONT)

### 22(b) Finance Lease Commitments

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

| | 2016<br>$'000s | 2015<br>$'000s |
|---|---|---|
| **Finance Lease Expenditure Commitments Payable** | | |
| Less than 1 year | 288 | 857 |
| Between 2 and 5 years | - | 1,024 |
| Greater than 5 years | - | - |
| **TOTAL** | **288** | **1,881** |

The Group also has an obligation under the JV agreement with AAA Drilling to commit $0.2m per year by the provision of drilling work or by contribution.

## 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 contingent liability may be up to $500,000 in addition to costs accounted for in the accounts.

Tancoal Energy Limited in Tanzania is defending a legal claim brought by NBC bank for recovery of money paid under a letter of credit arrangement in 2013, the company is defending the claim but the contingent liability may be up to US$470,000.

Other than the above, the Directors are not aware of any contingent liabilities or contingent assets at 30 June 2016.

## 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.

'Other' recognises the non-operating entities incorporated in Malaysia, which were nil in FY 2016.

**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.

### 24. SEGMENT REPORTING (CONT)

**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 16 $'000 | Australia Period Ended 30 June 15 $'000 | Africa Period Ended 30 June 16 $'000 | Africa Period Ended 30 June 15 $'000 | Other Period Ended 30 June 16 $'000 | Other Period Ended 30 June 15 $'000 | Elimination Period Ended 30 June 16 $'000 | Elimination Period Ended 30 June 15 $'000 | Consolidated Period Ended 30 June 16 $'000 | Consolidated Period Ended 30 June 15 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | |
| Sales revenue | – | – | 14,408 | 16,555 | – | – | – | – | 14,408 | 16,555 |
| Inter-segment revenue | 716 | 691 | – | – | – | – | (716) | (691) | – | – |
| **Total revenue** | **716** | **691** | **14,408** | **16,555** | – | – | **(716)** | **(691)** | **14,408** | **16,555** |
| Net costs of production | – | – | (8,911) | (9,752) | – | – | – | – | (8,911) | (9,752) |
| **Gross Profit** | **716** | **691** | **5,497** | **6,803** | – | – | **(716)** | **(691)** | **5,497** | **6,803** |
| Other income | – | 161 | – | 870 | – | – | – | – | – | 1,031 |
| Other operating expenses | (1,034) | (2,199) | (6,214) | (5,149) | – | – | – | – | (7,248) | (7,348) |
| **Profit/(loss) before impairment, depreciation, amortisation, net finance costs** | **(318)** | **(1,347)** | **(717)** | **2,524** | – | – | **(716)** | **(691)** | **(1,751)** | **486** |
| Impairment | – | (126) | (759) | – | – | – | – | – | (759) | (126) |
| Depreciation | (90) | (97) | (931) | (1,164) | – | – | – | – | (1,021) | (1,261) |
| Amortisation | – | – | (31) | (27) | – | – | – | – | (31) | (27) |
| **Results from operating activities** | **(408)** | **(1,570)** | **(2,438)** | **1,333** | **–** | **–** | **(716)** | **(691)** | **(3,562)** | **(928)** |
| Finance income | | | | | | | | | – | 2 |
| Finance expenses | | | | | | | | | (305) | (532) |
| **Profit/(loss) before tax** | | | | | | | | | **(3,867)** | **(1,458)** |
| Income tax benefit/(expense) | | | | | | | | | – | 71 |
| **Net Loss from continuing operations** | | | | | | | | | **(3,867)** | **(1,387)** |
| Loss from discontinued operations and impairments on those operations | | | | | | | | | (4,330) | – |
| **Loss for the year** | | | | | | | | | **(8,197)** | **(1,387)** |

## 24. SEGMENT REPORTING (CONT'D)

| Balance per statutory accounts | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 4,318 | 5,538 | 16,477 | 22,128 | – | – | (5,469) | (4,284) | 15,326 | 23,382 |
| Total Liabilities | (1,145) | (695) | (52,641) | (55,940) | – | – | 41,322 | 44,664 | (12,464) | (11,971) |

