INDAGO ENERGY LIMITED

(ABN 75 117 387 354)

AND

CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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CHAIRMAN'S LETTER

Dear Shareholder,

2016 has been a year of major transformation and restructuring for your Company after many years of unsuccessful exploration, high costs and a distressed share price.

In last year's annual report I wrote that your new board's first task in 2016 was to complete a review of the Company's existing assets and to develop a strategy to restore and generate shareholder wealth.

And indeed this is what has occurred. During 2016 shareholders approved a name change from Pryme Energy to Indago Energy and a re-structure of the issued capital on a one for ten basis. Indago has also sold non-performing assets and has entered into an agreement to buy an exceptional heavy oil technology.

After a review of the Company's assets, both the Capitola Oil and the Four Rivers projects were sold for a combined total of A$3.1m. The internal review concluded that those assets had limited potential to generate meaningful value for shareholders.

A review of the Company's Newkirk project in Kay County Oklahoma, concluded that Indago's leases are prospective for oil and gas but require a successful well appraisal programme, of up to four wells, prior to assessing development options. Indago's partner (and Operator) Empire Energy Limited, is contemplating a well test programme in mid 2017. Indago's participation in that programme will depend on well costs and final well locations proposed by the Operator.

For the financial year ended December 31, 2016, Indago recorded a Total Comprehensive Loss of A$1,145,520.

The most significant event for 2016 occurred in October when Indago signed a Memorandum of Understanding to acquire the companies and associated Intellectual Property of Hydrocarbon Dynamics – a business and technology that can be applied to improve oil flow rates by the re-liquification of heavy oil depositions in wells and pipelines.

Shareholders will be asked to vote on this transformative acquisition on 3 April, 2017. If approved, Indago expects a significant proportion of its resources will be devoted to the development of both sales of the HCD product line to oil producers and pipeline companies, and also to the identification of, and investment in, upstream oil projects where Indago can apply this new technology in a concerted effort to develop both reserves and production.

While it is pleasing to see that Indago's share price has started to recover from the historical lows of the previous year, your board is cognisant of the significant work that remains to develop a sustained and significant uplift in shareholder value.

Yours faithfully,

Stephen Mitchell
Chairman

PROJECT AND OPERATIONS REPORT

Newkirk Project, Kay County Oklahoma (100% WI 81.25%NRI)
Indago holds a 100% WI and an 81.25% NRI in 4,049 acres located in Kay County, Oklahoma near Ponca City. The leases were largely acquired in 2014 and 2015 with a three year primary term and two year bonus term. The project is located within the Mississippi Lime tight oil play, a relatively mature play in which hundreds of wells have been drilled in the past decade (Figure 1).

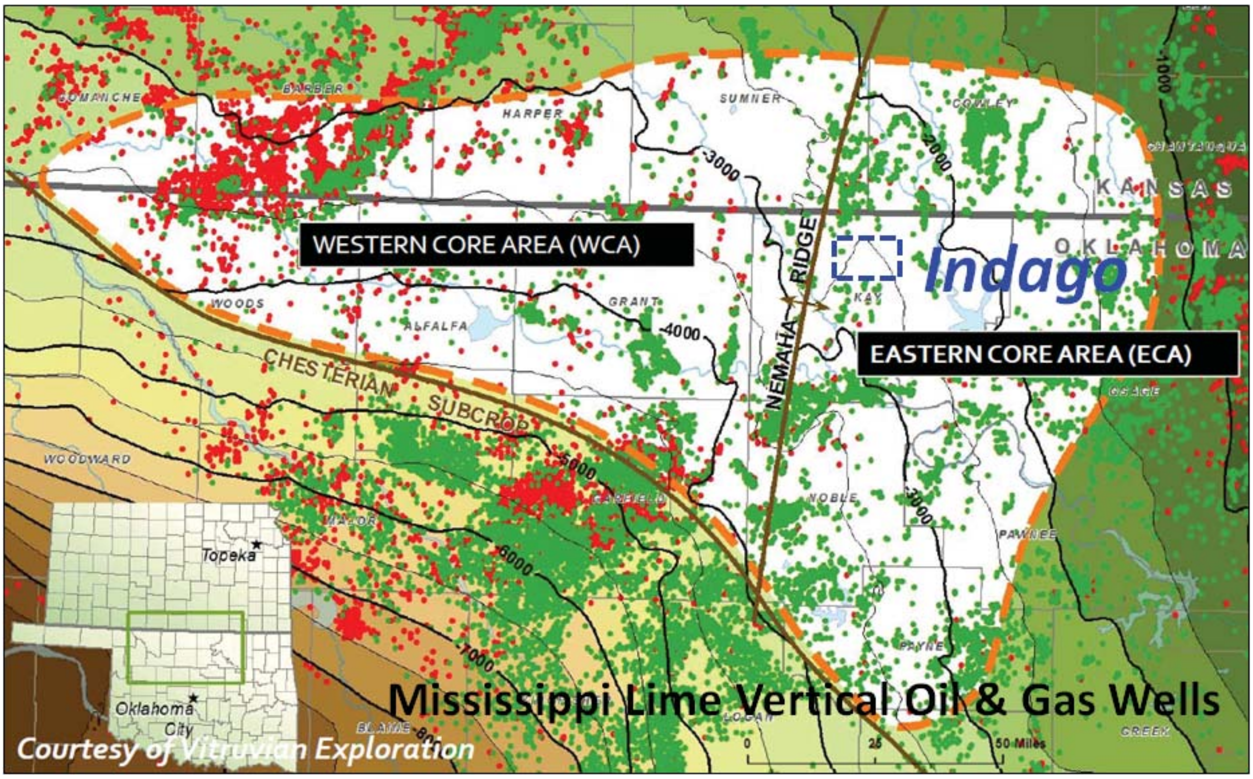

Figure 1: Location.

The main target Mississippian Lime (MSSP) is a carbonate formation which underlies a large portion of northern Oklahoma and southern Kansas. The play lies at shallow depths of 1200-2200m (4000-7000') and is approximately 100m (300') thick. Oil & gas is sourced from the underlying, highly prolific Woodford Shale.

Reservoirs comprise the upper 'Chat' and lower 'Solid' members. The Chat is 12-15m (40-50') thick and is typically high porosity with variable permeability. The underlying Solid displays low porosity with local higher porosity 'sweet spots'.

