Indago Energy Limited

ABN 75 117 387 354

# INTERIM FINANCIAL REPORT
# FOR THE HALF YEAR ENDED
# 30 JUNE 2019

**INDAGO ENERGY LIMITED**
**AND CONTROLLED ENTITIES**
**ABN 75 117 387 354**

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**DIRECTORS' REPORT**

In accordance with a resolution of the directors, the directors present their Report together with the Financial Report of Indago Energy Limited ("Indago" or "the Company") and its subsidiaries (together referred to as the "Consolidated Entity" or the "Group") for the half year ended 30 June 2019 (Period) and the Independent Auditor's Review Report thereon:

**Directors**

The Directors of Indago at any time during or since the end of the half year ended 30 June 2019 were:

**Executive Directors**
Mr Stephen Mitchell (Executive Chairman)
Mr Nicholas Castellano

**Non-Executive Directors**
Mr Allan Ritchie
Mr Ray Shorrocks
Mr Andrew Seaton (appointed 16 August 2019)

**Review of operations**

Total comprehensive loss for the Group for the period was $1,323,132 (2018 loss: $1,879,263). Total comprehensive loss includes a gain of $2,384 (2018: gain of $36,875) arising on translation of foreign operations.

For the half year ended 30 June 2019, the Group has recorded negative cash flows from operations of $1,608,921 (2018: negative $1,623,690).

The functional currency for the Company is US Dollars. The presentation currency for the Group's accounts is Australian Dollars. All figures quoted in this report are Australian Dollars unless otherwise specified.

**Projects**

***HCD product initiatives***
Indago has recently received Purchase Orders for HCD Multi-Flow® and related products from an independent oil producer in Texas. HCD Multi-Flow® will be used in a 5 well squeeze in highly paraffined wells in Anderson County Texas with an established oil production company. If the treatment meets expectations this may result in annual orders servicing over 20 wells.

Indago commence a trial of HCD Multi-Flow® for a major Canadian oil producer in Alberta. In the trial HCD Multi-Flow® will be applied to a single well in a field that produces approximately 12,000 barrels of oil/day from several hundred wells. The objective of the trial will be to enhance production by liquefying asphaltene plugging in the reservoir and to address wax deposition in the production tubulars.

Indago received approval to undertake its first field trial in India for one of India's pre-eminent producers, Oil India. Indago has received a purchase order to treat a well in the Baghewala oil field in northern India using HCD Multi-Flow®. The Baghewala field currently has 7 wells in production with a further 15 development wells planned. The trial will require approximately A$50,000 of HCD Multi-Flow® and companion products which will be paid subject to meeting certain production criteria.

Indago and its distributor in China are continuing efforts to build on the very successful results of the diluent reduction trial undertaken in CNPC's giant heavy oilfield. Discussions are continuing for a substantial paid pilot-scale field trial. Currently diluent (in this case light oil) is shipped in from a different field and used to assist production and transportation of the oil in this large heavy oilfield. The diluent reduction trial utilising Multi-Flow® resulted in a 21% increase in crude oil production, a 65% reduction in crude oil viscosity and an estimated 40% reduction in the amount of diluent required. The Multi-Flow® also reduced the pour point of the waxy diluent to 20ºC offering CNPC additional cost savings associated with heat.

Indago and its Middle East distributor, Gulf Green Crude Dynamics (GGCD) have continued to work on converting successful laboratory tests to field trials and tank cleans with oil producers in the UAE, Kuwait, Iraq and Oman. ADNOC is pursuing tank cleaning requirements and a preventative maintenance program to avoid future sludge build-up in tank storage facilities and pipeline infrastructure. In earlier tests Multi-Flow® liquefied and kept liquid the paraffins in the sludge converting nearly all the sludge to saleable oil. The demonstrated capability of Multi-Flow® to liquefy all the paraffin in the sludge also indicates that the preventative maintenance programme aimed at eliminating future paraffin deposition from the crude oil in tank storage facilities and pipeline infrastructure should be successful with a continuous low dosage Multi-Flow® treatment. In ADNOC's case sludge was immediately liquefied with the addition of Multi-Flow® plus ADNOC oil acting as a carrier fluid. GGCD have had continued operational meetings to analyse the sludge and assess the requirements for a specific tank at their tank farm, with the aim of securing a Tank Clean order.

