

31 July 2017

Report for the Quarter ended 30 June 2017

Summary

Kishugu and Naujombo Gold Targets

- Significant new gold soil anomaly discovered at the Naujombo Gold Target (Naujombo South) with a peak value of 503 ppb Au (0.5 g/t Au).
- Aircore drilling programme commenced, targeting priority anomalies at the Kishugu and Naujombo Gold Targets.

Ntaka Hill Nickel Project

- A study reviewing open pit, high-grade, low capex development options nearing completion, with results expected to be announced in August.

Corporate and Community Investment

- Placement of 10,534,545 shares at \$0.12 per share to raise \$1.26 million.
- Payment of the annual Ntaka Hill Retention License rental of USD\$100,000.
- Post Quarter end, the Tanzanian Parliament passed new legislation with respect to the legal and regulatory framework governing the natural resources sector in Tanzania that included amendments to the Mining Act (the “**Amending Legislation**”). Clarity is awaited regarding the application of some aspects of this Amending Legislation and as a result, the Company took the decision to temporarily pause all exploration activity in the country. Engagement is now underway with the Government of Tanzania to assess the impact of the Amending Legislation on Indiana’s projects
- Indiana remains committed to the Tanzanian communities in which it operates and is continuing with its community development programme. This includes proceeding during the September quarter with the construction of a local market for Kibutuka in the Liwale district, where the Kishugu Project is located.

COMMUNITY INVESTMENT

Recruitment and training

In Tanzania, Indiana has a full complement of local professionals who carry out exploration, development and management roles. For example, in the recent exploration programme, only one Australian national was involved and this was primarily for the purposes of ongoing training and professional support. Recruitment and training of Tanzanians and the knowledge transfer that comes from operating with professionals from other countries in the same industry, has always been a focus of Indiana.

During the Quarter, as the Company commenced preparation for its exploration programmes, over 50 Tanzanian locals were employed in various capacities. Indiana remains committed to continuing exploration at Kishugu and Naujombo and to the development of the Ntaka Hill Nickel Project, which has the potential to become a world class nickel project. The ongoing employment of Tanzanian locals will be central to successfully advancing these projects.

Construction of a market for Kibutuka Village

Notwithstanding the Amending Legislation and the suspension of exploration activity, Indiana remains committed to the Tanzanian communities in which it operates. During the September Quarter, the Company will be investing in the construction of a market for the Kibutuka Village located in the area of the Kishugu Project.

The new market will provide small farmers and local business people with an opportunity to more effectively sell their goods and products. In doing so it will improve the profitability of local businesses and villagers, deliver additional revenue to the village government from rentals and support the sale and purchase of quality food products.

All materials for construction of the market will be purchased from local suppliers and local people will be employed as labourers during the construction phase. The Company has been working with the District Government which will assist in engaging a suitable contractor and supervise construction to ensure that it complies with applicable standards.

EXPLORATION and DEVELOPMENT

Naujombo and Kishugu Gold Targets

Commencement of 2017 drilling programme

During the Quarter, the Company commenced a 2,500m Aircore drilling programme that was focused on three targets: Naujombo Central (Figure 1), Kishugu Central (Figure 2) and Kishugu South (Figure 2).

All three targets exhibit broad arsenic (pXRF) and gold (Fire Assay) anomalism (ASX announcement 9 August 2016).¹ First pass RAB drilling in 2016 targeted gold mineralisation within the existing geochemical anomalies at both Naujombo and Kishugu and confirmed the presence of gold in the bedrock (ASX announcement 12 October 2016).²

¹ ASX announcement 9 August 2016. Since announcing these exploration results on 9 August 2016, Indiana confirms that it is not aware of any new information or data that materially affects the information included in that announcement.

² ASX announcement 12 October 2016. Since announcing these exploration results on 12 October 2016, Indiana confirms that it is not aware of any new information or data that materially affects the information included in that announcement.

The 2017 programme is designed for the holes to drill to the top of fresh rock so as to be able to test for the presence of gold and primary alteration in order to vector to gold mineralisation in the system.