Both MSSP members have been the focus of drilling and fracture stimulated completions employing vertical wells since the 1940's and horizontals since 2007. Initial flow rates for vertical wells average ~45 standard bls/d oil and ~80 Mscf/d gas. For horizontals, initial flow rates are highly variable dependant on how many 'sweet spots' are encountered. Wells produce significant salt water with low oil cuts, typically 10:1. Consequently, salt water disposal/injection (SWD) is an important consideration at the Newkirk Project.

Possible indicators of its prospectivity include several nearby wells, both vertical and horizontal, that have produced MSSP oil. Most recently, the 2012 Story 18-1H horizontal well, located centrally within the JV acreage, reported initial production of 225 bls/day. Seven kilometres to the southwest, the Range Resource Canteen horizontal well reported initial production of 550 bls/day. Many of the older vertical wells in the vicinity produced small amounts of MSSP oil. This is encouraging because none of these wells underwent significant stimulation.

Based on an internal review, successful vertical well recoverable reserves are expected to average ~30 Mstb oil and 200 MMscf gas. Estimated vertical well drill and completion costs have declined and are now estimated at less than US$0.4m, SWD wells are expected to cost slightly more. One SWD well is required for every 10-12 vertical oil producers.

The prospectivity review concluded that Indago's leases are prospective for oil and gas but given the paucity of modern wells in the immediate vicinity of Newkirk, the project should be appraised with up to four wells prior to development options being considered. Given the recent decrease in drilling and completion costs, should the appraisal programme confirm typical play production and recovery characteristics, the project would present an attractive development when US domestic oil prices are above US$55/bbl.

At the time of writing, the Operator, Empire Energy Group (ASX:EEG) has suggested a 3-4 well appraisal programme for mid 2017. While no well location and specific cost proposals have been proposed to Indago at the time of this report, the Company's participation will depend on these proposals and a subsequent risk assessment. It should also be noted that there is a risk that leases will commence to expire prior to the establishment of a commercial play as approximately 31% of leases expire on the 30th of September 2017, another 33% expire by the end of December 2017 and the remainder expire during the last quarter of 2018.

Indago will therefore consider all options to create value from this asset including joint ventures, sale and possibly a modest drilling programme if justified by the Operator.

Oil and gas leases held by Indago are contiguous with 4,936 acres held by EEG. Under a Joint Operating Agreement, the two companies have agreed to the further development of the combined acreage (8,985 acres) on a 50/50 basis.

Acquisition of Hydrocarbon Dynamics ("HCD")
Subsequent to year end, Indago signed a Share Purchase Agreement to acquire the Hong Kong based HCDI Holdings Ltd, its related companies and associated Intellectual Property (collectively "the Companies"). Together the Companies own an exceptional new oil technology and business that allows for the swift, clean and cost effective treatment of problematic heavy, asphaltenic and paraffinic oils.

Shareholders will be asked to vote on the proposed acquisition at a general meeting to be held on April 3rd, 2017.

The technology can be applied to improve oil flow rates by the re-liquification of oil deposition from oil wells and pipelines and can also be used to recover oil from storage facilities. The product has proved its effectiveness in large-scale commercial oil wells and pipelines in Malaysia and India.

The key product, HCD Multiflow™ comprises small, specially engineered carbon-based organic molecules that can disaggregate the large, naturally occurring agglomerations of waxes and asphaltenes in heavy or paraffinic oil. Once disaggregated, these agglomerations are reabsorbed into the crude oil, reducing its pour point, viscosity and increasing API gravity thus providing outstanding flow assurance and transfer system efficiency. The HCD Multiflow™ molecule can also separate water and sediment from the crude oil and the product will have far-reaching applications in the producibility and transport of heavy/paraffinic crudes, as already evidenced by the product's use in a large offshore oil field and with many successful trials to its credit.

In a staged transaction and subject to the various conditions, Indago will initially pay approximately A$1m in cash or assumed liabilities plus 50 million fully paid shares and 33.2 million options (exercisable at $0.25c for two years). Of the 50 million shares, 20 million will be withheld pending either the re-instatement of HCD product drum sales to Malaysia or if a new contract is entered into for drum sales of approximately the same amount.

Subject to certain EBITDA hurdles being met, Indago may issue up to a further 30 million shares in April/May 2018 and 50 million shares in April/May 2019. To secure ownership of the Intellectual Property Indago will also pay a royalty of 5% of net sales to inventor Nick Castellano until those payments total US$20m. The royalty is also subject to a US$20,000/month minimum (once the Malaysian contract has been replaced). Further details will, once finalised, be disclosed in more detail in the Notice of Meeting to shareholders.

The staged payment of the initial 50 million shares was introduced due to the fact that sales arrangements to Malaysia have ceased since the MOU was signed and there is no certainty that they will resume in 2017. Indago and HCD have therefore agreed to withhold 20 million shares pending the re-instatement of these sales arrangements or replacement sales of a similar quantum within 3 months of the completion of the acquisition.

Indago has also financed approximately US$300,000 worth of product inventory for HCD to sell to potential customers to enable the Companies to deliver product orders when received and US$100,000 in working capital.

Two representatives from HCD will initially, subject to shareholder approval, join the INK board and will include the founder and inventor of the technology, Nick Castellano, along with HCD's Managing Director Allan Ritchie. Both will fulfil Executive Director roles.

The technology is **proven, however** it is at an early stage of application in the industry with revenues of around A$1.2m in 2016 where HCD Multiflow™ was being used by Malaysia's national oil company, Petronas, successfully for four years on a major offshore platform and pipeline system. These sales may resume in 2017 subject to Petronas review of related product services. It should also be noted that sufficient stocks of Multiflow are on hand in Malaysia to resume sales quickly if required.

Early encouraging and reproducible results have been reported in trials at a major oilfield in India where Multiflow has been applied. Test work is also scheduled for Brazil later in the year as well as new projects identified by Indago in North America.

Indago will use its technical, financial and commercial resources to expand the technology rapidly and will also look to acquire existing oil accumulations where the technology will be used to increase or commence oil production. Many of the world's oil provinces produce waxy or heavy crudes and experience associated production and transport problems and will represent early targets for the growth in both oil production and technology sales.

CORPORATE GOVERNANCE STATEMENT

Indago's Board of Directors believes there is a strong link between high standards of corporate governance and equity performance. It is committed to operating in accordance with Indago's corporate governance policies in all aspects of its business.

