



## Indago Energy Limited

31 October 2017

### September 2017 Quarterly Activity and Cashflow Report

#### Summary

- Completed Rights Issue raising \$3.05m
- Three large and two smaller north American producers have requested field trials
- Entered into Sales and Marketing arrangements in Middle East & South America
- Continued assessment of north American heavy and paraffinic oil accumulations for potential joint venture or acquisition
- Contacted over 50 potential customers in north America, Asia and the Middle East for the sale of MultiFlow and Tank Clean
- Received numerous oil samples from potential customers for laboratory testing
- Extended Executive Chairman's contract by 6 months to the end of March 2018
- Cash position at 30 September of A\$3.78m

#### New marketing Arrangements

Indago entered into two new arrangements to market products in regions that Indago executives and sales staff do not have the resources to service themselves. This is a key part of Indago's marketing strategy whereby it will concentrate its financial and human resources on opportunities in North America and seek to enter into sales, marketing and distribution arrangements with suitable partners in other parts of the world.

In the Middle East, the Company has awarded Gulf Crude Dynamics (GCD) a distribution agreement that will allow GCD to market MultiFlow and Tank Clean in the Middle East on an exclusive basis. The contract was awarded with firm milestones for GCD to reach in order to maintain distribution rights. GCD also have the right to establish a blending facility in the Middle East for HCD products and long-term exclusive marketing rights in the region upon payment to Indago of US\$20 million. It is anticipated that GCD will need to establish successful sales and raise significant capital to exercise this option. Advanced discussions occurred during the quarter to apply HCD products down-hole in a very substantial heavy oilfield as well as to participate in tank cleaning operations on a trial basis in Abu Dhabi.

ABN: 75 117 387 354

Tel: +61 3 9642 2899 | Fax: +61 3 9642 5177

Level 6, 412 Collins Street, Melbourne VIC 3000 Australia



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Indago has also entered into a Sales and Marketing agreement with NovaTech LLC to promote sales to over a dozen significant producers in several Central and South American countries including Colombia, Ecuador, Peru, and the Caribbean nations.

The Company is also in the process of identifying partners for sales initiatives in China, India and Eastern Europe, as well as global partners for the Tank Clean product.

### North American Initiatives

Indago has focused on identifying oil accumulations in North America where HCD Multi-Flow could cost-effectively improve production, handling, storage and/or transport of heavy or paraffinic crudes. In Canada, Indago identified the conventional heavy oil plays of the Upper and Lower Manville Geological Formation and the Athabasca Oil Sands of Alberta, and the paraffinic crudes of the Cardium and Viking Formations of Alberta and Saskatchewan as oil accumulations that could benefit from the application of HCD Multi-Flow. Indago has engaged large upstream companies in each of these major plays, has received numerous crude oil samples for independent laboratory testing, and is currently negotiating field trials with three of the upstream companies.

In the USA, Indago identified the paraffinic crudes of the Uinta basin of Utah as crudes suitable for application of HCD Multi-Flow, and is working with three of the largest oil producers in the basin to collect “live” crude samples from well-heads in the field. Indago also identified several heavy oil fields in West Texas, Southwest Texas and Oklahoma and is negotiating with independent producers to test Multi-Flow in gathering pipeline networks and storage facilities. Indago is negotiating field trials also in gathering pipeline networks and storage facilities with two independent California Heavy Oil producers.

### Financial

During the Quarter Indago completed a fully underwritten 1 for 3 Rights Issue that raised approximately \$3 million prior to costs. The issue was well supported by shareholders.

At 30 September, Indago Energy had cash resources of \$3.78 million.

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

No work was conducted during the Quarter. After lease expiries and modest re-leasing, Indago’s net acreage position reduced from acres of Indago leases expired leaving Indago with a net position of 4,049 net acres to 3,715 net acres. The Company expects a further 567 net acres will expire during the current quarter.

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### Management & Director Arrangements

The Company extended the Executive Chairman's contract for an additional 6 month period ending on 31 March 2018. The contract was extended on the same terms and conditions as previously announced to the ASX on 6 April 2017 with a slight adjustment for CPI.

Executive Director Mr Allan Ritchie, has become a non- Executive Director, and will continue to focus his efforts on developing HCD product sales in the Middle East and elsewhere via direct involvement with INK partners.

