Intra Energy Corporation Limited

(ABN 65 124 408 751)

Annual Financial Report

For the year ended 30 June 2019

Contents

INTRA ENERGY

Corporate Directory

DIRECTORS

Graeme Robertson (Chairman)
Troy Wilson (appointed 4 October 2017)
Alan Fraser (appointed 24 August 2018)
Marc Schwartz (appointed 31 July 2019)
David Nolan (resigned 24 August 2018)
James Shedd (Managing Director appointed 7 November 2018)

COMPANY SECRETARY

Rozanna Lee

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ABN 65 124 408 751
ASX CODE (IEC)

Chairman's Report

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 2019.

Intra Energy Corporation ("IEC") is the dominant coal supplier to industrial energy users in the Eastern African region through its 70% ownership of Tancoal Energy Limited ("Tancoal") which operates the Ngaka coal mine in south west Tanzania which is also 30% owned by the National Development Corporation of Tanzania (NDC), the mine is the largest operational coal mine in Tanzania and East Africa, and is manned exclusively by Tanzanians.

IEC recorded a profit after tax of A$4,535,000 (2018: loss of A$1,921,000).

Tancoal's 2019 production was 748,874 (2018: 579,108) tonnes and sales were 788,702 (2018: 540,937) tonnes, approximately 46% more than sales in the previous year. Sales revenue for 2019 was A$52.277 million (2018: A$33.079 million). Sales were mainly to customers in Tanzania (67%), with the remainder to customers in Kenya (15%) and Rwanda and Uganda (18%). 56% of sales were made to the cement industry, 32% to the ceramic industry and 12% to textile manufacturers and other industries.

As in 2018, the increase in sales during 2019 was mainly due to the further increase in export sales to Kenya, Rwanda and Uganda and growth in the ceramics industry. As announced on 3 September 2019, the Ministry of Minerals has formally demanded the implementation of the payment of royalty on freight to customers plants both domestic and internationally. The increased cost is being passed on to customers and is expected to negatively impact the demand from export customers as the coal will no longer be competitive with Richards Bay, South Africa like most other countries exporting coal does not charge a royalty on the gross invoice value of transport to customers plants.

IEC purchased the 50% of the drilling operations held by the joint venture partner at the end of May 2019. AAA Drilling is now owned 100% by IEC.

IEC's wholly owned subsidiary, AAA Drilling Limited, a Mauritian incorporated company, has invested in a newly discovered gold property near Pemba in Mozambique. The initial investment will be used to fund survey and trenching work on the gold concession. If initial work demonstrates the potential investors will have an option to fund a drilling program for equity to target early production. This is a fast track project not dependent on JORC and is designed to produce early cash flow for the investors.

The closed Malawi operations continued to be held for sale, there have been no serious buyers at this stage. The coal-fired power station project in Malawi is still on hold until a suitable power station developer is found.

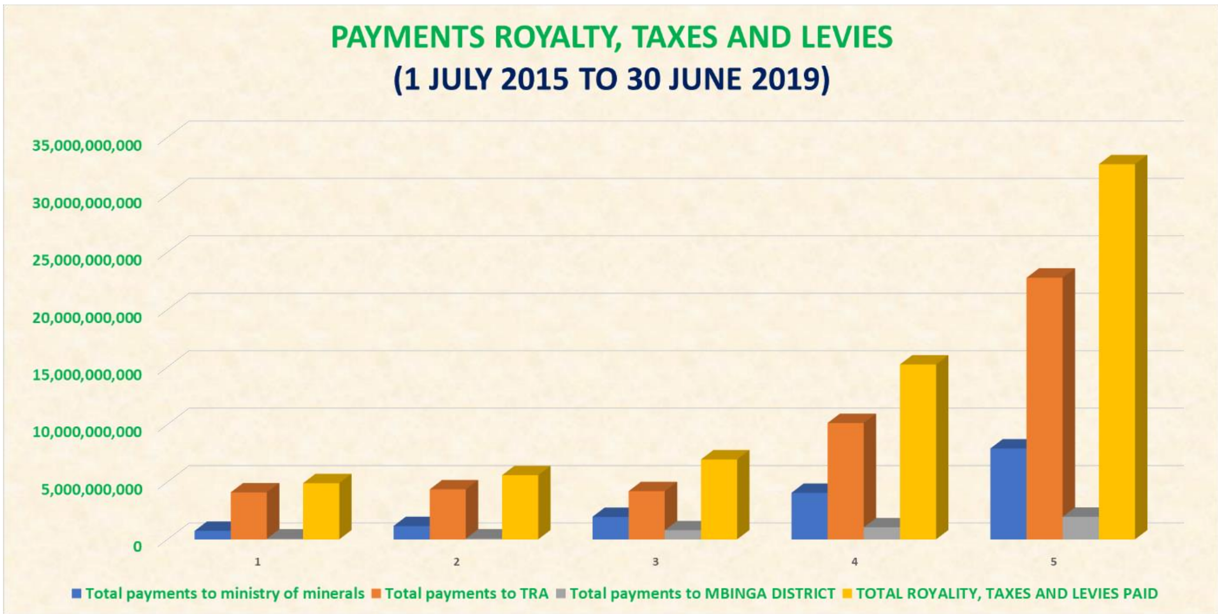
Operating cash flow improved during the year but then tightened after the settlement with the contractor Caspian and the payment to the tax office to object to an assessment for the years from the start of the mine in to 2015, the cashflow is expected to improve after the payment plan with Caspian is completed in December 2019.

There has been no response from the Tanzanian Electricity Company "TANESCO" to the proposed 270MW "Ngaka" minemouth coal-fired power station project. IEC is continuing to promote partnership arrangements with other parties but without success as yet.

IEC continued to maintain its active presence in community development through the Government approved Local Content Plan and Tancoal's partnership with the local Women's Group and various other projects and support given to the local communities.

Tancoal's motto has always been "Tanzanian Coal for Tanzanian Development" and is proud to be supporting the Government's industrialisation agenda both through domestic supply and also the creation of export markets to benefit Tanzania with foreign sourced revenue. However, with new royalty on road transport, Tanzania is likely to lose its export revenue. A substantial stockpile of coal has been stored to cater for any demand spikes. IEC is 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 has been a substantial contributor to sustainable development of the Tanzanian economy and the following chart shows. The taxes, royalties and imposts paid in Tanzania for FY 2019 total A$9.3 million, which was 58% of Tancoal's gross profit.