## DIRECTORS’ REPORT (continued)

Following successful results of laboratory work on Multi-Flow® treated Kuwaiti Crude the Kuwait Oil Company (“KOC”) has conducted a tender specifically for the use of HCD Multi-Flow®. If awarded this is expected to be an initial 20 drum order and HCD expects further requirements should this first application be successful. The positive laboratory results on the Kuwait crude and sludge, particularly the viscosity reduction, enhances and complements the potential for success of the well stimulation pilot sought by HCD utilising Multi-Flow® in the Abduliyah Oilfield (adjacent to the Greater Burgan field). The objective of the Abduliyah trial is to increase the production flow rate by reducing crude oil viscosity in an oilfield that produces from mixed carbonate-siliciclastic reservoir rocks in thousands of producing wells. Drums of Multi-Flow® for the trial have already been purchased and currently reside in Kuwait.

GGCD submitted two pilot proposals to Basrah Oil Company (BOC) in Iraq, one for a tank clean and the other a small-scale pipeline clean-up across a length redirected from a high volume trunk line. GGCD visited Basrah and performed a successful test for BOC with formal results to be granted to HCD soon.

The heavy crude oils of Colombia have consistently responded well to treatment with HCD Multi-Flow® in laboratory tests with uplifts in API gravity in the range from ~130 API to 150API and reductions in viscosity on the order of 50%. Negotiations are currently underway with two companies for field trials that have progressed to selecting candidate wells for down-hole treatments. A third company that operates a major heavy oilfield is being sold, and negotiations are on hold until the new owner is established. Indago’s Colombian agent is well connected with each of the companies bidding for ownership of the third company and is confident that negotiations for a field trial will be re-established once the company sale is concluded. If the same viscosity reductions observed in the laboratory tests are achieved in the field trials then the Colombian crudes would be pipeline compliant without the need for any addition of expensive diluents. The National Oil Company currently transports up to 400,000 barrels of oil per day and spends approximately $US1 Billion per annum on diluents to enable this transport, representing an exciting opportunity for Multi-Flow®.

***Kentucky Heavy Oil***

Indago completed drilling and coring operations on the Weldon Young #1A well at its 100% owned heavy oil project in Kentucky.

Multi-Flow was able to reduce the in situ crude oil viscosity from 50,000-100,000 cSt to 490 cSt at an estimated Multi-Flow dosage rate of 1.8%. Indago expected that production from the Weldon Young 1A well would cease once all the native crude oil contacted by the Multi-Flow squeeze had been produced, and this occurred several weeks after the swabbing and pumping operations concluded. 63 barrels of oil were produced and transported for sale.

Work is currently focussed on designing the most effective completion techniques to promote sustained oil production using HCD Multi-Flow® and any necessary enhancements such as carrier fluids, bacterial injections, chemical floods, horizontal well completions or stimulation techniques.

***Utah Heavy Oil***

Indago holds 3,458 acres over a portion of Asphalt Ridge in the Uinta Basin in Utah targeting the oil sands in the Upper Cretaceous Rimrock Sandstone of the Mesaverde Group. The Rimrock Sandstone of the Mesaverde Group is one of several well documented oil sands in Utah, a state that, according to the Utah Geological Survey, contains oil sands with 14 to 15 billion barrels of measured oil in place with an additional estimated resource of 23 to 28 billion barrels.

Previous operators in the region have drilled several exploration wells in sections directly adjacent on the north, west and south of Indago’s initial acreage acquisition. Those exploration wells drilled to the north are now within Indago’s acreage as a result of the second round of leasing. Indago has been able to assess some of the information from earlier wells which has assisted in understanding key elements of the play and the region’s prospectivity. The information from previous operators has demonstrated an oil saturated reservoir approximately 90-175’ (27-53 metres) thick at a depth range of between 200-3000’ (60-914 metres).

Based on previous results published on the Utah Geological Survey website of more than 330 core samples from six test wells drilled in the sections that Indago acquired in their second leasing round, the target zone has reported reservoir properties including an average porosity of 30.3%, average permeability of 524 millidarcies, oil saturation of 65.6% and an oil gravity of 10-14$^0$API.