### 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 September 2017 |
|---------|----------------------------------|---|---------------------------------|---|
| Newkirk | Kay and Noble Counties, Oklahoma | 334   | 3,715                           | 100% in Acreage, 50% in JV                    |

For further information please contact:

**Stephen Mitchell**  
Chairman  
Indago Energy Limited

**Julie Edwards**  
Company Secretary  
Indago Energy Limited

Telephone: +61 3 9642 2899

Website: [www.indagoenergy.com](http://www.indagoenergy.com)

ASX Code: INK



## 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 September 2017

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(9 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                    |  |
| 144 Receipts from customers                               | 220                                | 220  |
| 1.2 Payments for  |                                    |  |
| (a) exploration & evaluation                              | (115)                              | (202)  |
| (b) development   | -                                  | -  |
| (c) production  | -                                  | -  |
| (d) staff costs   | (325)                              | (683)  |
| (e) administration and corporate costs                    | (244)                              | (758)  |
| 1.3 Dividends received (see note 3)                       | -                                  | -  |
| 1.4 Interest received                                     | -                                  | 11   |
| 1.5 Interest and other costs of finance paid              | (1)                                | (2)  |
| 1.6 Income taxes paid                                     | -                                  | -  |
| 1.7 Research and development refunds                      | -                                  | -  |
| 1.8 Other - Royalties                                     | (40)                               | (103)  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(505)</b>                       | <b>(1,517)</b>                                 |

|  |     |       |
|--|-----|-------|
| <b>2. Cash flows from investing activities</b> |     |       |
| 2.1 Payments to acquire:                       |     |       |
| (a) property, plant and equipment              | (5) | (5)   |
| (b) tenements (see item 10)                    | -   | -     |
| (c) investments                                | (5) | (996) |
| (d) other non-current assets                   | -   | -     |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(9 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| 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               | 5                                  | (159)  |
| 2.4   | Dividends received (see note 3)                       | -                                  | -  |
| 2.5   | Other (cash purchased on acquisition)                 | -                                  | 4  |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b> | <b>(5)</b>                         | <b>(1,156)</b>                                 |

|             |   |              |              |
|-------------|---|--------------|--------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |              |              |
| 3.1         | Proceeds from issues of shares  | 3,051        | 3,047        |
| 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 | (208)        | (208)        |
| 3.5         | Proceeds from borrowings  | -            | 57           |
| 3.6         | Repayment of borrowings   | (17)         | (40)         |
| 3.7         | Transaction costs related to loans and borrowings                           | -            | -            |
| 3.8         | Dividends paid  | -            | -            |
| 3.9         | Other (provide details if material)   | -            | -            |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>2,826</b> | <b>2,860</b> |

|            |  |              |              |
|------------|--|--------------|--------------|
| <b>4.</b>  | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |              |              |
| 4.1        | Cash and cash equivalents at beginning of period                             | 1,485        | 3,653        |
| 4.2        | Net cash from / (used in) operating activities (item 1.9 above)              | (505)        | (1,517)      |
| 4.3        | Net cash from / (used in) investing activities (item 2.6 above)              | (5)          | (1,156)      |
| 4.4        | Net cash from / (used in) financing activities (item 3.10 above)             | 2,826        | 2,860        |
| 4.5        | Effect of movement in exchange rates on cash held                            | (15)         | (54)         |
| <b>4.6</b> | <b>Cash and cash equivalents at end of period</b>                            | <b>3,786</b> | <b>3,786</b> |

| 5. <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Bank balances  | 3,786                      | 1,485                       |
| 5.2 Call deposits  | -                          | -                           |
| 5.3 Bank overdrafts  | -                          | -                           |
| 5.4 Other (provide details)  | -                          | -                           |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>3,786</b>               | <b>1,485</b>                |

**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<br>\$A'000 |
|----------------------------|
| (250)                      |
| 5                          |

- 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<br>\$A'000 |
|----------------------------|
| -                          |
| -                          |

## Mining exploration entity and oil and gas exploration entity quarterly report

| <b>8. Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | <b>Total facility amount<br/>at quarter end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|--|---|--|
| 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. |   |  |

|  |  |
|--|--|
|  |  |
|--|--|

| <b>9. Estimated cash outflows for next quarter</b> | <b>\$A'000</b> |
|--|----------------|
| 9.1 Exploration and evaluation                     | 112            |
| 9.2 Development                                    | -              |
| 9.3 Production                                     | -              |
| 9.4 Staff costs                                    | 273            |
| 9.5 Administration and corporate costs             | 184            |
| 9.6 Other - Royalties                              | 65             |
| <b>9.7 Total estimated cash outflows</b>           | <b>634</b>     |


| <b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>                            | <b>Tenement reference and location</b> | <b>Nature of interest</b>                | <b>Interest at beginning of quarter</b> | <b>Interest at end of quarter</b> |
|--|--|--|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | Newkirk                                | 100% in Acreage,<br>50% in Joint Venture | 4049 Acres                              | 3715 Acres                        |
| 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:

  
.....  
Company secretary

Date: 31 October 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.