The Board believes that good corporate governance is about conducting business in a transparent and ethical way that enhances value for all of its stakeholders. The Board expects all Indago personnel to demonstrate high ethical standards and respect for others. The Board operates in an open, honest and collaborative fashion with all stakeholders and its corporate integrity is of the greatest importance.

The Board is responsible for the corporate governance of the group. The Board's guiding principle is that it acts honestly, conscientiously and fairly, in accordance with the law and in the interests of Indago's shareholders, personnel and other stakeholders.

Indago ensures, wherever possible, that its practices are consistent with the Third Edition of the Australian Securities Exchange (ASX) *Corporate Governance Council's Principles and Recommendations* (ASX Principles). In certain circumstances, due to the size and stage of development of Indago, it may not be practicable or necessary to implement the ASX Principles in their entirety. Indago's statement of conformity to the ASX Principles is set out below, areas of divergence are noted.

Principle 1 - Lay solid foundations for management and oversight

The Board's key responsibility is the creation, enhancement and protection of long-term shareholder value within an appropriate risk framework. Indago's commitment to governance and the Board's role, responsibilities and conduct are contained in the Board Charter which has been approved by the Board and is published on the Indago website, www.pryme-energy.com, under the Corporate Governance tab. The Board Charter is reviewed and amended from time to time as appropriate.

The Board establishes the strategic direction and policy framework within which the day-to-day business of the Company is managed. During the year, management's role was to manage Indago in accordance with the direction and delegations of the Board and the Board is responsible for overseeing the activities of management in carrying out these delegated duties.

Board members are committed to spending sufficient time to enable them to carry out their duties as Directors of Indago. Candidates for Directorship must confirm that they have the necessary time to devote to their Board position prior to appointment. Non-executive Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

Executives are provided with a formal job description and an employment or consulting contract describing their term of appointment, duties, rights, responsibilities and rights on termination. Executives are subject to a formal performance review process on an annual basis in December. No formal review was conducted during the year.

In relation to the appointment of future directors, at the commencement of the Non-executive Director selection process, the Company will undertake appropriate checks on potential candidates to consider their suitability to fill a casual vacancy on the Board or for election as a Non-executive Director.

Prior to their appointment, directors are expected to provide the Chairman with details of other commitments and an indication of time involved, and to acknowledge that they will have adequate time to fulfil their responsibilities as a Non-executive Director of the Company.

Directors available for re-election at a general meeting will be reviewed by the Remuneration & Nomination Committee and recommended to the Board. Directors are re-elected in accordance with the Company's Constitution and the ASX Listing Rules. Shareholders will be provided with all material information for a Director's election in the Notice of Meeting that would be relevant for shareholders to make a decision on whether or not to elect or re-elect a Director.

Executives also undergo an induction program to gain an understanding of Indago's financial position, its strategies, operations and risk management framework and the respective roles of the Board and management.

In addition to its executive management team, Indago engages experienced, consultants with valuable knowledge and experience in petroleum engineering, oil and gas leasing, land management, geology and marketing.

Each Director has access to the Company Secretary who is responsible to the Board through the Chairman on all matters relating to governance and the conduct and functions of the Board and Committees.

Given the size and scale of operations of the Company, the Board has decided not to adopt a Diversity Policy at this stage. Accordingly, the Board has not yet set any measurable objectives for achieving gender diversity.

The percentage of women employed or contracted in the whole organisation, senior management and the Board are as follows:

Whole organisation: 20%
Senior Management: 33%
Indago Board: NIL

The Board typically carries out a Board performance assessment on an annual basis where the performance of the Chairman is reviewed and assessed by the other Directors, and the Chairman reviews and assesses the performance of the other Directors.

During the year under review, the Board conducted an informal review during the year of its performance.

The Board conducts formal strategy sessions as appropriate to provide the opportunity for Directors and management to review operations and consider proposed future activities. It is proposed to conduct a formal strategy session in 2017. Given the size of the Board and management team there are also frequent opportunities for less formal strategy discussions.

Principle Two - Structure the Board to add value

The Remuneration & Nomination Committee is primarily responsible for determining remuneration, establishment of recruitment policies and procedures, reviewing the performance of Directors and senior executives and reviewing the composition and competencies of the Board. The Committee Charter sets out the responsibilities and functions of the Committee in detail.

During the reporting period, the Committee comprised of Mr Donald Beard and Mr Ray Shorrocks with the Committee Chairman being Mr Donald Beard, an independent Director. As such, the Company does not wholly comply with ASX Principles 2.1 and 8.1 which recommend that the Committee comprise of at least three members with majority of them being independent. However given the size of the Company and the stage of its development, the Board considers the Committee to be of sufficient size and independence to perform its functions effectively.

Details of the Committee members' attendance at Committee meetings are set out in the 2016 Directors' Report.

The Board's current skills matrix includes expertise and experience in: mergers and acquisition, corporate development, senior executive leadership and experience, engineering, mining and exploration, geology and discovery and corporate affairs and community relations.

Indago currently has three directors as at the date of the Annual Report. Mr Stephen Mitchell is currently Executive Chairman. Mr Ray Shorrocks is an independent Non-executive Director and Mr Donald Beard is an independent Non-executive Director.

During the reporting period, Indago partly complied with ASX Principle 2.4 which requires that a majority of the Board should be Independent. During the period 1 January 2016 to 12 January 2016 the board comprised of one independent director and two non-independent directors and therefore did not comply with ASX Principle 2.4. The Board believed that, given the size of the Company, the nature of its operations and the ability of all incumbent directors to bring an independent judgement to bear in Board deliberations. A three member Board comprising at least two independent directors has been in place since 12 January 2016 to comply with ASX Principle 2.4.

During the reporting period, there were a number of changes to the Board. The following table outlines the Directors of the Company during the reporting period, including their period of office, non-executive and independence status.

Name	Appointment date	Cessation date	Non-executive status	Independence status
Justin Pettett	1 December 2005	12 January 2016	✗[1]	✗
Ryan Messer	1 December 2005	12 January 2016	✗[2]	✗
Daniel Lanskey	29 June 2015	4 February 2016	✓	✓

[1] Justin Pettett was Managing Director and Chief Executive Officer
[2] Ryan Messer was Chief Operating Officer.