The conditions being imposed on Tancoal have dampened a hitherto successful year and management is adjusting accordingly.

Sincerely

Graeme Robertson
Chairman – Intra Energy Corporation Limited

MINING OPERATIONS

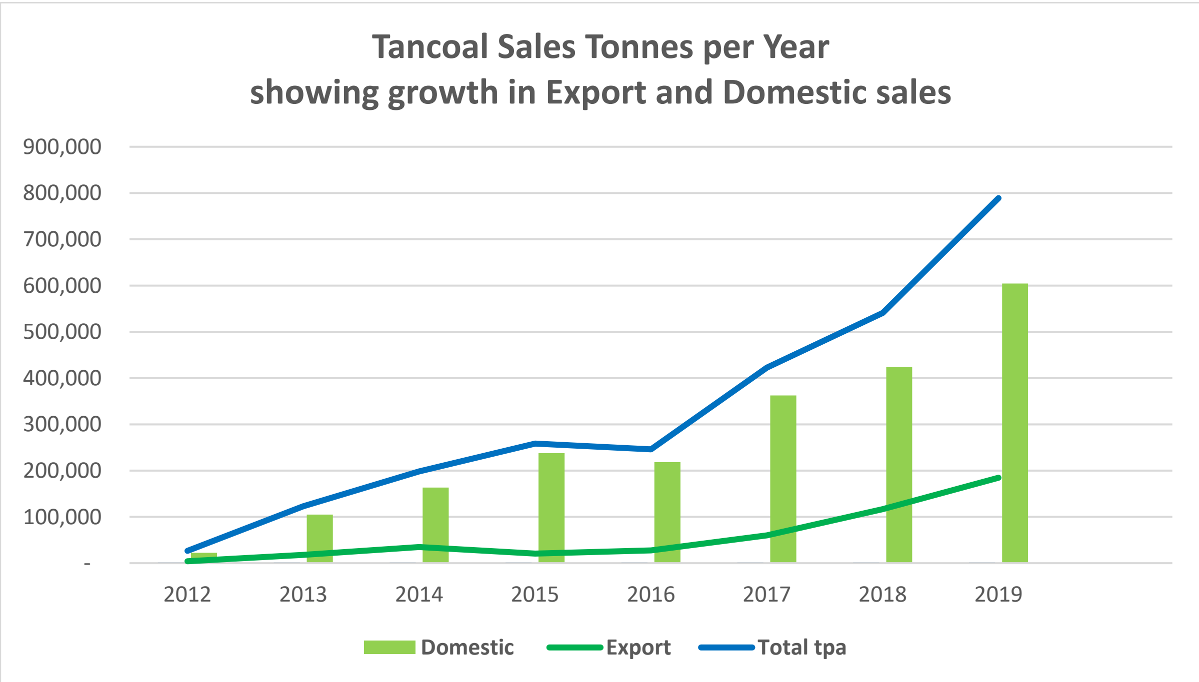
IEC's 100% owned subsidiary, Intra Energy Tanzania Limited ("IETL"), owns a 70% interest in Tancoal Energy Limited ("Tancoal"), a joint venture with the National Development Corporation of Tanzania ("NDC"), which holds the remaining 30% interest. Tancoal was granted a Mining Licence ("ML") by the Tanzanian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

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

	FY19	FY18
Overburden Stripped (BCM)	3,344,676	3,027,299
Coal mined (tonnes)	748,874	579,108
Coal Sold (tonnes)	788,702	540,937

Tancoal's sales have grown year on year from 246,197 tonnes in FY 2016 to 788,702 tonnes in FY 2019. Export sales contributed to the sales growth increasing from 27,662 tonnes in FY 2016 to 184,646 tonnes (23.2% of total sales) in FY 2019. Domestic sales increased after the Tanzanian Government issued a Directive in August 2016 banning the import of coal. This directive increased sales to the domestic market customers that were previously importing coal from South Africa.

Tancoal produces a high quality thermal coal with an energy of 6,000K~6,300Kcals/kg which consistently meets client specifications. The increase in export sales has been a result of the availability of high quality coal and the purchase in FY 2018 of the crushing plant and matching screen plant that can produce the sized coal mostly required by export customers.



Tancoal has been producing and selling coal in Tanzania since 2011. Coal from the mine is transported on a 52 kilometre haul road to the Sales Point at Kitai where the coal undergoes final processing and is then sold and distributed from the stockpile.

The haul road can only take trucks up to 20 tonnes so there would be a significant cost saving if the existing road could be upgraded or a new road built that could take the larger 30 tonne trucks the customers send to collect their coal. Tancoal has investigated both options and the upgrade to the current road including village bypasses is the preferred option that will be constructed when funds allow or when Tanroads agree to upgrade the existing road. Tancoal continues to lobby the government on this issue.

From the stockpile at the Kitai Sales Point the coal is loaded on to customers trucks Free On Transport (FOT), which is where change of ownership takes place. Royalties have always been paid at the Sales Point where the Government calculates the royalty and issues an invoice for payment. The Tanzania Mining Commission has demanded that Tancoal charge Royalty on the Transportation of the coal to the customers final destination, wherever that may be, both domestically and internationally. The Mining Commission has set a standard cost of transport to the customers plant at a rate per tonne per kilometre of $0.06 for domestic customers and $0.08 for export customers. It is understood that not all operating mines are not paying this levy which is being applied to coal in the same format as gold. The Company continues to discuss this matter with Government and customers to find a solution.

During the past year, Tancoal has purchased two new L566 Wheel loaders and three new Bell B50E ADT trucks to improve the efficiency of the mine and to increase capacity to more than 80,000 tonnes per month.

At the end of April 2019, Tancoal settled the dispute with the Caspian contractor. Under the settlement, Caspian dropped the court case filed against Tancoal and receives 75% of the value of their invoices to be paid by Tancoal in monthly instalments till 31 December 2019, and a reduction in the length of the contract by one year.

AAA DRILLING

IEC has purchased 50% of the shares in AAA Drilling Limited (Mauritius) (“AAA”) for US$75,000, this makes AAA Drilling Limited (Tanzania) a wholly-owned subsidiary of IEC with a Hanjin Drilling rig that is ideal for multiple drilling purposes in Coal Bed Methane, Geothermal, Coal and Minerals exploration.