The necessary cultural surveys and Permit applications required by the State of Utah for bulk sample collection have been submitted and Indago has been notified that the permit is imminent. Indago is now in the advanced stages of planning for a 36 auger hole work programme designed to further delineate the outcrop of oil sands on a 160 acre portion of Indago’s acreage position. The sampled sands from this exploration programme will also be sent for testing to help determine oil characteristics, the ability of HCD Multi-Flow® to liberate the oil and to assist in early design of processes needed to extract oil at the pilot stage.

The leases have a primary term of 10 years for an annual cost of US$10 per acre per year. The acquisition costs were immaterial.

**DIRECTORS' REPORT (continued)**

***Newkirk Project, Kay County Oklahoma*** *(100% WI 81.25%NRI)*
Indago currently holds 1,473 acres which are due to expire in the December quarter. At this stage the Company does not intend to renew leases.

**Oil and gas tenements**

| Project | Location | Gross acreage owned by Indago | Net acreage owned by Indago | Working interest held as at 30 June 2019 |
|---|---|---|---|---|
| Newkirk | Kay and Noble Counties, Oklahoma | 1,520 acres | 1,473 acres | 100% |
| Kentucky | Butler and Warren Counties, Kentucky | 1,843 acres | 1,786 acres | 100% |
| Utah | Uintah, County | 3,458 acres | 3,458 acres | 100% |

**Glossary**

| | |
|---|---|
| $ | Australian Dollars |
| US$ | United States Dollars |
| NRI | Net revenue interest |

This report is made in accordance with a resolution of the directors.

Ray Shorrocks
Director

Melbourne
13 September 2019

Level 38, 345 Queen Street
Brisbane, QLD 4000

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**AUDITOR'S INDEPENDENCE DECLARATION**
**TO THE DIRECTORS OF INDAGO ENERGY LIMITED**

In relation to the independent auditor's review for the half-year ended 30 June 2019, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants.*

This declaration is in respect of Indago Energy Limited and the entities it controlled during the period.

PITCHER PARTNERS

N BATTERS
Partner

Brisbane, Queensland
13 September 2019

**INDAGO ENERGY LIMITED**
**AND CONTROLLED ENTITIES**
**ABN 75 117 387 354**

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2019

| | Note | Consolidated Entity 30 June 2019 $ | 30 June 2018 $ |
|---|---|---|---|
| **Revenue and other income** | | | |
| Revenue | | **26,948** | 9,540 |
| Other income | | **9,049** | 39,861 |
| **Expenses** | | | |
| Production costs | | **(33,626)** | (18,068) |
| Development and testing fees | | **(54,597)** | (81,707) |
| Audit and accounting fees | | **(96,089)** | (76,469) |
| Depreciation and impairment expenditure | | **(870)** | (288,545) |
| Employee benefits expense | | **(432,055)** | (432,926) |
| Professional consulting fees | | **(339,285)** | (459,078) |
| Legal and secretarial fees | | **(15,408)** | (68,424) |
| Royalty expense | 10 | **(136,320)** | (125,088) |
| Share registry and listing fees | | **(26,847)** | (32,219) |
| Travel and accommodation fees | | **(106,084)** | (165,645) |
| Finance costs | | **(1,016)** | (2,692) |
| Administration expenses | | **(116,734)** | (149,111) |
| Bad debts | | **-** | (65,567) |
| Foreign exchange loss | | **(2,582)** | - |
| **LOSS BEFORE INCOME TAX** | | **(1,325,516)** | (1,916,138) |
| Income tax expense | | **-** | - |
| **LOSS FOR THE PERIOD** | | **(1,325,516)** | (1,916,138) |
| **Other comprehensive income, net of income tax** | | | |
| **Items that may be reclassified to profit or loss** | | | |
| Net gain /(loss) on foreign currency translation | | **2,384** | (36,875) |
| **TOTAL COMPREHENSIVE LOSS, NET OF INCOME TAX** | | **(1,323,132)** | (1,879,263) |
| Total loss for the period attributable to ordinary equity owners of the company | | **(1,325,516)** | (1,916,138) |
| Total comprehensive loss attributable to ordinary equity owners of the company | | **(1,323,132)** | (1,879,263) |
| Basic earnings per share | | **(0.6) cents** | (1.4) cents |
| Diluted earnings per share | | **(0.6) cents** | (1.4) cents |

The accompanying notes form part of the consolidated financial report.