The board as at the date of this report is comprised of:

Name	Appointment date	Non-executive status	Independence status
Stephen Mitchell	12 January 2016	✗[1]	✗
Ray Shorrocks	12 January 2016	✓	✓
Donald Beard	12 January 2016	✓	✓

[1] Temporarily Executive Chairman

Mr Mitchell is a non-independent director, holding the office of Chairman and Executive Director, as a result there is not a clear division of responsibility between these functions and therefore, the Company does not follow Recommendation 2.5. However, having regard to the size of the Group and the nature of its activities, the appointment of more directors is not warranted and the Board considers that Mr Mitchell best serves the office of Chairman due to his extensive experience in the industry.

The Board believes that the chair is able to formulate proper and independent judgement on all relevant issues falling within the scope of the role of a chair.

It is intended that the composition of the Board be balanced, with Directors possessing an appropriate mix of skills, experience, expertise, qualifications and contacts relevant to Indago's business. The qualifications, experience and tenure of the Directors are set out in the 2016 Directors' Report. The Board Charter and the Remuneration & Nomination Committee Charter outline in more detail the procedure for the selection and appointment of new directors.

The Board considers that independent decision-making is critical to effective governance. Independent directors are those who have the ability to exercise their duties unfettered by any business or other relationships and are willing to express an objective opinion. The independence of Non-executive Directors is assessed annually by the Board against the definition outlined in the Board Charter. It is the approach and attitude of each Non-Executive Director which is critical to determining independence and this must be considered in relation to each Director while taking into account all relevant factors, which may include whether the Non-executive Director:

(a) holds more than five percent of the voting shares of Indago (in conjunction with their associates) and is not an officer, or otherwise associated directly with a holder of more than five percent of the voting shares of Indago;
(b) has within the last three years been employed in an executive capacity by Indago or another group member, or has been a Director after ceasing to hold any such employment;
(c) has within the last three years been a principal of a material professional adviser or a material consultant to Indago or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from Indago exceed 10% of Indago's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;
(d) is a material supplier or customer of Indago or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either Indago or that supplier or customer; and
(e) has a material contractual relationship with Indago or other group member other than as a Director of Indago.

The Indago Constitution states that at each Annual General Meeting (AGM) one-third of the Directors (excluding the Managing Director) and any Director who has held office for three or more years since their last election are required to retire from office. Any Director appointed by the Board since the previous AGM must stand for election at the next AGM. Retiring Directors are eligible for re-election.

New Directors undertook an induction process which included a full briefing on Indago meetings with key executives and receipt of an induction package containing key corporate information and presentations.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. This includes education concerning key developments in the Company and in the industry and environment in which the Company operates.

Each Director has the right of access to all Indago information and to Indago's executives. Further, the Board collectively and each Director individually, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at Indago's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Principle Three – Act Ethically and Responsibly

The Board has adopted a Code of Conduct and Ethics which is published on the Company's website. The Board, senior executives and all employees are committed to implementing and complying with the Code. The Code requires that the Company and its employees, consultants, contractors, advisors and all other people when they represent Indago operate to the highest standards of ethical behaviour, honesty and fairness in relationships with stakeholders. Stakeholders include employees, contractors, clients, customers, suppliers, joint venture partners, shareholders, government authorities, regulators, creditors and the community as whole.

It is in the best interests of Indago for all personnel to immediately report any observance of a breach of the Code. All personnel are requested to report immediately any circumstances which may involve a breach of this Code to the Company Secretary, the Managing Director or the Chairman.

Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Conduct and Ethics will result in disciplinary action.

The Company has adopted a Securities Trading Policy in line with the ASX Listing Rules and Guidance Note to regulate dealings by the Company's directors, employees and all other people when they represent Indago.

Consistent with the legal prohibitions on insider trading contained in the Corporations Act, all Indago personnel are prohibited from trading in Indago's securities while in possession of material non–public information. Material non-public information is information, which a reasonable person would expect to have a material effect on the price or value of Indago's securities. The policy allows Indago personnel, and their related parties, to buy or sell shares only during board sanctioned windows which include the six weeks period commencing the first trading day after the announcement of the Appendix 5B, the full year results, the half year results; the date of the AGM and such other dates as the Board determines. Trading outside the permitted windows is allowed only in exceptional circumstances with the prior written approval of the Board at least two business days prior to any proposed trade.

Any transaction with Indago shares conducted by Directors is notified to the ASX. Each Director has entered into an agreement with the group to provide information to enable Indago to notify the ASX of any share transactions within five business days.

A copy of the Securities Trading Policy is available on the Corporate Governance section of the Company's website and has also been lodged with the ASX.

Principle Four – Safeguard Integrity in Corporate Reporting

The CFO oversees the Company's financial resources, records and reporting.

The Board requires the persons performing the roles of CEO/Managing Director and CFO to declare in writing to the Board at the time of approving and signing the annual and half-yearly accounts that, in their opinion, the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards, as required by Section 295A of the *Corporations Act*. Both these officers also report to the Board at its regular meetings.

(ASX Recommendation 4.2)

Additionally, an Audit Committee has been established that works in conjunction with the Company's external auditors to ensure the presented accounts are in accordance with accounting principles. In terms of the ASX Guidelines the Committee's Chair is a Non-executive Director (not being Chair of the Board) who has a strong commercial finance and accounting background making him an appropriate person for this role.

The Committee only has two members both of whom are independent. The size of the Board does not allow for the minimum number required by the ASX Recommendations. The Board does not believe that there would be any further benefit at this stage to appoint a third independent director to fulfil this role.

The Audit Committee keeps minutes of its meetings and includes them for review at the following Board Meeting. The Audit Committee members' attendance at meetings as compared to total meetings held is set out in the Directors' Report contained in the Annual Report.

(ASX Recommendation 4.1)

The external auditors attend the committee meetings at least twice a year and on other occasions where circumstances warrant, as well as being available at the Company's AGM to answer shareholders questions about the conduct of the audit and the preparation and content of the audit report.

(ASX Recommendation 4.3)

Principle Five – Make Timely and Balanced Disclosure

Indago fully supports the continuous disclosure regime and its current practice is consistent with the Principles. Indago has in place mechanisms to ensure that:

(a) all investors have equal and timely access to material information concerning Indago; and
(b) all announcements released by Indago are factual, presented in a clear and balanced way, do not omit any material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

The Board has designated Indago's Executive Director, with the assistance of the Company Secretary, as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

In accordance with the ASX Listing Rules, Indago immediately notifies the ASX of information:

1. concerning Indago that a reasonable person would expect to have a material effect on the price or value of Indago's shares; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of Indago's shares.