AAA has invested in an exciting gold development in Mozambique, which, if successful will provide IEC shareholders with a more diversified portfolio in a business-friendly environment.

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 and the decision was made in 2016 to halt operations.

The Company continues working to progress a sale of the Malawi assets. In the meantime, the assets are being held for sale and have been fully impaired in the accounts.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT (“OHSE”)

OHSE is an important priority for IEC. The mine operations are 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. Improvements to the storm water drainage systems at the Ngaka mine continued with the upgrading of the available trenches and ponds and the construction of new trenches and ponds to the new mine development areas. In-pit toilets were also provided in the year as well as additional lighting for night shifts. The addition of Speed Detector (Gun) has also provided Tancoal with better control of the haulage between the mine site and Sales Point reducing roll-overs and other speed related accidents.

At the mine site, we are currently building settling ponds around the mining areas to capture water that needs treatment before being released into the rivers. We have liners on the way to complete the program and will continue at our sales point with fresh liners as well.

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. IEC will be the exclusive coal supplier to the proposed power stations.

PROJECT NGAKA (TANZANIA) – 270 MW

In November 2015 IEC entered into a Memorandum of Understanding (MOU) with SINOHYDRO Corporation Limited (a subsidiary of Power China) to jointly develop the feasibility for the 270MW Ngaka coal-fired minemouth power station project in the Tancoal mine area. The Feasibility Study was delivered to the Tanzanian Government in October 2016. No action has resulted and the MOU lapsed in December 2018. IEC continues promoting partnership arrangements with other parties.

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 assets.

EXPLORATION

Some low-level exploration was undertaken on the lithium and graphite tenements in Tanzania but expenditure remained controlled so as to preserve cash whilst still maintaining the Company's portfolio of tenements in good standing.

Due to uncertainty of the Mining Industry in Tanzania at the current time, Intra Energy Tanzania has halted all exploration projects until further notice.

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

Table 1 - Intra Energy JORC resources

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

COMPETENT PERSON STATEMENT

MBALAWALA/MBUYURA-MKAPA

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

CORPORATE

Operating cash flow improved in FY 2019 but it has been restricted sine the settlement with the Caspian contractor at the end of April 2019 but it is expected to improve after the final payment is made in December 2019. Tancoal's banking facilities with KCB Bank of Tanzania were extended to April 2020.

Alan Fraser joined the Board on 24 August 2018 replacing David Nolan who retired on the same day.

Marc Schwartz joined the Board on 31 July 2019.

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.

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 Tanzania is 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.

The Tanzania government implemented new rules in FY 2019 requiring a Corporate Social Responsibility ("CSR") plan to be submiteed and approved for each year. Tancoal's CSR plan for 2019 was approved by the Government and a new plan for FY 2020 is being submitted for approval.

The Mbalawala Women's Organisation ("MWO") in Tanzania that has been supported by the company for many years continues to go from strength to strength as their operations expand with the growth of the mine.

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 of Tancoal and its contractors and is making coal briquettes certified by the Tanzanian Bureau of Standards. These coal briquettes are an alternative to charcoal. The Group was supported and funded from 2011 by the company and has been able to expand its operation with the growth of the mine, during 2019 it became self-funded. IEC congratulates MWO on its achievement and confirms its commitment to support the Group as needed into the future.

ENVIRONMENTAL

The annual tree planting programme again saw Tancoal transplant a total of 10,000 tree seedlings of indigenous species. Trees were planted around the mine site and stockpile area at the mine, villages surrounding mine site, the haul road and stockpile area at the Kitai sales point.

Tancoal has submitted the Mine Closure Plan to the Ministry of Minerals. The Minister appointed the National Mine Closure Committee which visited the mine site and conduct the mine closure meeting with Tancoal and they gave some recommendations to work on the plan document before the approval.

Storm water trenches have been continually upgraded for the rainy season in accordance with the mine development plan, Tancoal is continuing construction of a huge pond with liner that can hold acid water from south pit in order to comply with legal requirement. The monitoring of acid water and suppression of mine dust continues. Blasting is controlled by monitoring sound level, vibration and dust emission during blasting to ensure they do not exceed required standard set by Tanzania Bureau of Standard (TBS).

The Directors submit their report for Intra Energy Corporation Limited ("IEC" or "the Company") and its controlled entities for the year ended 30 June 2019 (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 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 and Non-Executive Chairman in October 2014. He has over thirty years' experience in the coal, infrastructure and power development industries. Graeme transitioned to Non-Executive Chairman on 1 November 2014. 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. 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. 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.
Troy Wilson	*Non-Executive Director* *(appointed 4 October 2017)*	Troy is the Managing Director and owner of Gigajule Energy Pty Ltd and is widely recognized in Australia and internationally as a Coal Bed Methane (CBM) completion and production expert with over 16 years' experience in this field. Troy's most recent experience includes the development of CBM in Africa, flowing gas from the first Surface to Inseam Wells in Botswana, being the lead in the production enhancement team taking the gas field from 8tjs to 17tjs in 6months for Westside Corporation. He has previously been Operations Manager with Mitchell Drilling Corporation, developing the production for Peabody (North Goonyella) and A.J. Lucas. Troy currently sits on the Board of Nu Africa Gas and is advising several CBM development companies in South Africa, Botswana, Zimbabwe and in Australia.
Alan Fraser	*Non-Executive Director* *(appointed 24 August 2018)*	Mr Fraser has over 30 years' experience in greenfield mineral exploration, project management and mine construction. He has managed base metal and gold exploration projects through the stages of tenement acquisition, joint venture negotiation, obtaining regulatory approvals and the management of field exploration

