

Indiana Resources Limited - Letter to Shareholders

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West Perth - Following on from the most recent Quarterly Report for [Indiana Resources](#) ("Indiana" or "Company"), in which your Board and I indicated that we were in the process of finalising our strategic and operational plans for 2017, I thought it appropriate to write to you to recap on the work that the Board and I have undertaken since my appointment approximately 8 months ago and to set out our current vision for Indiana.

At the time of my appointment in June 2016, the Company (then known as IMX Resources) was undergoing a pivotal change in strategic direction, with the then Managing Director (Mr Phil Hoskins) and the wider Board having a clear vision to create shareholder wealth through the spin-out of the Chilalo Graphite project into its own ASX-listed company (Graphex Mining). That process, which included an in-specie distribution of Graphex shares to all IMX shareholders, has been very successful, with shareholders realising a significant benefit from the transaction. To put that success into context, prior to the spin-out, IMX Resources had a market capitalisation of \$6.0 million. Collectively, Graphex and Indiana combined now have a market capitalisation of \$30 million.

Along with this vision of creating shareholder wealth from Chilalo, there was also the important intention to create shareholder wealth from the remaining portfolio of assets that remained within the newly-renamed Indiana Resources, a challenge that I was very pleased to accept in taking up the role of Managing Director of your Company.

INDIANA – THE INITIAL STRATEGY

In July 2016, I set out to you my short-term strategy for the Company and its projects, including:

- Resetting the capital structure of the Company;
- Resetting the cost base of the Company;
- Prioritising our financial resources into gold exploration at our Kishugu and Naujombo projects; and
- Reviewing the Ntaka Hill Nickel project ("Ntaka Hill") and determining how best to deliver value back to shareholders on this project.

I am pleased to report that, since that time, we have made significant progress on each of these fronts, as described below.

Capital Structure and Cost Base

Indiana, as always, intends to fund exploration programs at its highly prospective portfolio of tenements in Tanzania with an ongoing focus on limiting dilution for all shareholders.

While, as an exploration company, we always need funds to carry out value-enhancing programs, your Board and I are very conscious of our obligation to ensure that the bulk of those funds goes into the ground as part of our exploration programs, rather than into administration.

In that regard, I am very pleased to report that, over the past eight months, we have successfully reduced the ongoing administration costs of the Company by over 74%, from quarterly expenditure of more than \$1.0 million to \$255,000 for the December 2016 quarter.

Gold-Focused Exploration

In the second half of 2016, we undertook significant fieldwork programs in Tanzania, completing large soil sampling programs in the project areas Naujombo and Kishugu. We successfully increased and further defined the Naujombo anomaly from a diffuse 6km long anomaly, to a tightly defined 9.5km gold anomaly that demonstrates clear correlation between arsenic and gold anomalism.

The maiden Rotary Air Blast ("RAB") drilling programs at both Naujombo and Kishugu were designed and

completed with the intent to act as a reconnaissance program testing the soil anomalies. The drilling programs were highly successful in that, along each line of drilling over the strikes of 9.5km and 5.5km at Naujombo and Kishugu respectively, we intersected zones of anomalous gold in areas previously untested for gold potential.

Following the demonstrated success of the RAB drilling, soil sampling continued into the later part of 2016 (until the rains caused us to halt)

These programs further defined and closed off the anomalies at Naujombo and Kishugu. Regional soil sampling programs also commenced across the remaining untested tenure in areas of anomalous historical stream sediment samples and areas of structural interest as interpreted from the aeromagnetic survey. The highlight of this latter work was to discover a new anomalous area called Kiperere West, follow up work will form part of the field work commencing soon.

Ntaka Hill Nickel Project Review

Ntaka Hill is held in a joint venture between three parties; Indiana 60%, MinMetals Group ("MMG") 10% and Loricatus Resource Investments ("Fig Tree") 30%.

Since 2006, more than US\$70 million has been spent on advancing Ntaka Hill. In light of the improving nickel market fundamentals through 2016, Indiana began the process of reviewing the project, looking at the potential for it to be developed on a smaller scale than previously considered. Plant sizes of between 250ktpa and 1.0mtpa are currently being reviewed to determine capital and operating thresholds and economic viability and it is expected that results of that review will be available before the end of the current Quarter

With the recent uncertainty in the nickel producing countries of Indonesia and the Philippines, Tanzania remains an attractive country in which to own and operate a mining project and, as such, we are seeing some renewed interest from external parties. Importantly, Indiana remains open to entering discussions with interested parties and is committed to realising Ntaka Hill's value for shareholders.

STRATEGY UPDATE FOR 2017

Your Board and I have a clear strategy for success, underpinned by a focus on:

- Maintaining our focus on prudently using shareholder funds to advance our exploration projects, with a budget of \$400,000 for 2017 gold exploration programs in Tanzania;
- Maintaining a focus on value-adding options for Ntaka Hill; and
- Identifying new growth opportunities to explore, define and develop resources and projects both in Tanzania and other countries.

Focused Exploration

As we move into the 2017 field season, we are now planning our exploration programs in-country. Our approach will immediately start with the continuation of regional geochemical sampling to identify new high quality targets. Significant geochemical anomalies will then be further defined by GAIP (Ground Array Induced Polarisation) geophysics to better refine the locations of future drilling.

As soon as the ground is dry enough, we intend to undertake a well-targeted drilling program at Naujombo and Kishugu, to test the best targets identified at both anomalies. In addition, any new geochemical targets defined early in the field season will be brought to drill-ready status for testing. With the wet season being unseasonably dry, we anticipate that exploration work at Naujombo and Kishugu will commence earlier than expected. We are in fact investigating options to have a drill rig operating at Kishugu next month.

Ntaka Hill

Indiana's objectives for 2017 are to continue to work on deriving value from Ntaka Hill, either through monetisation of the project or further value enhancing technical work.

Growth Opportunities

In addition to advancing our current portfolio of projects, Indiana continues to review new opportunities which have the potential to add value for shareholders.

We believe our cost structure and experience provides us with a strategic advantage in acquiring potential new projects in Tanzania and, as such, we are continuously looking at new value adding opportunities. In addition, with the Board's considerable experience in exploring, discovering and developing projects in Australia and elsewhere in the world, we are continuing to review projects both in Australia and in other jurisdictions internationally.

Recent Notice under section 249D

You will have seen our ASX announcement on the 24th of February, noting the receipt of a notice under section 249D of the Corporations Act ("Notice").

The receipt of the Notice comes in the wake of a unanimous recent decision by the Board of Indiana to discontinue discussions relating to a possible transaction between the Company and another entity related to the person requisitioning the meeting.

While the Board respects the rights of shareholders to requisition resolutions, the Indiana Board is disappointed that this approach has been taken and the Board is united in its belief that the proposal is not in the best interests of shareholders. We believe that the basis of the Notice is an opportunistic attempt to gain board control of Indiana.

This process is a distraction to us, but it does not stop us from getting on with the business in hand, which is implementing our clear strategy to drive shareholder returns and deliver value on the Company's Tanzanian assets, while remaining alive to other opportunities.

I am committed to continuing to deliver on our strategy and look forward to keeping you updated as we progress in 2017.

Thank you for your ongoing support.

Campbell Baird
Managing Director, Indiana Resources Limited

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