Upon confirmation of receipt from the ASX, Indago posts all information disclosed in accordance with this policy on its website in an area accessible by the public.

A copy of the Continuous Disclosure Policy is available on the Indago website.

To enhance clarity and balance in reporting, and to enable investors to make an informed assessment of Indago's performance, financial results are accompanied by a commentary.

Principle Six – Respect the Rights of Shareholders

The Board is committed to communicating with shareholders regularly and clearly.

Indago is committed to:

- communicating effectively with shareholders through releases to the market via ASX, Indago's website, information mailed to shareholders and general meetings of shareholders;
- giving shareholders ready access to balanced and understandable information about Indago and corporate proposals; and
- making it easy for shareholders to participate in general meetings of Indago.

The Annual Report, half-year report, Annual General Meeting and specific investor briefings are all important communication forums. The group encourages shareholders to attend and participate at general meetings to ensure accountability. Indago welcomes questions from shareholders at any time and these will be answered within the confines of information that is already in the public domain and is not market sensitive.

Shareholder communication and investor relations are conducted in accordance with the Indago Continuous Disclosure Policy and Shareholder Communication Policy, both of which are published on the Indago website.

Indago also makes available various communication avenues (including electronic form) for shareholders to make enquiries of Indago and to receive updates on important developments (including email alerts).

The following documents that address corporate governance are available within the Corporate Governance section of Indago's website:

- Corporate Governance Statement
- Board Charter
- Audit Committee Charter
- Remuneration and Nomination Committee Charter
- Code of Conduct and Ethics
- Risk Management Policy
- Shareholder Communications Policy
- Securities Trading Policy
- Environmental Management, Health and Safety Policy

Where possible, Indago will arrange for advance notification to shareholders of significant group briefings. Presentations to be made at such briefings, which contain information not previously released to shareholders, will be released via the ASX and published on the Company's website. The Company will also keep a summary record (for internal use) of the issues discussed at briefings with investors and analysts.

Principle Seven – Recognise and Manage Risk

The Audit Committee is responsible for financial risk management and has not separately established a risk committee. The Board as a whole is responsible for risk oversight and risk management.

The Board is responsible for establishing and reviewing policies on risk management and internal control and acknowledges the importance of effective risk management to the long term success of Indago. Indago has a Board approved Risk Management Policy, published on the website, that assists the group in identifying and managing risk in accordance with best practice.

The Board has implemented the following control framework:

Financial reporting: A comprehensive budget is approved by the Board. Monthly results are reported against budget and revised forecasts are prepared regularly;

Special functional reporting: The Board has identified a number of key areas which are subject to regular reporting to the Board such as safety, environmental, insurance and operational matters; and

Investment appraisal: The Board has set clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements. Capital expenditure and revenue commitments that exceed a delegated authority will require prior Board approval. Procedures have been established to ensure business transactions are properly authorised and executed. Compliance with these procedures may be scrutinised by the external auditor.

Due to the size and scale of operations of Indago, there is no separate internal audit function. The Executive Director and principal accountant monitor and give an appraisal of the adequacy and effectiveness of Indago's risk management and internal control system. This is independent of the external auditor. In addition, the Board reviews and discusses current and emerging material risks at each Board Meeting. The Board did not conduct a review of the risk management and internal control system during the year, as the Board considered operational risk at each meeting and it was not considered necessary to conduct a formal review.

Management is responsible for designing and implementing the risk management framework. Management identifies and reviews the major risks impacting each area of the business and develops strategies to effectively mitigate these risks.

As recommended by the ASX Principles, Management will report to the Board on the effectiveness of Indago's management of its material business risks with respect to future reporting periods.

The Board considers it is subject to the following material exposures to risks.

Economic - The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

Environmental - The Company's activities are subject to the environmental risks inherent in the oil and gas industry. The Company is subject to environmental laws and regulations in connection with operations it may pursue in the oil and gas industry; such operations are currently in Louisiana and Texas. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability. Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

The Board mitigates the economic and environmental risks by discussing the economic conditions and environmental risks at every board meeting and where necessary it will engage experts to assist with the management of these risks.

Social sustainability – The Company does not consider it is subject to material social sustainability risks.

Principle Eight – Remunerate Fairly and Responsibly

As described previously, the Remuneration & Nomination Committee has been established to review all remuneration and performance related matters of Indago and to operate in accordance with its Charter, as outlined on Indago’s website. As also previously noted, the Committee composition does not fully comply with Recommendation 8.1 which recommends that the Committee is comprised of at least three members with majority of them being independent. However given the size of the Company and the stage of its development, the Board considers the Committee to be of sufficient size and independence to perform its functions effectively.

The Committee will assist the Board in fulfilling its responsibilities with respect to establishing appropriate remuneration levels and incentive policies for employees.

All directors are invited to attend Committee meetings; however, “interested“ directors do not vote on related matters. Senior executives are not directly involved in determining their remuneration.

In relation to remuneration issues, the Board has established a policy to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated directors and employees. The structure of executive remuneration is distinctly different to that of Non-executive Directors which is detailed in the Remuneration Report. The policy is designed for:

(a) decisions in relation to the constituents of executive and Non-executive remuneration policy;

(b) decisions in relation to executive remuneration packages;

(c) decisions in relation to merit recognition arrangements and termination arrangements; and

(d) ensuring that any equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders.

The Indago Personnel Securities Trading Policy states that executives are not permitted to enter into transactions in financial products, securities or derivatives which limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes.

The Remuneration Report for the 2016 year and further details about the Remuneration Policy of Indago are set out in the 2016 Directors' Report.

DIRECTORS' REPORT

In accordance with a resolution of directors, the directors present their report together with the Financial Report of Indago Energy Limited (Indago) and its wholly owned subsidiaries (together referred to as the Consolidated Group) for the financial year ended 31 December 2016 and the Independent Audit Report thereon. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. Directors

The directors of Indago at any time during or since the end of the financial year were:

(a) Stephen Mitchell – Executive Chairman
Executive Director (Appointed 12 January 2016, Executive Chairman since 4 February 2016)

Mr Mitchell has a Masters Degree in International Economics and Foreign Policy from John Hopkins University in Washington DC. following which he spent 10 years as a natural resources specialist at investment banks and advisory firms in the US and Australia. From 1999-2011 Stephen was the Managing Director of Molopo Energy Ltd, an ASX-listed oil and gas company that held assets in Australia, Canada, USA, China, India and South Africa. Under his stewardship, Molopo generated a 10 fold increase in shareholder value and expanded its market capitalisation from less than $1 million into an ASX 200 company.