		programs, at times in remote locations. He has worked extensively across the Asis -Pacific region especially in Australia and Indonesia. Alan served as CEO of New Holland Mining Limited, an ASX listed gold and base metal exploration and production company, now NuEnergy Gas Limited, having been a director since 1992. Alan was instrumental in NuEnergy's acquisition of the coal and unconventional gas assets in Indonesia. He stepped down as CEO to ensure new leadership could move the company forward with its focused gas strategy. Alan was engaged in the IPO and listing and served as MD and Chairman of Resource Base Limited another ASX listed company engaged in gold exploration and production with activities in Australia, retiring in 2016. He currently serves as a Non-Executive Director of Jack-In Group Limited another ASX listed company, a service provider to the construction and real estate industries in Malaysia. Mr Fraser has a vast knowledge of working with ASX listed companies and helping to create value for the Australian investment community.
Marc Schwartz	*Non-Executive Director (appointed 31 July 2019)*	Marc has had a very successful business career from being Manager of Structured Finance Products at Macquarie Bank in 2007 to being Managing Director of Pascoes Pty Ltd from 2008 to 2018, which employed 150 people across two manufacturing sites and manufactured or distributed over 400 items to retailers. He is currently a Director of Gelflex Laboratories which is the largest manufacturer of contact lenses in the Southern Hemisphere. Marc’s specialisation has been in operational and financial efficiency, investment and strategy.
James (Jim) Shedd	*Managing Director (appointed 7 November 2018), CEO appointed 27 December 2016)*	Jim has been CEO of the Company since December 2016 and has been pivotal in the development of IEC’s mining operations in Tanzania. He has developed a strong Tanzanian team and improved mine efficiency under challenging conditions. Jim graduated in business from the University of Maryland, USA, and after serving as a combat engineer and productivity analyst in the US Armed Forces, has over 20 years’ experience in the mining industry specialising in general mine, turnaround and productivity management. Jim also holds an MBA from Regis University, Colorado, USA. He has lived and worked in over 14 countries worldwide including Tanzania, Indonesia and Australia. He has held positions in Indonesia, Senegal and Western Australia as a performance improver in mines on behalf of McKinsey Consultants.
David Nolan	*Non-Executive Director (resigned 24 August 2018)*	David’s career has spanned 22 years as a commercial lawyer and company director. David holds a Bachelor of Laws (Hons) and Bachelor of Arts from Bond University, Queensland. David has been a partner at a number of leading Sydney law firms advising Australian and international clients on all aspects of corporate law and was previously a senior adviser at the London Stock Exchange. David’s legal expertise includes mergers and acquisitions, IPOs and capital raisings, venture capital and private equity, restructurings and takeovers, corporate finance, joint ventures, commercial agreements and regulatory and corporate

		governance advice. David has extensive experience advising on acquisitions and divestments, capital raisings and financings for mining companies and has been a director of a number of ASX listed companies in the resources sector. David has valuable relationships in the advisory and regulatory community and brings a depth of corporate governance expertise. David currently holds the position of Non-Executive Director of Property Connect Holdings Limited (ASX:PCH) and Camilla Australia Pty Ltd and is Chairman of LUXit Pty Ltd.

COMPANY SECRETARY

Rozanna Lee B. Com (Hons), LLB, GradDipACG, AGIA, AGIS	*Company Secretary*	Rozanna has acted as Company Secretary of IEC since October 2011. She holds both commerce and law degrees from the University of Queensland and is an Associate Member of 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	131,306,585	–
T Wilson	Non-Executive Director	–	–
A Fraser	Non-Executive Director[1]	–	–
M Schwartz	Non-Executive Director[2]	9,058,309	–
J Shedd	Managing Director/CEO[3]	–	–

[1]Mr Alan Fraser was appointed 24 August 2018
[2]Mr Marc Schwartz was appointed 31 July 2019
[3]Mr James Shedd was appointed Managing Director 7 November 2018, CEO since 27 December 2016

Profit/(loss) Per Share	2019	2018
Basic Profit/(loss) per share (cents)	0.80	(0.38)

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 profit after income tax $4.535m (2018 Loss: $1.921m). Income tax benefit for the year is $nil (2018: $nil).

CAPITAL STRUCTURE

As at the date of signing this report, the Company had 387,724,030 fully paid ordinary shares on issue.

DIVIDEND

No dividend was paid or declared during the year ended 30 June 2019.

CASH FROM OPERATIONS

The net cash inflow from operations of $2.928m (2018: $1.636m). The net cash inflow from operations was funded by a US$0.9m working capital facility. The Group had a net overdraft of $0.243m at year end with $0.724m cash at bank and a bank overdraft facility of $0.967m.

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

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

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

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

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

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

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 2019, there were no unissued ordinary shares under option.

MEETINGS OF DIRECTORS

Directors	Attended	Available to attend
Mr G Robertson	6	6
Mr T Wilson	6	6
Mr A Fraser[1]	5	5
Mr M Schwartz[2]	0	0
Mr J Shedd[3]	3	3

[1] Appointed 24 August 2018
[2] Appointed 31 July 2019
[3] Appointed 7 November 2018

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 $122,075 (2018: $73,358) 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 2019, 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 2019.

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 2019, 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 Non-Executive Directors, 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.

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.

Executive Directors' and Senior Management 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.

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.

KEY MANAGEMENT PERSONNEL

During the year ended 30 June 2019 the Key Management Personnel ("KMP") of IEC were:

Name	Position Held
Mr Graeme Robertson	Non-Executive Chairman
Mr Troy Wilson	Non-Executive Director
Mr Alan Fraser[1]	Non-Executive Director
Mr David Nolan[2]	Non-Executive Director
Mr James Shedd[3]	Managing Director and Chief Executive Officer
Ms Kerry Angel	Chief Financial Officer

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

B. DETAILS OF REMUNERATION

2019	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 Robertson	114,608	–	–	–	–	–	–	–	–	114,608	–
Mr T Wilson	40,000	–	–	–	–	–	–	–	–	40,000	–
Mr A Fraser[1]	33,333	–	–	–	–	–	–	–	–	33,333	–
Mr D Nolan[2]	6,667	–	–	–	–	–	–	–	–	6,667	–
KEY MANAGEMENT PERSONNEL											
Mr J Shedd	454,096	–	–	–	–	–	–	–	–	454,096	–
Ms K Angel	257,683	–	–	–	–	–	–	–	–	257,683	–
Total	**906,387**	**–**	**–**		**–**	**–**	**–**	**–**	**–**	**906,387**	**–**

[1]Appointed 24 August 2018 [2] Resigned 24 August 2018

2018	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 Robertson	113,233	–	–	–	–	–	–	–	–	113,233	–
Mr D Nolan[1]	40,000	–	–	–	–	–	–	–	–	40,000	–
Mr T Wilson[2]	30,000	–	–	–	–	–	–	–	–	30,000	–
Mr M Addison[3]	10,000	–	–	–	–	–	–	–	-	10,000	–
KEY MANAGEMENT PERSONNEL											
Mr J Shedd	407,581	–	–	–	–	–	–	–	–	407,581	–
Ms K Angel	226,646	–	–	–	–	–	–	–	–	226,646	–
Total	**827,460**	**–**	**–**		**–**	**–**	**–**	**–**	**–**	**827,460**	**–**

[1]Resigned 24 August 2018 [2] Appointed 4 October 2017 [2]Resigned 28 September 2017

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

No options were issued as part of remuneration during the year (2018: Nil)

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 the Non-Executive Chairman of Tancoal Energy Limited (Tancoal), a 70% owned subsidiary of IEC. During the year he received director's fees of US$21,176 from Tancoal.