Figure 1: Naujombo Central Drilling Location

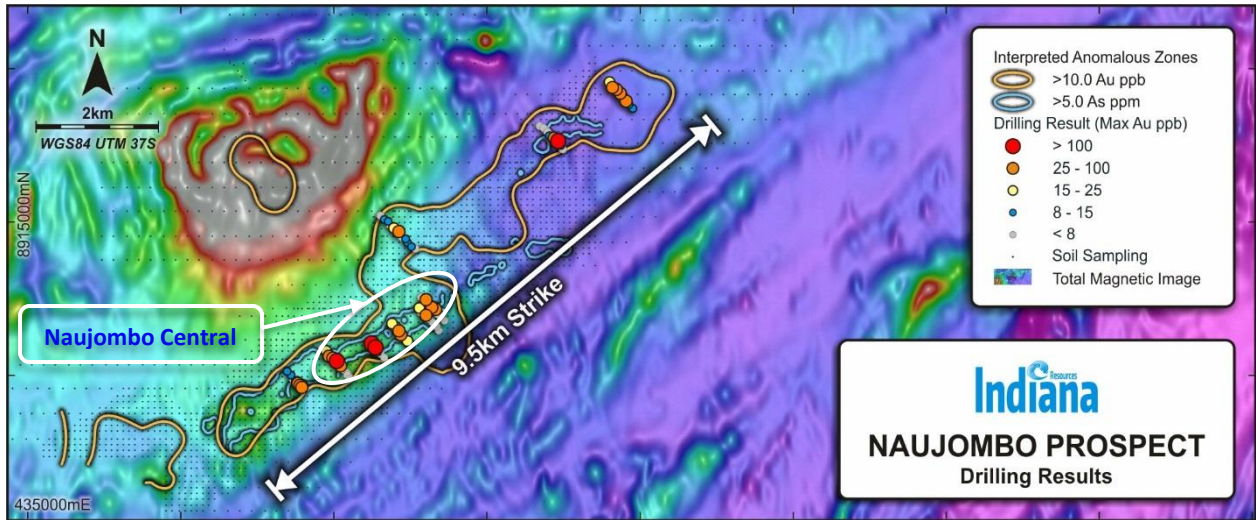
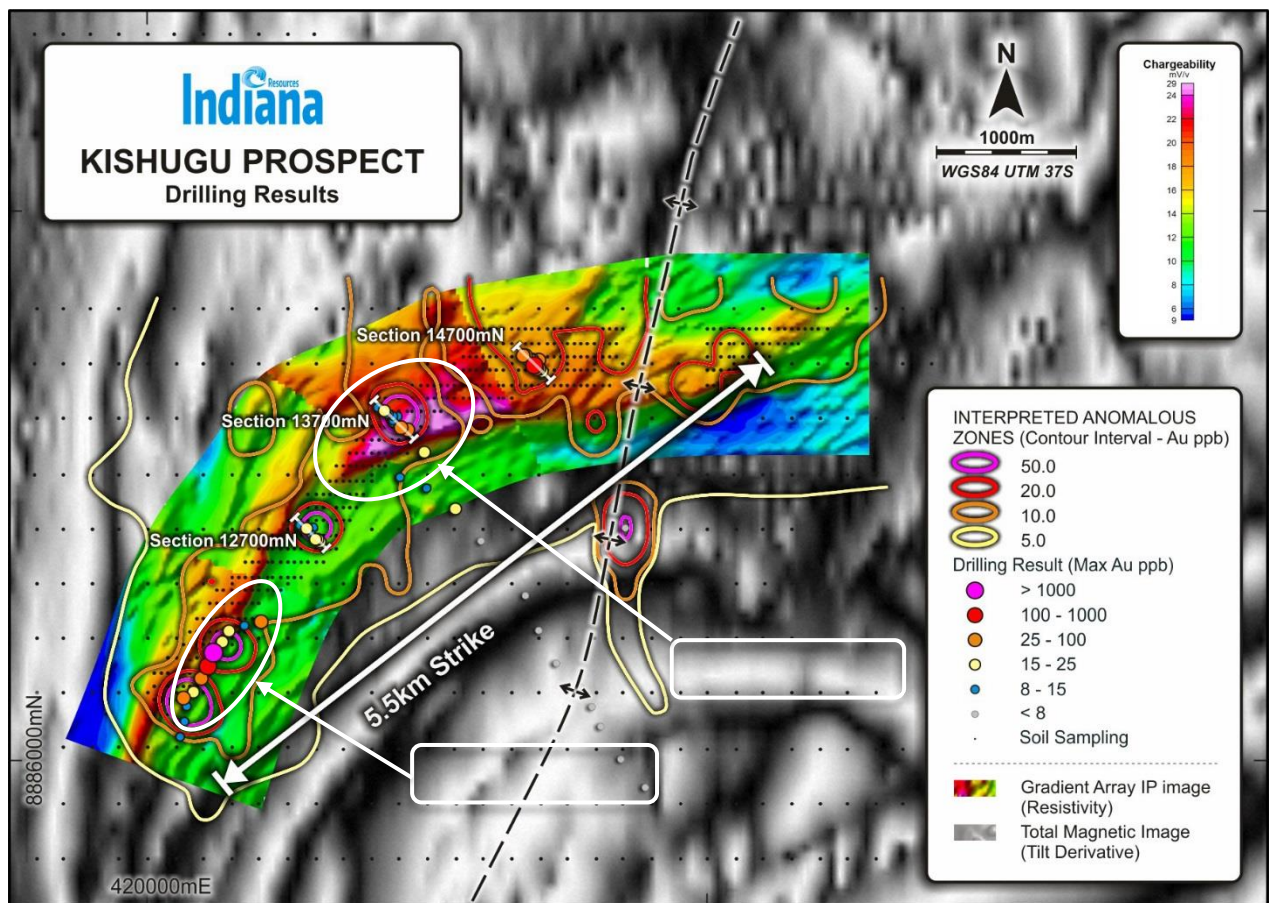