Stephen was a founder and Chairman of Petrel Energy until retiring from the board in January 2015. Stephen is a partner of Mitchell Peterson Capital Partners, a Melbourne based corporate advisory firm. He is a director of several private companies including Lowell Resources Funds Management Pty. Ltd.

He also holds, or has held, directorships in the following ASX listed company:

- Petrel Energy Limited (Executive Chairman, appointed 17 January 2012; retired 31 January 2015).

(b) Donald Beard
Independent Non-Executive Director (Appointed 12 January 2016)

Mr Beard is a petroleum geologist and one of Australia's most successful energy company executives. He has over 46 years' experience in both the domestic and international oil and gas businesses, with 38 of those years holding senior management or Board positions. He has a First Class Honours Degree in Geology and Mineralogy and commenced his career at Union Oil Company of California, later becoming a VP of Exploration for the Diamond Shamrock Corporation. He then returned to Australia to become CEO and Managing Director of ASX listed Peko Oil (taken over by Santos), then was the Managing Director of Cultus Petroleum from 1990 – 1999 and more recently was Chairman of Molopo Energy from 2001-2011. At each of these ASX listed companies he was responsible for generating substantial shareholder value.

With the exception of Indago, Mr Beard has not served as a director of any Australian listed entity in the last three years. He is the founder and a current Director of the private entity Aldena Pty Ltd.

(c) Ray Shorrocks
Independent Non-Executive Director (Appointed 12 January 2016)

Mr Shorrocks has more than 21 years' experience in corporate finance and has advised a diverse range of mining and resource companies during his career at Patersons Securities Limited, one of Australia's largest full service stockbroking and financial services firms. He has been instrumental in managing and structuring equity capital raisings as well as having advised extensively in the area of mergers and acquisitions.

He also holds, or has held, directorships in the following ASX listed companies:

- Draig Resources Limited (Appointed 24 December 2015)
- Estrella Resources Limited (Appointed 1 July 2015)
- Galilee Energy Limited (Appointed 2 December 2013)
- Big Review TV (Appointed 1 July 2010, resigned 8 January 2014).

(d) Justin Pettett - Managing Director and Chief Executive Officer
Executive Director (Appointed 1 December 2005, resigned 12 January 2016)

Mr Pettett is an associate member of the American Association of Petroleum Geologists and a member of the Australian Institute of Company Directors.

With the exception of Indago (previously Pryme), Mr Pettett has not served as a director of any Australian listed entity in the last three years.

(e) Ryan Messer – Executive Director and Chief Operating Officer
Executive Director (Appointed 1 December 2005, resigned 12 January 2016)

Mr Messer graduated from the University of Central Florida with a degree in Business Administration, majoring in Marketing and Finance.

With the exception of Indago (previously Pryme), Mr Messer has not served as a director of any Australian listed entity in the last three years.

(f) Daniel Lanskey
Non – Executive Director (Appointed 29 June 2015, resigned 3 February 2016)

Mr Lanskey holds a post graduate Business Degree from Griffith University.

He also holds, or has held, directorships in the following ASX listed companies:

- Raya Group Limited (Appointed 14 January 2015, resigned 22 October 2015); and
- AusTex Oil Limited (Appointed 1 March 2006, resigned 19 June 2014)

2. Company Secretary

Ms Edwards holds a Bachelor of Commerce degree, is a member of CPA Australia and holds a Public Practice Certificate. Ms Edwards is a director and manager of Lowell Accounting Services and also provides Company Secretarial services for a number of other ASX listed companies and unlisted companies.

3. Principal Activities

The principal activities of the Consolidated Group during the year under review were evaluating, exploring and developing oil and gas prospects and technologies in North America and internationally. Details of Indago's activities are specified in the "Projects" section of the 2016 Annual Report.

4. Review of Operations and Financial Results

A review of, and information about, the Consolidated Group's operations, including the results of those operations and changes in its state of affairs during the year together with the information about the financial position of the Consolidated Group is specified in the 2016 Annual Report. There are no other significant changes in the state of affairs of the Consolidated Group apart from those described in "5" below".

Total Comprehensive Income for the Consolidated Group for the period was a loss of $1,145,520 (2015: loss of $10,563,236). Total Comprehensive Loss includes a gain of $99,911 (2015: gain of $1,695,621) arising on translation of foreign operations.

Revenue of the Consolidated Group Entity from discontinued oil and gas production for the year ended 31 December 2016 was $10,513 (2015: $2,331,473). The decrease reflects the sale of the Group's interest in the Four Rivers project on 1 January 2016 and the sale of the Group's interest in the Capitola project on 2 March 2016.

For the year ended 31 December 2016, the Company has recorded negative cash flows from operations of $1,951,904 (2015: negative $689,713).

5. Events Subsequent to Reporting Date

Other than the matters discussed below, in the opinion of the directors, there has not arisen 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 Consolidated Group's operations, results or the state of affairs in future financial years.

On 31 January 2017 the company signed a Share Purchase Agreement to acquire the Hong Kong based company HCDI Holdings Ltd (HCD), its related companies and associated Intellectual Property. Together the Companies own an exceptional new oil technology and business that allows for the swift, clean and cost effective treatment of heavy, asphaltenic and paraffinic oils. There are a number of conditions precedent and subsequent to completion of the proposed transaction including respective shareholder approvals of both Indago and HCD and regulatory approvals. Other key conditions precedent to completion include:

- Completion of the acquisition of HCD Blending LLC in accordance with the HCD Blending Purchase Agreement.
- ASIC relief with respect to the Escrow Agreements being obtained in accordance with Regulatory Guide 5 Part F.
- Persons to whom at least 21 million of completion shares to be issued have entered in to the Escrow Agreement with the Purchaser.
- The Group's budget with respect to the 18 month period ending 30 September 2018 having been agreed.
- Deed of assignment of Intellectual Property has been entered in to.
- Ownership of the www.hydrocarbondynamics.com website having transferred to the Company.
- Respective shareholder approvals of both Indago and HCD and regulatory approvals.