Mr Troy Wilson was employed as Non-Executive Director on 4 October 2017, his Non-Executive Director's fees are $40,000 per annum.

Mr Alan Fraser was employed as Non-Executive Director on 24 August 2018, his Non-Executive Director's fees are $40,000 per annum.

Mr Marc Schwartz was employed as Non-Executive Director on 31 July 2019, his Non-Executive Director's fees are $40,000 per annum.

Mr David Nolan was employed as Non-Executive Director from 3 April 2017 till 24 August 2018, his Non-Executive Director's fees were $40,000 per annum.

Mr James (Jim) Shedd was appointed Managing Director of IEC from 7 November 2018 and has been employed as Chief Executive Officer from 27 December 2016 for an indefinite period until terminated by either party by giving not less than three months' notice. Mr Shedd's salary is US$280,000 and A$40,000 per annum. Mr Shedd 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$25,714 from Tancoal.

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

- Total Fixed Remuneration (TFR) of US$280,000 and A$40,000 (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;

Ms Kerry Angel is employed as the Chief Financial Officer. Ms Angel's salary is US$170,000 and A$40,000 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 2019.

F. KEY MANAGEMENT PERSONNEL COMPENSATION – OPTIONS

2019	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 T Wilson	–	–	–	–	–	–
Mr A Fraser[1]	–	–	–	–	–	–
Mr D Nolan[2]	–	–	–	–	–	–
Mr J Shedd	–	–	–	–	–	–
Ms K Angel	–	–	–	–	–	–
Total	-	–	–	–	–	–

[1]Mr Alan Fraser was appointed 24 August 2018
[2]Mr David Nolan resigned 24 August 2018

2018	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 T Wilson[1]	–	–	–	–	–	–
Mr D Nolan[2]	–	–	–	–	–	–
Mr M Addison[3]	–	–	–	–	–	–
Mr J Shedd	–	–	–	–	–	–
Ms K Angel	–	–	–	–	–	–
Total	-	–	–	–	–	–

[1]Mr Troy Wilson was appointed 4 October 2017
[2]Mr David Nolan resigned 24 August 2018
[3]Mr Michael Addison resigned 28 September 2017

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:

2019	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	131,306,585	–	–	250,000	131,556,585
Mr T Wilson	–	–	–	–	–
Mr A Fraser[1]	–	–	–	–	–
Mr D Nolan[2]	–	–	–	–	–
Mr J Shedd	–	–	–	–	–
Ms K Angel	–	–	–	–	–
Total	**131,306,585**	**–**	–	**250,000**	**131,556,585**

[1]Mr Alan Fraser was appointed 24 August 2018
[2]Mr David Nolan resigned 24 August 2018
*Changes during the year represent shares acquired or sold by KMP or their associates

2018	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	131,306,585	–	–	–	131,306,585
Mr T Wilson[1]	–	–	–	–	–
Mr D Nolan[2]	–	–	–	–	–
Mr M Addison[3]	–	–	–	–	–
Mr J Shedd	–	–	–	–	–
Ms K Angel	–	–	–	–	–
Total	**131,306,585**	**–**	–	–	**131,306,585**

[1]Mr Troy Wilson was appointed 4 October 2017
[2]Mr David Nolan resigned 24 August 2018
[3]Mr Michael Addison resigned 28 September 2017

*Changes during the year represent shares acquired or sold by KMP or their associates

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:

2019	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	–	–	–	–	–
Mr T Wilson	–	–	–	–	–
Mr A Fraser[1]	–	–	–	–	–
Mr D Nolan[2]	–	–	–	–	–
Mr J Shedd	–	–	–	–	–
Ms K Angel	–	–	–	–	–
Total	–	–	–	–	–

[1]Mr Troy Wilson was appointed 4 October 2017
[2]Mr David Nolan resigned 24 August 2018

2018	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	–	–	–	–	–
Mr T Wilson[1]	–	–	–	–	–
Mr D Nolan[2]	–	–	–	–	–
Mr M Addison[3]	–	–	–	–	–
Mr J Shedd	–	–	–	–	–
Ms K Angel	–	–	–	–	–
Total	–	–	–	–	–

[1]Mr Troy Wilson was appointed 4 October 2017
[2]Mr David Nolan resigned 24 August 2018
[3]Mr Michael Addison resigned 28 September 2017

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$880k 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 paid to an affiliated entity of the external auditors during the year ended 30 June 2019.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 27 and forms part of the Directors' Report for the financial year ended 30 June 2019.

ROUNDING OFF

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 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 2019

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

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

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Intra Energy Corporation Limited. As the lead audit partner for the audit of the financial report of Intra Energy Corporation Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, 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 2019

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 2019 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 2019.

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

GRAEME ROBERTSON
Chairman

Dated this 30 September 2019

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
INTRA ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

Opinion

We have audited the financial report of Intra Energy Corporation Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of the Intra Energy Corporation Limited and its controlled entities is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis of Opinion

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 about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporation Act 2001 has been given to the directors of the company at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the Group's current liabilities exceeded its current assets by $12,219,000. As stated in Note 1(a), this event or condition, notwithstanding an improvement in the Group's profitability and an improvement in net asset position from net liabilities of $3,870,000 (2018) to net assets of $1,050,000, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
INTRA ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the year ended 30 June 2019. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How Our Audit Addressed the Key Audit Matter**

Carrying Value of Non-Current Assets

Refer to Note 12 Property, plant and equipment; Note 13 Mine development costs; Note 14 Exploration expenditure; and Note 1(y) Critical accounting judgments and key sources of estimation and uncertainty.