Figure 2: Kishugu Central and Kishugu South Drilling Locations



Discovery of gold soil anomaly

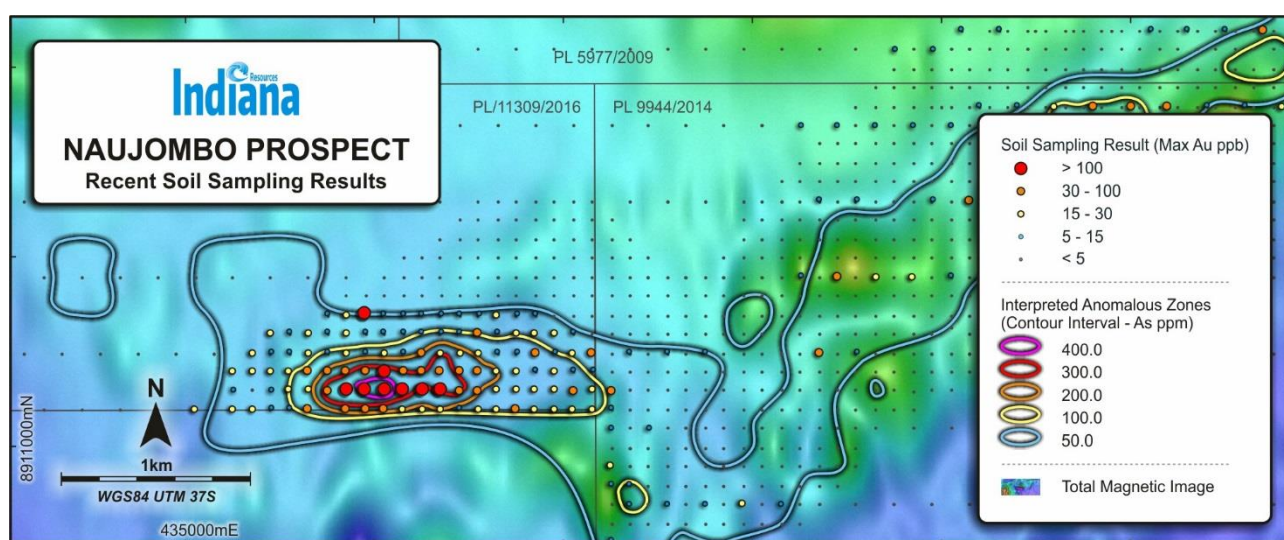
Subsequent to Quarter end, the Company announced the discovery of a significant new gold-arsenic soil anomaly at the Naujombo Gold target (Figure 3) with a peak value of 503 ppb Au (0.5 g/t Au) (ASX announcement 10 July 2017).³

The anomaly, as defined by the 90ppb contour, is 650m to 800m long and between 100m and 200m wide and is along strike from the extensive, coherent, previously identified Naujombo gold-in-soil anomaly, which measures 9.5km by 1km (Figure 3).