In a staged transaction and subject to the various conditions, Indago will initially pay ~A$1m in cash or assumed liabilities plus 50 million fully paid shares and 33.2 million options (exercisable at $0.25c for two years). Of the 50 million shares, 20 million will be withheld pending either the re-instatement of drum sales of HCD's principle product to Malaysia or a new contract is entered into for drum sales of roughly the same amount (note this is a change from the MOU terms where the full 50 million shares were to be issued on completion). Subject to certain EBITDA hurdles being met, Indago may issue up to a further 30 million shares in April/May 2018 and 50 million shares in April/May 2019. To secure ownership of the Intellectual Property Indago will also pay a royalty of 5% of net sales to inventor Nick Castellano until those payments total US$20m. The royalty is also subject to a US$20,000/month minimum payment (once the Malaysian contract has been replaced).

6. Likely Developments

The Consolidated Group intends to continue its principle activities of acquiring, disposing, exploring and developing oil and gas prospects and related technologies. The strategies and objectives of the Consolidated Group are discussed in greater detail in the 2016 Annual Report.

7. Environmental Regulations and Performance

The Consolidated Group has various permits and licenses to operate in the United States of America. There have been no significant known breaches of the Consolidated Group's licence or permit conditions. Furthermore, no government agency has notified the Consolidated Group of any environmental breaches during the period ended 31 December 2016.

8. Dividends

No dividend was paid, recommended for payment or declared during the year under review.

9. Options and Rights

Unissued Shares Under Option
During the year 48,102,546 listed options expired on 23 July 2016.

	Date of Issue	Held at 1 Jan 2016	Granted	Expired	Vested during the year	Held at the 31 Dec 2016	Vested and exercisable as at 31 Dec 2016
Rights issue and Adjusting Offer	6.8.2014	40,000,045*	-	40,000,045	-	-	-
Shortfall	10.09.2014	5,834,050*	-	5,834,050	-	-	-
Management Options	6.8.2014	2,268,451*	-	2,268,451	-	-	-

Unlisted Options not yet vested
On 1 June 2016 5,000,000 Unlisted Directors Options were issued as approved by shareholders on 18 May 2016. The Director Options vest on 1 June 2017, have an exercise price of $0.10 and expire on 1 April 2019. Accordingly, the unissued shares under option at the date of this follow:

On 18 January 2016, 5,444,282 Management Options lapsed upon cessation of employment of Mr Justin Pettett and Mr Ryan Messer. 1,361,071 Management Options expired on 23 July 2016.

	Date of Issue	Held at 1 Jan 2016	Granted	Expired	Vested during the year	Held at the 31 Dec 2016	Vested and exercisable as at 31 December 2016
Management Options	6.8.2014	6,805,353*	-	6,805,353	-	-	-
Director Options	1.6.2016	-	5,000,000	-	-	5,000,000	-

*All figures have been adjusted for ten for one share consolidation on 23 May 2016.

10. Directors' Meetings

The number of meetings of the Board and of each Board Committee held during the year (while each Director was a Director or committee member) and the number of meetings attended by each director are set out below:

	Board Of Directors		Audit Committee (#)		Remuneration& Nomination Committee	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Stephen Mitchell	15	15	-	-	-	-
Donald Beard	15	15	3	3	3	3
Ray Shorrocks	15	15	3	3	3	3
Justin Pettett	1	1	-	-	-	-
Ryan Messer	1	1	-	-	-	-
Daniel Lanskey	4	4	-	-	-	-

11. Directors' Interests

Particulars of directors' interests in securities as at 31 December 2016 are as follows:

Director	Ordinary Shares	Director Options[1]
Stephen Mitchell	4,461,900	2,000,000
Ray Shorrocks	637,453	1,500,000
Don Beard	-	1,500,000

[1] The Director Options vest on 1 June 2017 and convert on a one-for-one basis with an exercise price of $0.10 per option exercisable at any time prior to 5.00pm (Melbourne time) on 1 April 2019.

Other than as stated above in relation Director Options approved during the year, there are no contracts to which a director is a party or under which a director is entitled to a benefit that confer a right for the director to call for shares in Indago.

12. Remuneration Report

The directors of Indago present the Remuneration Report prepared in accordance with Section 300A of the Corporations Act, Accounting Standard AASB 124 *Related Party Disclosures* and Principle 8 of the ASX Corporate Governance Principles and Recommendations.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act. This remuneration report forms part of the Directors' Report.

Summary of Key Contract Terms
The key terms of remuneration in respect of key personnel during 2016 are set out below:

Name / Position	Contract	Terms Per Annum	Total Remuneration Per Annum
Stephen Mitchell Executive Chairman	None	Executive Director - $120,000 Board Chairman - $72,000	$192,000
Donald Beard Non-Executive Director	None	Non-executive Director $30,000 Board Committee Chairman $12,000 Board Committee member $6,000	$48,000
Ray Shorrocks Non-Executive Director	None	Non-executive Director $30,000 Board Committee Chairman $12,000 Board Committee member $6,000	$48,000

Remuneration Policies and Practices
The Remuneration and Nomination Committee and the Board regularly review the remuneration policies and practices of Indago to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated directors and employees.

Non-Executive Director Remuneration
The Non-Executive Directors are remunerated as described below.

Fees
Non-executive director fees are determined within an aggregate directors' fee pool limit, which will be periodically approved by shareholders at a general meeting. The current limit is $300,000. During the year ended 31 December 2016, $186,667 (2015: $182,550) of the fee pool was used.

Retirement Benefits
Non-executive directors do not receive retirement benefits.

Superannuation
Where applicable, Indago pays Australian resident non-executive directors the statutory superannuation guarantee contribution.

Executive Remuneration
At Indago, Executive Remuneration may consist of several components:

- Total Remuneration (TR) = Fixed Remuneration (FR) + Short Term Incentive (STI) + Long Term Incentive (LTI)
- STI and LTI are the 'at risk' portions of remuneration.
- STI may be paid in cash or shares and reflects the achievement of a number of short term goals established on an annual basis.
- LTI may be delivered in an equity award(s) which is granted upon the satisfaction of performance conditions/key performance drivers which underpin long term sustainable growth for the Company.
- The Board may also determine to pay a bonus in cash or shares in circumstances of outstanding performance not otherwise appropriately rewarded.

- The Remuneration Committee will review the delivery and structure of at risk remuneration from time to time and report to the Board. Such a review may include, but not be limited to, changing the proportion of Total Remuneration which is at risk, the payment of Short Term and Long Term Incentives and the proportion of the at risk remuneration between Short Term and Long Term Incentive.

