



Indago Energy Limited

26 July 2017

June 2017 Quarterly Activity and Cashflow Report

Summary

- On April 3rd shareholders approved the acquisition of Hydrocarbon Dynamics (HCD)
- Several stranded north American heavy oil accumulations have been identified for potential joint venture or acquisition
- Progressed initiatives for the sale of HCD products to potential customers in North and South America, Asia and the Middle East with several trials expected to be confirmed soon
- Commenced building a small team in North America to build the business
- Integration of the Indago and HCD teams progressed smoothly
- Cash position at June 30th of A\$1.485m

HCD Acquisition

As reported in the Company's March quarterly, Indago shareholders approved the acquisition of Hong Kong based HCDI Holdings and associated Intellectual Property on April 3rd 2017. As a result of the acquisition Indago now owns an exceptional new oil technology and business that allows for the swift, clean and cost effective treatment of heavy, asphaltenic and paraffinic oils.

The acquired technology can be applied to improve oil flow rates by the re-liquification of naturally occurring paraffin and asphaltenes that are deposited on the walls of oil well tubulars and oil pipelines, and can also be used to recover saleable oil from sludge in storage facilities. The product has proved its effectiveness in large-scale commercial oil wells and pipelines in Malaysia and on a smaller scale, in North America.

For details on the acquisition and the HCD technology, please refer to Indago's previous ASX announcements and to the website www.indagoenergy.com

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North America

During the Quarter Indago concentrated significant effort on the identification and assessment of several oil accumulations, particularly in North America, where HCD technologies present an opportunity for the Company to develop its own production and reserves. As a result of this work, Indago has approached the Mineral Rights owners over a large oil deposit and presented them with a proposal to purchase the rights to assess and develop the heavy oil in place. If successful, the project will have a small capital outlay, a modest work obligation and a substantial upside.

Indago executives visited over a dozen oil and gas producers in both Canada and the US. The product was well received and Indago has been invited for demonstration trials with several companies. Indago executives also met, and were well received by, independent Canadian operators seeking to improve recovery rates and reduce production costs. The Company has been invited to test its product in a field trial in Alberta which, if successful, would lead to the deployment of the product across the entire field.

Middle East

Indago executives visited Abu Dhabi and Oman to discuss substantial opportunities in Tank Cleaning and Enhanced Oil Recovery down-hole applications. The Company has been invited to participate in tank cleaning operations on a trial basis in Abu Dhabi in the next quarter. Indago has also been asked to submit a proposal to trial Multi-Flow downhole in a large heavy oilfield. If these trials are formally confirmed, further details will be announced to the ASX.

South America

Indago has identified several opportunities in South America for the sale of its key products Multi-Flow and Tank Clean. During August the HCD Multi-Flow's inventor will visit Brazil to oversee trials of Multi-Flow for a large oil producer. During the visit several other meetings with potential clients have been arranged.

China

Indago executives have visited several large oil and gas producers in China to discuss opportunities in Pipeline and Enhanced Oil Recovery downhole applications. Follow-up will include proposals to trial Multi-Flow next quarter.

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Management

Indago recently announced the appointment of Mr Garth Sloan to its Calgary office. Garth is an industry recognised expert in value creation in unconventional resources, and a proven oil and gas finder with 33 years of highly diversified experience as a geologist, manager, and executive in the petroleum industry. He has extensive experience identifying, evaluating, acquiring, and developing international unconventional petroleum prospects with an emphasis on Canada, **U.S.A.**, and Australia; and including Argentina, China, Morocco, Romania, Uruguay, Russia, Azerbaijan, Mexico, Indonesia, United Kingdom, Qatar, Kuwait, Saudi Arabia, and UAE. Most recently Garth headed up Total's worldwide unconventional operations.

Company Integration

The company believes that the Indago and HCD teams are now fully integrated.

As approved by Indago shareholders at a meeting on April 3rd, Nick Castellano, the founder and inventor of the technology, along with HCD's Managing Director Allan Ritchie, have joined the Indago board.

Newkirk Project, Kay County Oklahoma (100% WI 81.25%NRI)

No new developments during the Quarter. As previously reported, approximately 31% of Indago's leases expire during the current quarter with a further 33% due to expire in the December quarter. The remainder of the leases expire during the last quarter of 2018. At this stage the Company does not intend to renew the leases as they expire.

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Oil and Gas Tenements

Project	Location	Interest acquired or disposed of during the quarter net to Indago	Total acres owned net to Indago	Working Interest held as at 30 June 2016
Newkirk	Kay and Noble Counties, Oklahoma	0	4,049 acres	100% in Acreage, 50% in JV

For further information please contact:

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Indago Energy Limited

Glossary

\$	Australian Dollars
US\$	United States Dollars
Bbls/day	Barrels (of oil) per day
MBO	Thousand barrels of oil
MMBO	Millions barrels of oil
MBOE	Thousand barrels of oil equivalent
MMBOE	Millions barrels of oil equivalent
BOE	Barrels of oil equivalent
BOE/day	Barrels of oil equivalent per day
EUR	Estimated Ultimate Recovery
Mcf	Thousand cubic feet (of natural gas)
Mcfd	Thousand cubic feet (of natural gas) per day
MMcf	Million cubic feet of natural gas
NRI	Net revenue interest
WI	Working interest
TVD	Total vertical depth
TMD	Total measured depth
MD	Measured depth
3.28 feet	Equals 1 metre

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Indago Energy Limited

ABN

75 117 387 354

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
144 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(74)	(87)
(b) development	-	-
(c) production	-	-
(d) staff costs	(274)	(358)
(e) administration and corporate costs	(356)	(514)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	11
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other - Royalties	(63)	(63)
1.9 Net cash from / (used in) operating activities	(767)	(1,012)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	(991)	(991)
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(164)
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash purchased on acquisition)	4	4
2.6	Net cash from / (used in) investing activities	(987)	(1,151)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	57	57
3.6	Repayment of borrowings	(23)	(23)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	34	34

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,218	3,653
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(767)	(1,012)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(987)	(1,151)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	34	34
4.5	Effect of movement in exchange rates on cash held	(13)	(39)
4.6	Cash and cash equivalents at end of period	1,485	1,485

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,485	3,218
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,485	3,218

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
220
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	141
9.2 Development	-
9.3 Production	-
9.4 Staff costs	345
9.5 Administration and corporate costs	173
9.6 Other - Royalties	65
9.7 Total estimated cash outflows	724

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


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Company secretary

Date: 26 July 2017

Print name: Julie Edwards

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.