The anomaly is defined by a number of assay results in excess of 100 ppb Au and is coincident with a large arsenic soil anomaly that has been identified by pXRF analysis.

Shortly after commencement of the recent Aircore drilling programme, the Company redeployed the rig to Naujombo South where a series of holes were drilled into the new anomaly, prior to the whole programme being paused. Samples from the programme have been sent to Mwanza for assay and results are expected in early in August.

Figure 3: Naujombo South soil sampling results



Cessation of exploration activity

While Indiana remains committed to advancing exploration at its Kishugu and Naujombo Gold Targets, due to the current uncertainty associated with the Amending Legislation, the Company decided that it was prudent to cease its exploration activities to allow it to engage with the Tanzanian Government to fully understand the impact of the Amending Legislation. That process is continuing.

Ntaka Hill Nickel Project Review

During the Quarter, a study to review smaller scale open pit development options to determine capital and operating cost requirements and economic viability neared completion. The Company anticipates that the findings of the study will be released in early August.

³ ASX announcement 10 July 2017. Since announcing these exploration results on 10 July 2017, Indiana confirms that it is not aware of any new information or data that materially affects the information included in that announcement.

CORPORATE

Cash position

As at 30 June 2017, the Company had cash at bank of \$1.1 million.

In April, the Company issued 10,534,545 fully paid ordinary shares at \$0.12 per share to raise approximately \$1.26 million through a placement to professional and sophisticated investors.

During the Quarter, the Company made the annual USD\$100,000 payment for the Ntaka Hill Retention License. Other major expenses for the Quarter were costs for the commencement of exploration in Tanzania, study costs on Ntaka Hill development options and the finalisation of costs from the general meeting of the Company requisitioned under section 249D of the Corporations Act 2001 (Cth).

Requisitioned general meeting

On 22 February, 2017, the Company received a notice from BPM Capital Limited (“BPM”), a substantial shareholder of the Company, under section 249D of the Corporations Act 2001 (Cth) (“Notice”) to requisition a general meeting of the Company (the “Meeting”) for the purpose of proposing resolutions seeking to remove two of the Company’s directors (Dr Derek Fisher and Mr Campbell Baird) and to replace them with two BPM-nominated appointees.

On 12 April 2017, BPM formally notified the Company that it had withdrawn the Notice and its request that resolutions be put to the Company’s shareholders at the Meeting.

Changes to Tanzanian legislation

Subsequent to Quarter end, the Amending Legislation was passed, which included a number of changes with respect to the legal and regulatory framework governing the natural resources sector in Tanzania. Key aspects of the Amending Legislation and their potential impact on Graphex are set out in the table below:

Table 1. Key aspects of the Amending Legislation

Legislative Change	Potential Impact
In all mining operations under a Mining Licence or Special Mining Licence, the Government shall have at least a 16% free carried interest in the capital of the mining company.	Indiana is an exploration company and does not have a Mining License or Special Mining License. The Ntaka Hill Nickel Project, is under a Retention License to 2019 with a 5-year renewal period.
The Government shall be entitled to acquire, in total, up to 50% of the shares in a mining company, commensurate with the quantified value of tax incentives incurred by the Government in favour of the mining company.	As the Government has not incurred any tax incentives in favour of Indiana, nor is Indiana seeking the Government to incur any tax incentives in favour of Indiana, the Company believes that the Government’s acquisition of such an interest is not applicable to Indiana.
There is an increase in the royalty rate for certain minerals (including gold and copper) from 4% to 6%. In addition, under the terms of the new Finance Act, which has already been approved by Parliament, a 1% clearing fee has been added on the value of all minerals exported from Tanzania from 1 July 2017.	As an exploration company, the increase in royalty rates does not impact Indiana’s activities in Tanzania, though it does raise hurdle rates associated with future project development decisions.

