



Indago Energy Limited

27 April 2018

March 2018 Quarterly Activity and Cashflow Report

Summary

- First oil resource certification for new Kentucky heavy oil project
- Commenced two field trials in Utah for two oil producers in 4 wells
- Successful in-field test in Canada and California lead to commercial discussions
- Middle East distributor reports good progress on proposal for 3 well field trial
- European distributor reports approval for use of product in east European tank
- Assessment of north American heavy and paraffinic oil accumulations for potential joint venture or acquisition continued
- Cash position at 31st March of A\$2.1m

Initial Oil Certification for Kentucky Heavy Oil Project

On 6th March 2018 Indago Energy Limited (“INK”) announced that it has received its first oil certification for its new heavy oil project in Kentucky. An independent Contingent Oil Resources report prepared by Netherland Sewell & Associates Inc (“NSAI”) estimated that the Contingent Oil Resources within the 100% owned project are 3.74 million barrels of oil (“mmbbl”) on a 2C basis, 1.87 mmbbls on a 1C basis and 7.49 mmbbls on a 3C basis from an Original Oil in Place (“OOIP”) of 42.8 mmbbls as set out in the table below:

Indago Kentucky Heavy Oil Project

Best Estimate OOIP (mmbbl)	Net (87.5%) Contingent Oil Resources (mmbbl)*		
	Low Estimate (1C)	Best Estimate (2C)	High Estimate (3C)
42.79	1.87	3.74	7.49

*The resources shown in this report are contingent upon demonstrating the efficiency and economics of HCD Multi-Flow® injection into the Big Clifty Sandstone heavy oil reservoir and Indago Oil and Gas Inc.'s commitment to develop the properties. If these contingencies are successfully addressed, some portion of the contingent resources estimated in this report may be reclassified as reserves. The estimates in this report have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE).

The contingent resources shown in this report have been estimated using deterministic methods. No petroleum reserves or prospective resources have been determined at this time. Once all contingencies have been successfully addressed, the approximate probability that the quantities of contingent resources actually recovered will equal or exceed the estimated amounts is generally inferred to be 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. The estimates of contingent resources included herein have not been adjusted for any risk including for the possibility that the contingencies are not successfully addressed.



Indago Energy Limited

This initial Contingent Resource report confirms significant oil in place in INK's initial project area, which is believed to also extend significantly beyond INK's leased acreage, providing scope for a sizeable project should INK's technologies prove technically and commercially successful.

INK is currently preparing to commence appraisal of the Kentucky resource initially with a single well expected to spud in the April-June quarter of 2018. The objective of the first well will be to extract core to confirm reservoir properties and to test if INK's key product, HCD Multi-Flow®, will be able to maintain the oil in a liquid state from the reservoir to the well head and thus enable the oil to be pumped using conventional equipment.

Should this test prove successful, INK will then move to a more comprehensive production pilot likely to involve multiple wells to determine the most commercial extraction techniques. At this stage such a programme may include a 4-5 well pilot, a HCD Multi-Flow® flood and/or horizontal frac assisted completions with HCD Multi-Flow®.

Current cost estimates for the initial single well are estimated to be approximately US\$100,000 to drill and complete.

Indago's Kentucky project includes three-year leases with a 12.5% royalty on 1,786 acres in the Illinois Basin in western Kentucky where it is targeting the oil sands in the Upper Mississippian Big Clifty Sandstone. The Company has targeted the Big Clifty Sandstone due to its well documented substantial heavy oil resources as well as secondary objectives including five other sandstones, which have proven to be hydrocarbon bearing.

As noted in INK's release to the ASX on 18th December 2017, previous operators have drilled dozens of wells in the vicinity of INK's project area including at least 10 wells in INK's leased acreage. The information from these wells has demonstrated an oil saturated reservoir approximately 12-20 metres thick at a depth range of between 125-215 metres and this information formed the basis for estimating OOIP and contingent resources.

Initial research based on previous published results of more than 2,000 core samples from this region suggests a target zone with reservoir properties that include average porosities of 15.5%, average permeability of 192 millidarcies, oil saturation from 32-45% and an oil gravity of 10 API.