**INDAGO ENERGY LIMITED**
**AND CONTROLLED ENTITIES**
**ABN 75 117 387 354**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## FOR THE HALF YEAR ENDED 30 JUNE 2019

| | | Consolidated Entity | |
|---|---|---|---|
| | Note | 30 June 2019 | 31 December 2018 |
| | | $ | $ |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | **1,951,830** | 2,206,515 |
| Trade and other receivables | 5 | **79,410** | 60,284 |
| Prepayments | | **88,315** | 37,842 |
| Inventory | | **522,703** | 539,412 |
| **TOTAL CURRENT ASSETS** | | **2,642,258** | 2,844,053 |
| **NON-CURRENT ASSETS** | | | |
| Exploration and evaluation expenditure | 6 | **720,563** | 578,598 |
| Plant and equipment | | **4,723** | 5,505 |
| Intangible assets | 7 | **3,968,484** | 3,960,920 |
| **TOTAL NON-CURRENT ASSETS** | | **4,693,770** | 4,545,023 |
| **TOTAL ASSETS** | | **7,336,028** | 7,389,076 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | **311,543** | 518,962 |
| Provisions | | **16,428** | 22,465 |
| **TOTAL CURRENT LIABILITIES** | | **327,971** | 541,427 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | | **2,686** | 1,610 |
| Borrowings | | **58,367** | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **61,053** | 1,610 |
| **TOTAL LIABILITIES** | | **389,024** | 543,037 |
| **NET ASSETS** | | **6,947,004** | 6,846,039 |
| **EQUITY** | | | |
| Issued capital | 8 | **61,877,254** | 60,453,157 |
| Reserves | | **(686,745)** | (461,087) |
| Accumulated losses | | **(54,243,505)** | (53,146,031) |
| **TOTAL EQUITY** | | **6,947,004** | 6,846,039 |

The accompanying notes form part of the consolidated financial report.

**INDAGO ENERGY LIMITED**
**AND CONTROLLED ENTITIES**
**ABN 75 117 387 354**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2019

| | Issued capital | Accumulated losses | Foreign currency translation reserve | Options reserve | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 January 2018** | **57,805,330** | **(49,218,142)** | **(821,684)** | **277,875** | **8,043,379** |
| Loss for the period | - | (1,916,138) | - | - | (1,916,138) |
| Other comprehensive loss, net of income tax for the period | - | - | 36,875 | - | 36,875 |
| | - | (1,916,138) | 36,875 | - | (1,879,263) |
| **Transactions with owners in their capacity as owners** | | | | | |
| Contributions of equity net of transaction costs | - | - | - | - | **-** |
| Share based payments | - | - | - | 21,667 | 21,667 |
| **Balance at 30 June 2018** | **57,805,330** | **(51,134,280)** | **(784,809)** | **299,542** | **6,185,783** |
| | | | | | |
| **Balance at 1 January 2019** | **60,453,157** | **(53,146,031)** | **(765,129)** | **304,042** | **6,846,039** |
| Loss for the period | - | (1,325,516) | - | - | (1,325,516) |
| Other comprehensive loss, net of income tax for the period | - | - | 2,384 | - | 2,384 |
| | | (1,325,516) | 2,384 | - | (1,323,132) |
| **Transactions with owners in their capacity as owners** | | | | | |
| Contributions of equity net of transaction costs | 1,424,097 | - | - | - | 1,424,097 |
| Unlisted options expired | - | 228,042 | - | (228,042) | - |
| **Balance at 30 June 2019** | **61,877,254** | **(54,243,505)** | **(762,745)** | **76,000** | **6,947,004** |

The accompanying notes form part of the consolidated financial report.