## 25. CASH FLOW INFORMATION

| | 2016 $'000s | 2015 $'000s |
|---|---|---|
| Loss before income tax | (8,197) | (1,458) |
| Non-cash flows in profit | | |
| Depreciation and amortisation | 1,052 | 1,289 |
| Share based payments | – | 206 |
| Share of loss of equity-accounted investees | 257 | 77 |
| Loss on sale and impairment of non-current assets | 481 | 142 |
| Foreign exchange | 188 | (229) |
| Impairment of assets | 2,506 | 126 |
| Loss from discontinued operations – non-cash items | 1,470 | - |
| Change in inventories | 900 | (484) |
| Change in receivables | 754 | (11) |
| Change in provisions | (28) | 39 |
| Change in trade payables | (431) | 1,247 |
| Change in current assets and liabilities held for sale | 1,229 | – |
| **Net cash provided/(used) in operating activities** | 181 | 944 |

## 26. SHARE BASED PAYMENTS

### 26(a) Shares and options

On 9 October 2015, 2,500,000 unlisted options were issued to the Chief Executive Officer, Mr Tarn Brereton. The options had an exercise price of $0.02 and an expiry date of 30 June 2016, the options were not exercised and lapsed on 30 June 2016. The value of the options was not material and not brought to account.

No shares or options were granted by the Company during the 2015 year.

### 26(b) Performance rights

No Performance rights were issued in the 2016 or 2015 years.

Performance Rights for the 2014, 2013 and 2012 incentive schemes were provisionally expensed in the period. As stated in the Remuneration Report there are two measures of performance for Directors and three measures for senior management who participate in the incentive scheme. It is not considered likely that the internal measure (EPS) will be met over the vesting period and no provision has been made. The vesting of the external measured rights will be subject to IEC's TSR outperforming the S&P/ASX300 Energy Index (ASX: XEK) over the vesting period. A valuation methodology was constructed using a Monte Carlo simulation to generate a fair value at grant date. The fair value of the market based performance incentives was deemed to be 17 cents per performance right share. This will be expensed over the vesting period of three years.

Vesting periods:

Performance rights issued in FY 2012 vested over the period 12 August 2011 to 29 August 2014.

Performance rights issued in FY 2013 vested over the period 31 October 2012 to 31 August 2015.

Performance rights issued in FY 2014 vested over the period 22 January 2014 to 31 January 2015.

## 27. SUBSEQUENT EVENTS

On 18 July 2016, the Company advised that the CEO Mr Tarn Brereton had passed away suddenly and that Mr Mark McAndrew, Executive Director and Chief Operating Officer would take over the duties as Acting CEO until a suitable replacement was found.

On 19 July 2016, the Company advised that it had commenced an energy diversification strategy.

On 25 July 2016, the Company advised that the technical proposal for the Ngaka Power Station had been completed.

On 29 September 2016, the Company advised that Kenya Commercial Bank "KCB" had approved a working capital loan of US$800,000 Tancoal energy Limited "Tancoal" a subsidiary company for the expansion of production capacity at the Ngaka coal mine in Tanzania.

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.

**2016**

During the year the Company paid Intrasia Capital Pty Limited, a related party of Graeme Robertson and Jonathan Warrand, for accounting, administration, investor relations and back office support services to IEC, the fee was reviewed regularly and the arrangement was terminated in November 2015. An amount of $57,500 (plus GST) was paid during the year. At 30 June 2016 an amount of $21,411 including GST remained outstanding.

At 30 June 2016 a loan of US$150,000 (A$202,000) 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 has been fully impaired at 30 June 2016.

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 2016 was TZS170,000,000 (A$ 101,000).

At 30 June 2016, $40,000 was receivable from Geothermal Power Tanzania Limited and NuEnergy Gas (Tanzania) Limited for services provided in a prior year, a related party to Graeme Robertson.

At 30 June 2016, $25,000 was receivable from NuAfrica Limited for reimbursement of expenses and 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 $288,000 was outstanding at 30 June 2016.

**2015**

During the year, IEC subsidiary Intra Energy Tanzania Limited received administration fees of $8,287 for administration services provided to Geothermal Power Tanzania Limited, a related party of Graeme Robertson, David Mason and Jonathan Warrand.

During the year, IEC subsidiary Intra Energy Tanzania Limited received administration fees of $4,999 for administration services provided to NuEnergy (Tanzania) Limited, a related party of Graeme Robertson.