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Indago Energy Limited

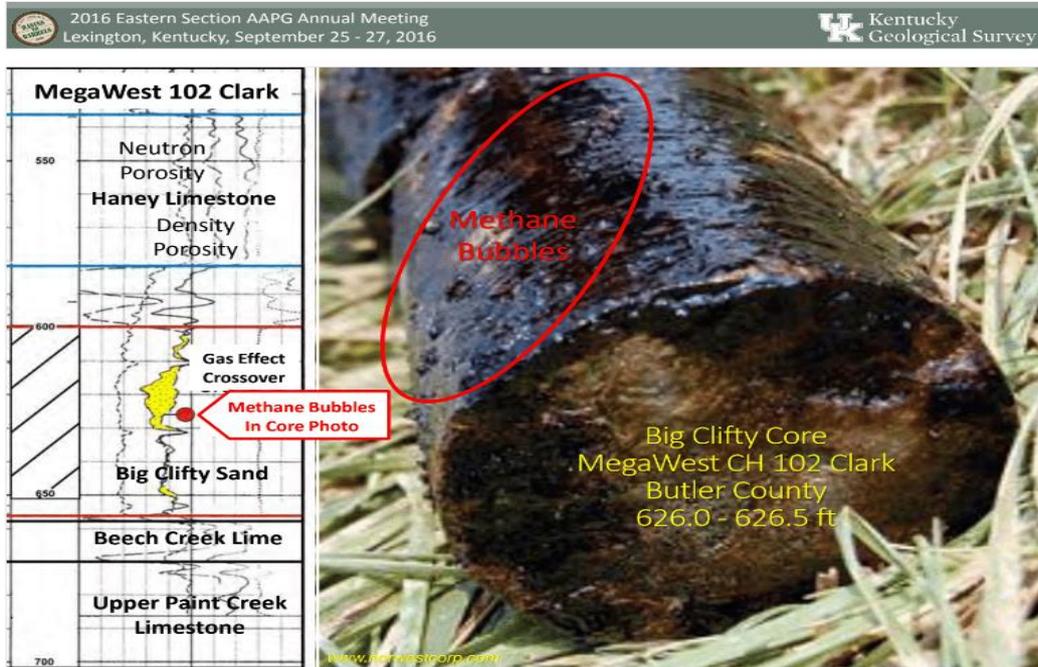


Figure 1 – Core from Big Clifty sandstone in Kentucky

Field Trials Update

Field trials that commenced in the December quarter are ongoing but near completion. The trial with a small independent operator in Texas involved injecting Multi-Flow at the well head and flowing through the gathering system to the storage tank in order to improve crude oil quality by reducing Basic Sediment and Water (BS&W) levels. Visual inspection throughout the trial suggested reduced BS&W levels, but definitive results will be achieved utilizing spin-out tests when the tank contents are emptied and sold in the coming weeks.

The trial with a mid-size Canadian public company aimed at uplifting the API gravity of the heavy crude to pipeline specification to save on transportation costs has resulted in a clear increase in API gravity and prompted the company to consider the next steps, including commercial discussions.

A trial in California aimed at decreasing heavy crude viscosity and experimenting with Multi-Flow dosage rates to reduce diluent volumes necessary for transporting and handling ultra-heavy crudes (5-6°API gravity) has been successful. The application of Multi-Flow has reduced the need for diluent from 50% to 30% to transport and handle the heavy crudes. Testing is ongoing to see if further reductions in diluents are possible.



Indago Energy Limited

Two new trials have commenced in the current quarter. Indago has begun downhole testing in four wells with two major operators (2 wells each) in the Uinta basin, Utah. The objectives of the trials are to reduce the pour point of the waxy crudes and reduce the heat needed to transport and handle the crudes.

Distributor and Agent Update

During the Quarter Indago's Middle East distributor reported that its proposal to undertake a 3 well test on a large undeveloped oil field had been delivered and negotiations were underway. A decision on whether to accept the proposal by the government body involved is expected in the September Quarter.

One of Indago's European based distributors reports successful testing of Indago's product on several oil and sludge samples and is currently including the use of Indago products in several proposals for tank cleaning operations.

Several legacy Sales and Marketing Agreements entered into prior to Indago acquiring the technology expired during the quarter and were not renewed.

Laboratory Testing Update

Crude oil testing for pour point, viscosity and BS&W reduction, as well as API gravity uplift, at major laboratories in the USA and Canada in support of the field trials is ongoing. The primary objective of the laboratory testing is to show that the crude oils being tested respond to the application of Multi-Flow and therefore justify the next step of field trials where the dosage concentrations of Multi-Flow are determined and whether or not these concentrations are commercially viable for the defined application.

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

No work was conducted during the Quarter.

Financial

During the Quarter Indago generated sales for its products of \$10,000. At 31 March 2018, Indago Energy had cash resources of \$2.1 million.



Indago Energy Limited

Oil and Gas Tenements as at 31 March 2018

Project	Location	Interest acquired or disposed of during the quarter net to Indago	Total acres owned net to Indago	Working Interest held as at 31 March 2018
Newkirk	Kay and Noble Counties, Oklahoma	0	3,149	100%
Kentucky	Butler and Warren Counties, Kentucky	0	1,786	100%

Qualification Statement

The contingent resources stated herein are based on and fairly represents information and supporting documentation prepared by or under the supervision of John Hattner of NSAI who is a qualified petroleum reserves and resources evaluator within the meaning of the ASX Listing Rules. Mr Hattner has provided his written consent to the issue of this report in the form and context in which the contingent resources and the supporting information are presented in it. The contingent resources reported continue to apply and have not materially changed.

For further information please contact:

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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")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
144 Receipts from customers	10	10
1.2 Payments for		
(a) exploration & evaluation	(145)	(145)
(b) development	-	-
(c) production	-	-
(d) staff costs	(430)	(430)
(e) administration and corporate costs	(209)	(209)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other - Royalties	(62)	(62)
1.9 Net cash from / (used in) operating activities	(829)	(829)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(1)
(b) tenements (see item 10)	(33)	(33)
(c) investments	-	-
(d) other non-current assets	(7)	(7)

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	8	8
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash purchased on acquisition)	-	-
2.6	Net cash from / (used in) investing activities	(33)	(33)
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	-	-
3.6	Repayment of borrowings	-	-
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	-	-
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,947	2,947
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(829)	(829)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(33)	(33)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	6	6
4.6	Cash and cash equivalents at end of period	2,091	2,091

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	2,091	2,091
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)	2,091	2,091

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
(340)
8

- 6.1 - Directors fees, Consultancy and Royalties
- 6.2 - Director loan repayment (acquired with HCD purchase)

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	150
9.2 Development	-
9.3 Production	-
9.4 Staff costs	360
9.5 Administration and corporate costs	295
9.6 Other - Royalties	65
9.7 Total estimated cash outflows	870

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	Kentucky	100% in acreage	1,786	1,786 Acres

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: 27 April 2018

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.