



Indago Energy Limited

21 May 2018

Drilling Commences at Indago's Kentucky Project

Summary

- **Drilling commenced on INK's Kentucky heavy oil property**
- **Current well is one of several planned**
- **Drilling and coring operation expected to take 1 week**
- **Project estimated to contain 42.8 million barrels of oil in place & contingent oil resources of 3.7 million barrels (2C)**
- **Shallow well at 215 metres means low drilling costs**

Indago Energy Limited ("INK") announces that drilling has commenced on the Weldon Young #1A well at its 100% owned heavy oil project in Kentucky.

The well is the first of several planned to appraise INK's Kentucky heavy oil project acquired recently (see ASX announcement December 18th 2017). The well is expected to be drilled to a depth of 215 metres targeting the Big Clifty Sandstone which will be cored for analysis.

The core will be analysed to confirm reservoir properties including oil saturation, reservoir thickness, porosity and permeability. Tests will also be conducted on the core to ascertain the suitability of INK's technology and key product, HCD Multi-Flow[®], on the viscosity and thus the producibility of the oil.

INK will use information from the core to design a well completion programme to promote oil production using HCD Multi-Flow[®] and any necessary enhancements, such as carrier fluids, stimulation techniques or bacteria.

Should this test prove encouraging, 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[®].



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On 6th March 2018 Indago Energy announced that it had received its first oil certification for its 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.

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.

Current cost estimates for the initial single well are estimated to be approximately US\$90,000 to drill, core and analyse. Stimulation costs will be estimated once a technique has been decided upon.



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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. Indago's current well has been designed in part to confirm these parameters.

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.

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