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF YEAR ENDED 30 JUNE 2019

| | | Consolidated Entity | |
|---|---|---|---|
| | | 30 June 2019 | 30 June 2018 |
| | | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **4,705** | 9,540 |
| Payments to suppliers and employees | | **(1,625,125)** | (1,645,854) |
| Interest received | | **12,515** | 15,316 |
| Interest paid | | **(1,016)** | (2,692) |
| **NET CASH USED IN OPERATING ACTIVITIES** | | **(1,608,921)** | (1,623,690) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for property, plant and equipment | | **-** | (3,657) |
| Payment for intangible assets | | **(7,564)** | - |
| Payment for exploration and evaluation expenditure | | **(129,409)** | (230,211) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(136,973)** | (233,868) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from insurance funding loan | | **86,358** | 64,331 |
| Repayment of insurance funding loan | | **(27,991)** | (25,355) |
| Repayment of director loan | | **-** | 14,334 |
| Proceeds from issue of shares | | **1,447,582** | - |
| Share issue costs | | **(14,459)** | - |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | | **1,491,490** | 53,310 |
| Net (decrease) in cash held | | **(254,404)** | (1,804,248) |
| Cash at beginning of period | | **2,206,515** | 2,947,442 |
| Effect of exchange rate movement on cash | | **(281)** | 1,631 |
| **CASH AT THE END OF THE PERIOD** | | **1,951,830** | 1,144,825 |
| Non cash financing and investing activities | 6, 10 | 19,687 | 21,667 |

The accompanying notes form part of the consolidated financial report.

**NOTES TO THE CONSOLIDATED FINANCIAL REPORT**
**FOR THE HALF YEAR ENDED 30 JUNE 2019**

## NOTE 1: PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year under review were evaluating, exploring and developing oil and gas prospects and technologies in North America and internationally and the sale of new clean oil technology products. Refer to the Directors' Report for further information on the half-year activities.

There have been no significant changes in the nature of the Group's principal activities during the half-year.

## NOTE 2: BASIS OF PREPARATION

The interim consolidated financial report ("the financial report") are for the six months ended 30 June 2019 and are presented in Australian Dollars ($AUD). The functional currency of the company is US Dollars. The financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134: Interim Financial Reporting.*

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report does not include all of the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of the Group together with any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this financial report are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the Standards and Interpretations described below. Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial half-year.

The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the reporting period. There was no material impact on the financial report as a result of the adoption of these standards.

The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the financial report.

## NOTE 4: ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the Group's accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The critical estimates and judgements applied in the preparation of the financial report are as follows:

### Recoverability of exploration and evaluation expenditure

Exploration expenditure for each area of interest is carried forward as an asset based on the provisions in *AASB 6: Exploration for and Evaluation of Mineral Resources*. Exploration expenditure which fails to meet at least one of the conditions outlined in AASB 6 is written off. Expenditure is not carried forward in respect of an area of interest unless the Group's rights of tenure are current. The ultimate recoupment of exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively, the sale of the respective area.

The Group assesses the recoverability of the carrying value of capitalised exploration and evaluation expenditure at each reporting date (or during the year should the need arise). In completing this assessment, regard is given to the Group's intentions with respect to proposed future exploration and development plans for individual areas, to the success or otherwise of activities undertaken in individual areas, to the likely success of future planned exploration activities, and to any potential plans for divestment of individual areas. Any required impairment of capitalised exploration and evaluation expenditure is completed based on the results of the assessment. Furthermore, for various areas of interest, exploration and evaluation activities may not have reached a stage to allow a reasonable assessment to be made regarding the existence of economically recoverable reserves. Accordingly, exploration and evaluation assets may be subject to further impairment in the future.

Management made an assessment that the Newkirk leases were not likely to be renewed, 100% of the total capitalised Newkirk expenditure was impaired in the previous year. Management does not believe there are any impairment indicators for the Kentucky and Utah leases.