At 30 June 2015 a loan of US$150,000 (A$195,940) to Malcoal joint venture partner Consolidated Mining Industries Limited, a private Malawian entity remained outstanding. The loan is to be repaid from first dividends from Malcoal and interest is charged on the loan at the rate of 5% per annum.

## 29. RELATED PARTY TRANSACTIONS (CONT'D)

In June 2013, IEC subsidiary Tancoal Mining Limited received a loan of TZS300,000,000 (A$196,000) from joint venture partner the National Development Corporation of Tanzania. This loan remained outstanding at 30 June 2015.

At 30 June 2015 $39,000 was receivable from Geothermal Power Tanzania Limited and NuEnergy Gas (Tanzania) Limited.

At 30 June 2015, $24,000 was receivable from NuAfrica Limited for reimbursement of expenses and 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 $230,000 was outstanding at 30 June 2015.

The Company paid $64,000 in fees to Intrasia Mining Pte Ltd (a wholly owned subsidiary of Intrasia Capital Pte Limited), a related party of Graeme Robertson, for the provision of legal services by a qualified lawyer employed by Intrasia Capital Pte Ltd.

In January 2014, the Company raised A$1.5m by way of a partially underwritten Share Purchase Plan. The Plan was partially underwritten by IEC Directors and their related parties, who received underwriting fees of 3% on their portion of the shortfall:

| Director | Related Party | Shares underwritten | $'000 | Underwriting fees $'000 |
|---|---|---|---|---|
| Mr G Robertson | Aspac Mining Limited | 6,717,632 | 672 | 20 |
| Mr J Warrand | Cobblyn Investments Pty Ltd | 246,751 | 25 | 1 |
| Mr D Mason | D&H Investments Pty Ltd and Rothstein Pty Ltd | 608,849 | 61 | 2 |
| Mr W Paterson | Lujeta Pty Ltd | 2,744,407 | 274 | 8 |

## 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(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.

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

### 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:

| | 2016<br>$'000s | 2015<br>$'000s |
|---|---|---|
| Trade and Other Receivables | 1,775 | 2,529 |
| Cash and cash equivalents | 65 | 40 |
| **Total** | **1,840** | **2,569** |

### Trade and other receivables

The Group's receivables relate to GST and other taxation (including VAT, WHT and fuel relief receivables) due from the Australian and Tanzanian taxation offices, 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 of at least twelve months.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations, and forward expenditure commitments, under all reasonably expected circumstances

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

| 30 June 2016 | 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 | 1,355 | 1,355 | 1,355 | – | – | – | – |
| Trade and other payables | 7,263 | 7,263 | 7,263 | – | – | – | – |
| Interest bearing liabilities | 1,967 | 2,062 | 1,230 | 832 | – | – | – |
| Other liabilities | – | – | – | – | – | – | – |
| **Total** | **10,585** | **10,680** | **9,848** | **832** | **–** | **–** | **–** |

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

| 30 June 2015 | 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 | 644 | 644 | 644 | – | – | – | – |
| Trade and other payables | 7,260 | 7,260 | 7,260 | – | – | – | – |
| Interest bearing liabilities | 3,234 | 3,788 | 925 | 798 | 1,416 | 649 | – |
| Other liabilities | – | – | – | – | – | – | – |
| **Total** | **11,138** | **11,692** | **8,829** | **798** | **1,416** | **649** | **–** |

**Cash and receivables**

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

| 30 June 2016 | 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 | 65 | 65 | 65 | – | – | – | – |
| Trade and other receivables | 1,775 | 1,775 | 1,775 | – | – | – | – |
| **Total** | **1,840** | **1,840** | **1,840** | **–** | **–** | **–** | **–** |

| 30 June 2015 | 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 | 40 | 40 | 40 | – | – | – | – |
| Trade and other receivables | 2,529 | 2,529 | 2,529 | – | – | – | – |
| **Total** | **2,569** | **2,569** | **2,569** | **–** | **–** | **–** | **–** |