A significant proportion (64%) of the Group's total assets relate to property, plant and equipment, mine development costs and exploration expenditures totalling $14,072,000 as at 30 June 2019 which are subject to an impairment assessment in accordance with AASB 136 "Impairment of Assets". The group's impairment assessment of these non-current assets are considered a key audit matter as the valuation is judgemental and based on a number of assumptions, specifically coal prices, operating/capital costs, discount rates, inflation rates and foreign exchange rates, which are affected by future events and economic conditions.	Our procedures included, amongst others: • We assessed management's determination of the Group's Cash-Generating Units ("CGUs"). • We reviewed and analysed the key assumptions including growth rates, discount rate, projected coal sales and gross margin used in the cash flow forecasts and considered the reasonableness of these assumptions. • We assessed management's consideration of the sensitivity to a change in key assumptions that either individually or collectively would be required for assets to be impaired and considered the likelihood of such a movement in those key assumptions arising. • We involved Hall Chadwick's valuation experts to: - evaluate the key valuation assumptions and estimates to determine the recoverable amount of the non-current assets. - review the mathematical accuracy of the cash flow model and agreed relevant data to supporting information. • We assessed the adequacy of the Group's disclosures in relation to the carrying value of non-current assets.

Rehabilitation Provision

Refer to Note 17 Provisions and Note 1(y) Critical accounting judgments and key sources of estimation and uncertainty.

The group had a mine restoration provision of $803,000 as at 30 June 2019 relating to its mine sites. 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. This area was considered a key audit matter as the calculation of this provision requires judgement in estimating the future costs, the timing as to when the future costs will be incurred and the determination of an appropriate rate to discount the future costs to their net present value.	Our procedures included, amongst others: • We assessed the Group's process for determining the restoration provision and enquired about material movements in the provision during the year. • We evaluated the legal and/or constructive obligations with respect to the restoration for the mine sites, the intended method of restoration and the associated cost estimates. • We assessed the accuracy of the calculations and accounting treatment used to determine the restoration provision including the discount rate applied. • We assessed the adequacy of the Group's disclosures in relation to provisions.

Contingent Liabilities

Refer to Note 23 Contingent liabilities.

The group is a party to numerous ongoing litigation and legal matters, of which the most significant are disclosed in Note 23 to the financial statements. We focused on this area as a key audit matter due to a significant level of judgement and estimation involved in determining whether liabilities existed in accordance with AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".	Our procedures included, amongst others: • We held discussions with management and reviewed correspondence and confirmations from the external legal advisors regarding the status of litigation matters. • We read the minutes of the Board of Directors and reviewed the related legal documents and the latest correspondence with the claimants. • We assessed if the status of the claim meets the definition of a liability in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets. • We assessed the adequacy of group's disclosures in relation to contingent liabilities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
INTRA ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTRA ENERGY CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 15 to 21 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Intra Energy Corporation Limited, for the year ended 30 June 2019, complies with s 300A of the Corporations Act 2001.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
INTRA ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES

Responsibilities

The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 30 September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

INTRA ENERGY

FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED	
		2019	2018
	NOTES	$'000s	$'000s
Sales revenue	2	52,277	33,079
Cost of production		(38,581)	(29,265)
Gross Profit		**13,696**	**3,814**
Other income		-	-
Foreign exchange gain / (loss)		(232)	**(126)**
Compliance and regulatory expenses		(221)	**(282)**
Legal and professional expenses		(263)	**(278)**
Depreciation and amortisation	3	(1,001)	**(855)**
Remuneration and employee expenses		(1,844)	**(1,943)**
Impairment of tenements		-	**(59)**
Impairment on financial assets		(949)	-
Write-off goodwill		(73)	-
Other expenses		(3,920)	**(1,575)**
Finance income		10	-
Finance expenses		(325)	**(412)**
Loss on sale and write-off of asset		(153)	**(11)**
Profit/(loss) Before Income Tax		**4,725**	**(1,727)**
Income tax benefit	4	-	-
Profit/(loss) from continuing operations		**4,725**	**(1,727)**
Loss from discontinued operations	10	(97)	(130)
Loss from discontinued operations – share of equity-accounted investees	11	(87)	(430)
(Reversal of)/Loss from impairment of assets of discontinued operations	10,11	(6)	366
Profit/(loss) for the Year		**4,535**	**(1,921)**
Other Comprehensive Income			
Foreign currency translation gain/(loss)		385	(640)
Total Comprehensive Loss for the Year		**4,920**	**(2,561)**
Net Profit/(loss) for the Year Attributable to:			
Shareholders of IEC		3,280	(1,484)
Non-controlling interest		1,255	(437)
		4,535	**(1,921)**
Total Comprehensive Profit/(loss) for the Year Attributable to:			
Shareholders of IEC		3,965	(1,830)
Non-controlling interest		955	(731)
		4,920	**(2,561)**
Loss per share			
Profit/(loss) per share (cents per share, basic and diluted)	7	0.80	(0.38)
Profit/(loss) per share (cents per share, basic and diluted) on continuing operations	7	0.85	(0.33)
Loss per share (cents per share, basic and diluted) on discontinued operations	7	(0.05)	(0.05)

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 2019

INTRA ENERGY

	NOTES	CONSOLIDATED 2019 $'000s	CONSOLIDATED 2018 $'000s
Assets			
Current Assets			
Cash and cash equivalents		724	411
Inventories	8	2,204	2,935
Trade and other receivables	9	5,060	2,332
Total Current Assets		**7,988**	**5,678**
Non-Current Assets			
Property, plant and equipment	12	8,271	6,640
Mine development costs	13	5,079	4,823
Exploration expenditure	14	722	636
Total Non-Current Assets		**14,072**	**12,099**
Total Assets		**22,060**	**17,777**
Liabilities			
Current Liabilities			
Bank overdraft	16(b)	967	2,268
Trade and other payables	15	15,254	15,963
Employee benefits		89	60
Interest bearing liabilities	16	2,715	1,539
Liabilities held for sale	10	1,182	1,155
Total Current Liabilities		**20,207**	**20,985**
Non-Current Liabilities			
Provisions	17	803	662
Total Non-Current Liabilities		**803**	**662**
Total Liabilities		**21,010**	**21,647**
Net Assets/(liabilities)		**1,050**	**(3,870)**
Equity			
Issued capital	18	69,590	69,590
Reserves	19	2,112	1,427
Accumulated losses		(64,913)	(68,193)
Total equity attributed to equity holders of the Company		**6,789**	**2,824**
Non-controlling interest	21	(5,739)	(6,694)
Total Equity		**1,050**	**(3,870)**