**NOTES TO THE CONSOLIDATED FINANCIAL REPORT**
**FOR THE HALF YEAR ENDED 30 JUNE 2019**

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| | $ | $ |

## NOTE 5: TRADE AND OTHER RECEIVABLES

| | 30 June 2019 $ | 31 December 2018 $ |
|---|---|---|
| Trade receivable | **22,243** | 19,010 |
| Interest receivable | **1,388** | 4,854 |
| Other receivables | **55,779** | 36,420 |
| | **79,410** | 60,284 |

## NOTE 6: EXPLORATION & EVALUATION EXPENDITURE

| | 30 June 2019 $ | 31 December 2018 $ |
|---|---|---|
| Exploration and evaluation expenditure | **2,286,206** | 2,140,100 |
| Less provision for impairment | **(1,565,643)** | (1,561,502) |
| | **720,563** | 578,598 |

| | 30 June 2019 $ | 31 December 2018 $ |
|---|---|---|
| **Movements in exploration and evaluation phase** | | |
| Balance at the beginning of the period | **578,598** | 549,335 |
| Exploration and evaluation expenditure during the period | **140,070** | 518,233 |
| Foreign exchange movements | **1,895** | 55,353 |
| Impairment expense | **-** | (544,323) |
| **Balance at the end of the period** | **720,563** | 578,598 |

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

*Non-cash investing activities:*
The exploration expenditure for the period ending 30 June 2019 includes $10,661 of amounts which have not been paid at balance date. The exploration expenditure for the year ending 31 December 2018 included $9,000 of non-cash activities which related to 100,000 shares issued to John Zetzman on 3 September 2018.

## NOTE 7: INTANGIBLE ASSETS

| | 30 June 2019 $ | 31 December 2018 $ |
|---|---|---|
| Goodwill | **3,282,899** | 3,282,899 |
| Intellectual property | **663,218** | 663,218 |
| Patent | **22,367** | 14,803 |
| | **3,968,484** | 3,960,920 |

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2019

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| | $ | $ |
| **NOTE 8: EQUITY** | | |
| Issued capital | **65,581,331** | 64,133,749 |
| Capital raising costs | **(3,704,077)** | (3,680,592) |
| | **61,877,254** | 60,453,157 |

| **Movements in ordinary shares** | **# of shares** | | **$** | |
|---|---|---|---|---|
| | **30 June 2019** | **31 December 2018** | **30 June 2019** | **31 December 2018** |
| Balance at the beginning of the period | **211,557,945** | 174,318,106 | **64,133,749** | 61,376,397 |
| Private placement | **-** | 337,839 | **-** | 25,000 |
| Consultancy services | **-** | 100,000 | **-** | 9,000 |
| Entitlement offer | **41,359,482** | 36,802,000 | **1,447,582** | 2,723,352 |
| Balance at the end of the period | **252,917,427** | 211,557,945 | **65,581,331** | 64,133,749 |

*Non-cash financing activities:*
The capital raising costs for the period ending 30 June 2019 includes $9,026 which remains unpaid at balance. The equity for the year ending 31 December 2018 included $21,667 of share-based payments expense, relating to the company's issuance of 750,000 options to the board advisor on 22 September 2017, exercisable at 14 cents, vesting on 22 September 2018 and expiring 1 March 2020.

**NOTE 9: SEGMENT REPORTING**

**Operating segments — geographical segments**

The Group comprises the following three operating segments defined geographically and by project

- operations comprising the exploration, development and production of oil and gas projects in the US;
- operations comprising clean oil technology and business Worldwide; and
- administrative operations undertaken in Australia to support the exploration, development and production of oil and gas projects worldwide and clean oil technology which includes the recharging of such costs via management fees.

| | Australia | USA | Worldwide | Eliminations | Total |
|---|---|---|---|---|---|
| **2019** | $ | $ | $ | $ | $ |
| **Income** | | | | | |
| Revenue | - | 4,705 | 22,243 | - | 26,948 |
| Other income | 9,048 | 1 | - | - | 9,049 |
| **Expenditure** | | | | | |
| Director related expenses | 178,480 | - | 165,848 | - | 344,328 |
| Other | 254,041 | 179,257 | 583,887 | - | 1,017,145 |
| **Profit/(loss) for the period** | **(423,473)** | **(174,551)** | **(727,492)** | **-** | **(1,325,516)** |
| **Assets as at 30 June 2019** | **13,576,257** | **769,054** | **1,535,422** | **(8,544,705)** | **7,336,028** |
| **Liabilities as at 30 June 2019** | **(320,687)** | **(47,890,006)** | **(5,486,192)** | **53,307,861** | **389,024** |