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

### 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.

**(i) Interest rate risk**

**Profile**

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

| 30 June 2016 | Average interest rate % | Floating Interest Rate % | Total $'000s |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 0% | – | 65 |
| Trade and other receivables | 5% | – | 1,775 |
| **Total** | - | – | **1,840** |
| **Financial liabilities** | | | |
| Bank overdraft | – | 8% | 1,355 |
| Trade and other payables | – | – | 7,263 |
| Interest bearing liabilities | 2% | 8% | 1,967 |
| Other liabilities | – | – | – |
| **Total** | – | – | **10,585** |
| **NET FINANCIAL ASSETS/ (LIABILITIES)** | – | – | **(8,745)** |

| 30 June 2015 | Average interest rate % | Floating Interest Rate % | Total $'000s |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 0% | – | 40 |
| Trade and other receivables | 5% | – | 2,529 |
| **Total** | - | – | **2,569** |
| **Financial liabilities** | | | |
| Bank overdraft | – | 8% | 644 |
| Trade and other payables | – | – | 7,260 |
| Interest bearing liabilities | – | 8% | 3,234 |
| Other liabilities | – | – | – |
| **Total** | – | – | **11,138** |
| **NET FINANCIAL ASSETS/ (LIABILITIES)** | – | – | **(8,569)** |

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

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.

**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 2016** | 10% INCREASE $'000S | 10% DECREASE $'000S | 10% INCREASE $'000S | 10% DECREASE $'000S |
| **Financial assets** | | | | |
| Cash and cash equivalents | – | – | – | – |
| Interest bearing liabilities | (168) | 168 | (168) | 168 |
| **Total** | **(168)** | **168** | **(168)** | **168** |

| | PROFIT OR LOSS | | EQUITY | |
|---|---|---|---|---|
| **30 June 2015** | 10% INCREASE $'000S | 10% DECREASE $'000S | 10% INCREASE $'000S | 10% DECREASE $'000S |
| **Financial assets** | | | | |
| Cash and cash equivalents | – | – | – | – |
| Interest bearing liabilities | (38) | 38 | (38) | 38 |
| **Total** | **(38)** | **38** | **(38)** | **38** |

**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 2016 would have decreased the net liabilities of the Tanzanian and Malawian subsidiaries by A$3.1m (2015: $3.5m). A 10% weakening of the Australian dollar against the Tanzanian Shilling and Malawian Kwacha at 30 June 2016 would have increased the net liabilities of the Tanzanian and Malawian subsidiaries by A$3.8m (2015: $2.9m).

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 2016 would have decreased net interest bearing liabilities of the KCB loans and hire purchases by A$0.2m (2015: $0.4m). A 10% weakening of the Australian dollar against the United States dollar at 30 June 2016 would have increased net interest bearing liabilities of the KCB loans and hire purchases by A$0.2m (2015: $0.3m).

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

| | 2016 $'000s | 2015 $'000s |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | 42 | 8 |
| Trade and other receivables | 32 | 10 |
| Other assets | - | 19 |
| **Total Current Assets** | **74** | **37** |
| **Non-Current Assets** | | |
| Other receivables | - | 196 |
| Equity accounted investments | - | 989 |
| Investment in subsidiaries | 4,136 | 4,136 |
| Property, plant and equipment[1] | 108 | 180 |
| Loans to subsidiaries | - | - |
| **Total Non-Current Assets** | **4,244** | **5,501** |
| **Total Assets** | **4,318** | **5,538** |
| **Current Liabilities** | | |
| Trade and other payables | 1,018 | 656 |
| Interest bearing liabilities | 125 | - |
| Employee liabilities | 2 | 39 |
| **Total Liabilities** | **1,145** | **695** |
| **Net Assets** | **3,173** | **4,843** |
| **Equity** | | |
| Issued capital | 69,465 | 69,387 |
| Reserves | 3,011 | 3,011 |
| Accumulated losses | (69,303) | (67,555) |
| **Total Equity** | **3,173** | **4,843** |

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 a net current asset deficiency of $1.071m (2015: $0.658m)

### Financial Performance of Intra Energy Corporation Limited

| | 2016 $'000s | 2015 $'000s |
|---|---|---|
| Loss for the year | **(1,748)** | **(1,457)** |
| **Total Comprehensive Income** | **(1,748)** | **(1,457)** |

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.

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 26 September 2016.