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 2019

INTRA ENERGY

	NOTES	CONSOLIDATED 2019 $'000s	2018 $'000s
Cash Flows from Operating Activities			
Receipts from customers		48,148	32,531
Payments to creditors and suppliers		(44,905)	(30,483)
Interest received		10	-
Interest paid		(325)	(412)
Net cash provided in operating activities	25	**2,928**	**1,636**
Cash Flows from Investing Activities			
Mine development and capitalised exploration costs		(59)	(131)
Purchase of property, plant and equipment		(1,876)	(1,497)
Payment for acquisition of AAA Drilling, net of cash acquired		(101)	-
Net cash (used) in investing activities		**(2,036)**	**(1,628)**
Cash Flows from Financing Activities			
Proceeds from borrowings		1,073	1,948
Repayment of borrowings		(1,439)	(1,448)
Transfer of overdraft to term loan		1,187	-
Net cash provided in financing activities		**821**	**500**
Net increase in cash and cash equivalents		1,713	508
Cash and cash equivalents at beginning of year		(1,857)	(2,279)
Effects of exchange rate changes on cash		(99)	(86)
Cash and Cash Equivalents/(Net Overdraft) at end of year		**(243)**	**(1,857)**
Cash and cash equivalents		724	411
Bank overdrafts used for cash management purposes		(967)	(2,268)
Cash and Cash equivalents/(Net Overdraft) in the Statement of Cash Flows		**(243)**	**(1,857)**

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 2019

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 2018	**69,590**	**(68,193)**	**795**	**2,216**	**(1,584)**	**2,824**	**(6,694)**	**(3,870)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
Profit for the year	–	3,280	–	–	–	3,280	1,255	4,535
Other Comprehensive Income								
Foreign currency translation differences	–	–	–	–	685	685	(300)	385
Total Comprehensive Income	**–**	**3,280**	**–**	**–**	**685**	**3,965**	**955**	**4,920**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY INTO EQUITY								
Shares issued during the year	–	–	–	–	–	–	–	–
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2019	**69,590**	**(64,913)**	**795**	**2,216**	**(899)**	**6,789**	**(5,739)**	**1,050**

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 2017	**69,590**	**(66,709)**	**795**	**2,216**	**(1,238)**	**4,654**	**(5,963)**	**(1,309)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
Loss for the year	–	(1,484)	–	–	–	(1,484)	(437)	(1,921)
Other Comprehensive Income								
Foreign currency translation differences	–	–	–	–	(346)	(346)	(294)	(640)
Total Comprehensive Income	**–**	**(1,484)**	**–**	**–**	**(346)**	**(1,830)**	**(731)**	**(2,561)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY INTO EQUITY								
Shares issued during the year	–	–	–	–	–	–	–	–
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2018	**69,590**	**(68,193)**	**795**	**2,216**	**(1,584)**	**2,824**	**(6,694)**	**(3,870)**

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 publicly traded on the Australian Stock Exchange. The consolidated financial statements for the year ended 30 June 2018 comprise the Company and its controlled entities (together referred to as "the Group" or "Consolidated Entity") and the Group's interests in associates and jointly controlled entities. The Company is a for-profit entity and primarily is involved in the mining and sale of coal.

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

A. Going Concern

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

The Directors note that:

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

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

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

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

B. Statement of compliance and basis of preparation

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

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

b.i Reporting Basis and Conventions

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

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

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

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

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

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

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

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

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

Initial application of AASB 9: Financial Instruments

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

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

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

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

Initial application of AASB 15: Revenue from Contracts with Customers

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

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

C. Principles of consolidation

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

c.i Business combinations

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

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

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

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

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

c.i Subsidiaries

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

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

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

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

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

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

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

c.ii Transactions eliminated on consolidation

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

c.iii Non-controlling interests

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

c.iv Equity accounted investments

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

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

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

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

D. Income tax

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

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

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

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

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

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

E. Property, Plant and Equipment

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

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

e.i Depreciation

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

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

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

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

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

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

F. Exploration, evaluation and acquisition expenditure

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

G. Inventories

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

H. Overburden removal costs

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

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

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

I. Development expenditure

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

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

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

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

J. Rehabilitation expenditure

The mining, extraction and processing activities of the Group give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated

based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognised at the time that environmental disturbance occurs.

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

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

K. Segment Reporting

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

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

L. Financial Instruments

l.i Recognition

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

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

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

l.ii Financial liabilities

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

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

A financial liability cannot be reclassified.

l.iii Financial assets

Financial assets are subsequently measured at:

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

Measurement is on the basis of two primary criteria:

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

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

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

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

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

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

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

l.iv Derecognition

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

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

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

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

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

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

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

l.vii Impairment

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

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

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

- the general approach
- the simplified approach

General approach

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

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

Simplified approach

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

Recognition of expected credit losses in financial statements

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

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

M. Foreign Currency Transactions and Balances

m.i. Functional and Presentation Currency

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

m.ii. Transactions and balances

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

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

m.iii. Group Companies

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

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

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

N. Employee Benefits

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

n.i Short-term employee benefits

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

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

n.ii Share-based payments

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

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

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

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

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

O. Provisions

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

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

P. Cash and cash equivalents

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

Q. Revenue recognition

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

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

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

R. Finance income and finance expense

r.i. Finance income and finance expense

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

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

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

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

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

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

T. Trade and other payables

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

U. Leases

u.i. Determining whether an arrangement contains a lease

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

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

u.ii. Leased assets

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

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

u.iii. Leased payments

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

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

V. Earnings per share

v.i. Basic earnings per share

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

v.ii. Diluted earnings per share

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

W. Assets held for sale

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

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

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

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

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

X. Impairment of non-financial assets

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

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

Y. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

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

Z. Comparative figures

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

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

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

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

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

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

5. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

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

5. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

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

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

EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

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

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

6. AUDITOR'S REMUNERATION

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

7. EARNINGS PER SHARE

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

8. INVENTORIES

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

9. TRADE AND OTHER RECEIVABLES

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

10. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

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

11. EQUITY ACCOUNTED INVESTMENTS

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

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

11. EQUITY ACCOUNTED INVESTMENTS (cont'd)

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

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

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

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

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

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

11. EQUITY ACCOUNTED INVESTMENTS (cont'd)

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

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

12. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

13. MINE DEVELOPMENT COSTS

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

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

The key assumptions in the calculations include:

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

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

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

14. EXPLORATION EXPENDITURE

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

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

15. TRADE AND OTHER PAYABLES

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

16. INTEREST BEARING LIABILITIES

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

16(a) Secured loan facility

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

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

16. INTEREST BEARING LIABILITIES (cont'd)

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

16(b) Bank overdraft facility

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

16(c) Insurance Premium facility

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

16(d) Convertible Note

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

16(e) Hire purchase

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

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

17. PROVISIONS

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

The movement in provisions during the year are as follows:

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

17. PROVISIONS (cont'd)

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

Rehabilitation

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

18. ISSUED CAPITAL

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

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

19 RESERVES

19(a) Options reserve

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

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

19. RESERVES (CONT'D)

19(b) Performance Rights reserve

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

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

19(c) Foreign currency translation reserve

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

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

20. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

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

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

* Percentage of voting power is in proportion to ownership

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

21. NON-CONTROLLING INTEREST

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

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

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

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

22. COMMITMENTS

22(a) Operating Commitments

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

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

22. COMMITMENTS (CONT)

22(b) Finance Lease Commitments

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

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

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

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

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

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

24. SEGMENT REPORTING

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

Segment information

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

24. SEGMENT REPORTING (CONT)

Basis of Accounting for purposes of reporting by operating segments

Accounting policies adopted

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

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

Segment assets

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

Segment liabilities

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

Notes to and forming part of the segment information

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

Accounting policies

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

24. SEGMENT REPORTING (CONT'D)

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

25. CASH FLOW INFORMATION

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

26. SHARE BASED PAYMENTS

26(a) Shares and options

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

26(b) Performance rights

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

27. SUBSEQUENT EVENTS

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

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

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

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

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

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

28. RELATED PARTY TRANSACTIONS

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

2019

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

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

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

2018

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

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

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

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

30. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

30. FINANCIAL RISK MANAGEMENT (CONT'D)

30(a) Credit risk

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

Exposure to credit risk

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

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

Trade and other receivables

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

Cash and cash equivalents

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

30(b) Liquidity risk

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

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

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

30 June 2019	Carrying amount $'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	967	967	967	–	–	–	–
Trade and other payables	15,254	15,254	15,254	–	–	–	–
Interest bearing liabilities	2,715	2,715	872	712	750	381	–
Total	**18,936**	**18,936**	**17,093**	**712**	**750**	**381**	**–**

30. FINANCIAL RISK MANAGEMENT (CONT'D)

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

Cash and receivables

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

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

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

30(c) Market risk

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

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Interest rate risk

Profile

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

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

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

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

30. FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate sensitivity

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

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

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

Foreign currency risk

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

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

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

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

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

30. FINANCIAL RISK MANAGEMENT (CONT'D)

Sensitivity Analysis for Foreign Currency risk

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

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

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

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

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

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

30(d) Fair value versus carrying amounts

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

30(e) Capital management

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

INTRA ENERGY

31. PARENT ENTITY DISCLOSURES

Financial Position of Intra Energy Corporation Limited

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

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

Financial Performance of Intra Energy Corporation Limited

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

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

INTRA ENERGY

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 5 September 2019.

(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	77	8,232
1,001	–	5,000	75	222,044
5,001	–	10,000	101	832,940
10,001	–	100,000	297	12,477,885
100,001	–	and over	185	374,182,929
			735	387,724,030
The number of shareholders holding less than a marketable parcel of shares are:			472	7,429,835

(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	115,762,065	29.86
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	21,732,226	5.61
3.	MR DAVID SCHWARTZ	19,097,855	4.93
4.	MR DAVID JACOB SCHWARTZ & MRS MELANIE ANN SCHWARTZ	12,714,982	3.28
5.	ROTHSTEIN PTY LTD	11,362,194	2.93
6.	SPRINGTIDE CAPITAL PTY LTD	10,064,230	2.60
7.	LUJETA PTY LTD	9,312,303	2.40
8.	MR MARC ARIEL SCHWARTZ	9,058,389	2.34
9.	NUVOLARI CAPITAL LIMITED	8,835,770	2.28
10.	MR PETER TSEGAS	8,731,766	2.25
11.	MR GRAEME LANCE ROBERTSON	8,474,297	2.19
12.	MARA SUPERANNUATION PTY LTD	7,975,390	2.06
13.	MARA SUPERANNUATION PTY LTD	6,850,625	1.77
14.	JAYANA SUPER PTY LTD	6,269,000	1.62
15.	MR JOSHUA SAMUEL ALTIT	6,250,000	1.61
16.	ROTHSTEIN PTY LTD	6,245,368	1.61
17.	INTRASIA CAPITAL PTE LTD	5,205,305	1.34
18.	OZEA PTY LTD	4,399,702	1.13
19.	MR DAVID WILLIAM MC KAY & MRS DONNA MICHELLE MC KAY	3,500,000	0.90
20.	ANTARCTIC HOLDINGS PTY LTD	3,079,303	0.87
TOTAL		**285,225,645**	**73.56**

(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	131,556,585	33.93%
DAVID SCHWARTZ AND MELANIE SCHWARTZ	25,870,786	6.67%

(d) Schedule of Mining Tenements

Area of Interest	Tenements	% Interest
Tanzania		
Tancoal Energy Limited	ML439/2011, PL7391/2011, PL7620/2012, PL7713/2012, PL8999/2013, PL9807/2014, ML608/2019, ML609/2019 ML610/2019, PL10417/2014, PL11156/2007	70%
Intra Energy Limited	PL10975/2016, PL10976/2016, PL10977/2016, PL10979/2016, PL10950/16, PL 10980/16, PL 10981/16	100%
Tanzacoal East Africa Mining Limited	PL10058/2014, & L10116/2014	85%
Malawi		
Malcoal Mining Limited	ML0143/2005	90%