**NOTE 9: SEGMENT REPORTING (Continued)**

| 2018 | Australia $ | USA $ | Worldwide $ | Eliminations $ | Total $ |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Revenue | - | - | 9,540 | - | 9,540 |
| Other income | 10,238 | 2,563,932 | - | (2,524,071) | 50,099 |
| **Expenditure** | | | | | |
| Director related expenses | (270,834) | - | (162,092) | - | (432,926) |
| Other | (265,922) | (454,396) | (822,389) | (144) | (1,542,851) |
| **Profit/(loss) for the period** | **(526,518)** | **2,109,536** | **(974,941)** | **(2,524,215)** | **(1,916,138)** |
| **Assets as at 30 June 2018** | **10,427,455** | **613,616** | **1,411,340** | **(6,031,158)** | **6,421,253** |
| **Liabilities as at 30 June 2018** | **(158,608)** | **(46,870,143)** | **(3,868,142)** | **50,661,422** | **(235,471)** |

**NOTE 10: KEY MANAGEMENT PERSONNEL**

Total key management personnel remuneration of $484,328 (2018: $591,093) comprises:

- $344,328 (2018: $432,926) directors fees, paid in cash or cash equivalents to directors of the Company or their related parties.
- No options were issued to key management personnel or their related parties (2018: $8,167).
- $140,000 (2018: $150,000) paid in cash or cash equivalents for consulting services to entities in which key management personnel hold beneficial entitlements.

Royalties of $136,320 (2018: $125,088) paid in cash to entities in which a director of the Company hold beneficial entitlements.

There are no related party receivables (2018: $12,699). The prior year receivable related to advances paid to Mr Castellano to produce the inventory for Hydrocarbon Dynamics. As not all the funds were used the balance was repayable to the company and has since been repaid.

There are $183,977 (2018: $145,782) of related party payables. This relates to Douglas Hamilton accrued consulting services which were not paid at balance date.

**NOTE 11: CONTINGENT LIABILITIES AND ASSETS**

There are no contingent liabilities or contingent assets as at 30 June 2019 (2018: Nil).

**NOTE 12: COMMITMENTS**

There are no commitments as at 30 June 2019 (2018: Nil).

**NOTE 13: SUBSEQUENT EVENTS**

Funds received from the right issue, completed on 28 June 2019, of $1,272,582 held by the share registry were paid to the company on 2 July 2019. On 30 July the company raised a further $1,020,612 on placement of the rights issue shortfall and issued 29,160,351 shares.

In the opinion of the directors, there has been no other events in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected, or may significantly affect the Group’s operations, results or the state of affairs in future financial years.

**INDAGO ENERGY LIMITED**
**AND CONTROLLED ENTITIES**
**ABN 75 117 387 354**

## DIRECTORS' DECLARATION

In the directors' opinion:

(a) The consolidated financial report and notes set out on pages 7 to 14 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that Indago Energy Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Ray Shorrocks
Director

Melbourne
13 September 2019

Level 38, 345 Queen Street
Brisbane, QLD 4000

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GPO Box 1144
Brisbane, QLD 4001

**p.** +61 7 3222 8444

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Indago Energy Limited,

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Indago Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the period's end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the half- year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Indago Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Indago Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of their performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Pitcher Partners

PITCHER PARTNERS

N Batters
Partner

Brisbane, Queensland
13 September 2019

## CORPORATE DIRECTORY

**Directors**
Mr Stephen Mitchell (Executive Chairman)
Mr Nicholas Castellano (Executive Director)
Mr Allan Ritchie (Non-Executive Director)
Mr Ray Shorrocks (Non-Executive Director)
Mr Andrew Seaton (Non-Executive Director)

**Company Secretary**
Ms Julie Edwards

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**Stock Exchanges**
Australian Securities Exchange Limited (ASX)
**Code:** INK

OTC Pink (United States)
**Code:** POGLY

**Australian Company Number**
117 387 354

**Australian Business Number**
75 117 387 354