Legislative Change	Potential Impact
Any earnings from mineral developments must be retained in the banks and financial institutions established in Tanzania.	The Proposed Legislation does not restrict repatriation of profits in accordance with the laws of Tanzania.
The Government may renegotiate existing Mine Development Agreements ("MDAs") based on such agreements being unconscionable.	Neither Indiana nor its Tanzanian subsidiaries has any MDAs which apply only to Special Mining Licenses. The Company holds only Prospecting Licenses and a Retention License, which do not require an MDA.
Proceedings or disputes that relate to the extraction, exploitation, acquisition or use of natural wealth and resources must be adjudicated in Tanzania in accordance with the laws of Tanzania	The Proposed Legislation purports to remove the ability of the Company to settle disputes by international arbitration.
Mineral rights holders must participate in the growth of the Tanzanian economy by investing a portion of the returns from mining, and satisfy further provisions on local content, corporate social responsibility ("CSR") and the requirement for mineral rights holders to make an integrity pledge	Indiana has a +20-year track record of maximising the use of locally produced goods and services. Indiana is committed to providing employment and training opportunities for Tanzanians. Indiana operates an active CSR programme and maintains a leading practice Code of Conduct. As a result, the Company does not anticipate any issues in meeting such requirements.
No raw resources shall be exported for beneficiation outside Tanzania	Indiana conducts gold exploration and holds the Ntaka Nickel Project. Gold projects generally produce a semi refined product to 98% purity on site, and Ntaka nickel has always contemplated producing a high-quality nickel concentrate product.

TENEMENT INTERESTS

Tenements held and location

Tenement	Ownership	Project	Location
PL 5977/2009 - Naujombo	100%*	Nachingwea	Tanzania
PL 6397/2010 - Kipepere West	100%*	Nachingwea	Tanzania
PL 6634/2010 - Mihumo	100%*	Nachingwea	Tanzania
PL 6635/2010 - Nachingwea NW	100%*	Nachingwea	Tanzania
PL 7095/2011 - Nditi	100%*	Nachingwea	Tanzania
PL 9757/2014 - Mihumo West	100%*	Nachingwea	Tanzania
PL 9759/2014 - Mjembe	100%*	Nachingwea	Tanzania
PL 9939/2014 - Mjembe East	100%*	Nachingwea	Tanzania
PL 9942/2014 - Naujombo North	100%*	Nachingwea	Tanzania
PL 9944/2014 - Namarongo North	100%*	Nachingwea	Tanzania
PL 10099/2014 - Nanyindwa	100%*	Nachingwea	Tanzania
PL 10302/2014 - Namatutwa	100%*	Nachingwea	Tanzania

Tenement	Ownership	Project	Location
RL 0017/2015 - Ntaka Hill	86%***	Nachingwea	Tanzania
PL 7226/2011 - Ntaka South	100%***	Nachingwea	Tanzania
PL 10904/2016 - Namikango North	100%*	Nachingwea	Tanzania
PL 11022/2017 - Ntaka North West	100%*	Nachingwea	Tanzania
PL 11049/2017 - Mtimbo	100%*	Nachingwea	Tanzania
PL 11054/2017 - Naujombo West	100%*	Nachingwea	Tanzania
PL 11133/2017 - Mihumo Central	100%*	Nachingwea	Tanzania
11132/2017 - Kishugu	100%*	Nachingwea	Tanzania
Claim Block 4242	50% **	St Stephen	New Brunswick, Canada
Claim Block 5787	50% **	St Stephen	New Brunswick, Canada

* Subject to farm-in joint venture with MMG

** Subject to 50/50 joint venture with ABE Resources

*** Subject to farm-in JV with MMG and JV transaction with Fig Tree

Tenements acquired during the Quarter

The following tenements were acquired during the June Quarter.

Tenement	Ownership	Project	Location
PL 11132/2017 - Kishugu	100%*	Nachingwea	Tanzania
PL 11133/2017 - Mihumo Central	100%*	Nachingwea	Tanzania

Tenements Disposed during the Quarter

No tenements were disposed during the Quarter.



Campbell Baird
Managing Director

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About Indiana Resources Limited

Indiana is an Australian minerals exploration company that holds a 901 km² tenement package in south-east Tanzania. The Company's tenement package hosts the Ntaka Hill Nickel Project and the Kishugu and Naujombo Gold Targets.

To find out more, please visit www.indianaresources.com.au.