**(a) Distribution of Equity Securities**

The numbers of shareholders, by size of holding, in each class of share are:

| | | | Listed Ordinary Shares | |
|---|---|---|---|---|
| | | | Number of Holders | Number of Shares |
| 1 | – | 1,000 | 8,286 | 71 |
| 1,001 | – | 5,000 | 248,445 | 81 |
| 5,001 | – | 10,000 | 932,807 | 112 |
| 10,001 | – | 100,000 | 15,636,177 | 376 |
| 100,001 | – | and over | 339,649,315 | 226 |
| | | | 356,474,030 | 866 |
| The number of shareholders holding less than a marketable parcel of shares are: | | | 494 | 6,728,666 |

**(b) Twenty Largest Shareholders**

The names of the twenty largest holders of quoted shares are:

| | | Listed Ordinary Shares | |
|---|---|---|---|
| | | Number of Shares | Percentage of Shares |
| 1 | ASPAC MINING LIMITED | 103,012,065 | 28.90% |
| 2 | LUJETA PTY LTD | 32,391,025 | 9.09% |
| 3 | RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED | 13,846,968 | 3.88% |
| 4 | NUVOLARI CAPITAL LIMITED | 8,835,770 | 2.48% |
| 5 | MR PETER TSEGAS | 8,731,766 | 2.45% |
| 6 | MR GRAEME LANCE ROBERTSON | 8,474,297 | 2.38% |
| 7 | MARA SUPERANNUATION PTY LTD | 6,850,625 | 1.92% |
| 8 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 6,272,514 | 1.76% |
| 9 | MARA PTY LTD | 6,225,390 | 1.75% |
| 10 | COBBLYN INVESTMENTS PTY LTD | 6,148,007 | 1.72% |
| 11 | D & H MASON INVESTMENTS PTY LTD | 5,783,701 | 1.62% |
| 12 | INTRASIA CAPITAL PTE LTD | 5,205,305 | 1.46% |
| 13 | LOMACOTT PTY LTD | 4,500,000 | 1.26% |
| 14 | OZEA PTY LTD | 3,021,154 | 0.85% |
| 15 | MR ADAM STRATTON & MRS MELISSA STRATTON | 2,830,528 | 0.79% |
| 16 | MR DAVID JACOB SCHWARTZ & MRS MELANIE ANN SCHWARTZ | 2,805,482 | 0.79% |
| 17 | MR CRAIG IAN BROWN & MRS JENNY LEE BROWN | 2,704,994 | 0.76% |
| 18 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,500,000 | 0.70% |
| 19 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3 | 2,222,222 | 0.62% |
| 20 | MS AILEEN ROSAMUND PARIS | 2,000,003 | 0.56% |
| | | **234,361,816** | **65.74%** |

### (c) Substantial Shareholders

The names of substantial shareholders who have notified the Group in accordance with section 671B of the Corporations Act 2001 are:

| | Number of Shares | Percentage of Ordinary Shares |
|---|---|---|
| ASPAC MINING LIMITED AND ASSOCIATES | 118,806,585 | 33.33% |
| LUJETA PTY LTD | 34,179,370 | 9.59% |
| MARA SUPERANNUATION PTY LTD AND ASSOCIATES | 18,410,197 | 5.16% |

### (d) Schedule of Mining Tenements

| Area of Interest | Tenements | % Interest |
|---|---|---|
| **Tanzania** | | |
| Tancoal Energy Limited | ML439/2011, PL7391/2011, PL7620/2012, PL7713/2012, PL5756/2009, PL5903/2009, PL8999/2013, PL9807/2014, *MLA0062/2016, *MLA00601/2016, *MLA00600/2016, PL10417/2014 | 70% |
| Intra Energy Limited | PL11168/2016, PL11175/2016, PL11176/2016, PL11333/16, PL 11334/16, PL 11335/16, PL 11336/16 | 100% |
| Tanzacoal East Africa Mining Limited | PL6319/2010, PL7030/2011, PL10058/2014, Pl10116/2014, PL6111/2009 | 85% |
| **Malawi** | | |
| Malcoal Mining Limited | ML0143/2005, EPL 377/2013 | 90% |
| Intra Energy Trading Limited | EPL0392/2013, EPL376/2013 | 100% |

*Mining Licence Application