Total Reward Mix

The amount of TR at risk is generally expressed as a proportion of FR and is related to the agreement on remuneration struck between the Company and the executive, the Company's expectations of executive performance and the executive's position in the Company. The proportion of FR will generally not change on a year to year basis but may be reviewed and modified by the Board.

The mix of STI and LTI offered to executives will depend on their position in the Company. Generally LTI will only be available to the senior executive team; STI may be made available to employees below the senior executive team.

Fixed Remuneration

FR (including the superannuation levy payable as employer contribution (where applicable)) is set with reference to market data, reflecting the scope of the role and the performance of the person in the role.

At-Risk Remuneration

Clear and focused performance targets for management are critical to the success of the Company. Nevertheless, the financial position and performance of the Company in any year is paramount to the board's decision whether or not to offer either or both of the at-risk components of the TR in any given year.

Relationship between Policy and Indago's Performance

Having regard to the prevailing financial position and performance of the Company at the appropriate time, the Board believes that remuneration arrangements for employees should typically incorporate an "at-risk" component which is performance related and rewards employees for the achievement of goals which contribute to shareholder wealth. Such arrangements should both incentivise and reward employees for out-performance and are designed to put a portion of executive remuneration "at-risk" and provide reasonable levels of incentives to key executives to encourage and reward performance that adds value to the Company for all Shareholders.

Specifically, the value to Shareholders will be readily measurable only if targets that align to Indago's strategy are met. The Board believes that multiple tests set with specific regard to the key drivers of the Company at the time, if achieved, will aid the creation of shareholder value.

Anti-Hedging Policy – Personnel

Indago personnel are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under an Indago equity-based remuneration scheme.

As part of Indago's due diligence undertaken at the time of half-year and full-year results, Indago equity plan participants are required to confirm that they have not entered into any such prohibited transactions.

Continuous Improvement

Indago will continually review all elements of its remuneration philosophy to ensure that they are appropriate from the perspectives of governance, disclosure, reward and market conditions.

During the year the remuneration committee did not engage the services of a remuneration consultant.

REMUNERATION SUMMARY

		SHORT TERM			POST EMPLOYMENT		EQUITY BASED PAYMENTS	TOTAL	Proportion of Remuneration Performance Related
		CASH, SALARY & FEES	RELATED PARTY FEES	BONUS	REDUND-ANCY [1]	SUPER-ANNUATION	OPTIONS		
		$	$	$	$	$	$	$	%
NON-EXECUTIVE DIRECTORS									
Donald Beard	2016	42,618	69,000	-	-	4,049	36,838	**152,505**	24
	2015	-	-	-	-	-	-	**-**	-
Ray Shorrocks	2016	-	68,000	-	-	-	36,838	**104,838**	35
	2015	-	-	-	-	-	-	**-**	-
George Lloyd	2016	-	-	-	-	-	-	**-**	-
	2015	-	104,300	-	-	**-**	-	**104,300**	-
Greg Short	2016	-	-	-	-	-	-	**-**	-
	2015	36,842	-	-	-	3,500	-	**40,342**	-
Daniel Lanskey	2016	-	-	-	-	-	-	-	-
	2015	-	37,908	-	-	-	-	**37,908**	-
EXECUTIVES									
Stephen Mitchell	2016	138,509	35,000	-	-	13,158	49,118	**235,785**	21
	2015	-	-	-	-	-	**-**	**-**	-
Justin Pettett	2016	-	-	-	-	-	**-**	**-**	-
	2015	321,151	-	38,051	402,015	19,046	5,866	**786,129**	11
Ryan Messer	2016	-	-	-	-	-	-	**-**	-
	2015	198,407	113,970	34,001	258,073	-	5,866	**610,317**	10
TOTAL	**2016**	**181,127**	**172,000**	**-**	**-**	**17,207**	**122,794**	**493,128**	
	2015	**556,400**	**256,178**	**72,052**	**660,088**	**22,546**	**11,732**	**1,598,996**	

[1]As announced to the ASX on 21 December 2015, the positions of CEO and COO were made redundant and accordingly, Mr Justin Pettett and Mr Ryan Messer were paid redundancy payments in accordance with their contracts. The cash payment of these redundancy payments occurred on 4 January 2016.

13. Indemnification and Insurance of Officers and Auditors

Directors, executives and the company secretaries are indemnified by Indago against any liability incurred in their capacity as an officer of Indago or a related body corporate to the maximum extent permitted by law. Indago has not paid any premiums in respect of any contract insuring the directors of Indago against a liability for legal costs.

Indago has not paid any premiums in respect of any contract insuring its auditor against a liability incurred in that role as an auditor of Indago. In respect of non-audit services, PricewaterhouseCoopers have the benefit of an indemnity to the extent they reasonably rely on information provided by Indago which is false, misleading or incomplete. No amount has been paid under this indemnity during the financial year ending 31 December 2016 or to the date of this Report.

14. Non-Audit Services

Details of the amounts paid to the auditor of Indago for audit and non-audit services provided during the year are set out in Note 6 to the financial statements. The directors are satisfied that:

(a) the non-audit services provided during the financial year by PricewaterhouseCoopers as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act; and

(b) any non-audit services provided during the financial year by PricewaterhouseCoopers as the external auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

   i. PricewaterhouseCoopers services have not involved partners or staff acting in a managerial or decision making capacity within Indago or in the processing or originating of transactions; and
   ii. the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The auditor's independence declaration under section 307C of the Corporations Act set out in the Annual Report forms a part of the Annual Financial Report for the year ended 31 December 2016.

15. Proceedings on behalf of the Consolidated Group

During the year under review and in the interval between the end of the financial year and the date of the report, the Consolidated Group has made no application for leave under section 237 of the Corporations Act.

16. Corporate Governance

The directors aspire to maintain the highest possible standards of Corporate Governance. Indago's Corporate Governance Statement is contained in the Annual Report.

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

Stephen Mitchell
Chairman
Melbourne, Victoria
30 March 2017

Auditor's Independence Declaration

As lead auditor for the audit of Indago Energy Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Brisbane

Simon Neill
Partner
PricewaterhouseCoopers

30 March 2017

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Group	
		2016	**2015**
		$	**$**
Revenue	3	50,408	29,261
Other income	3	342	-
Gain / (loss) on sale of assets		31,225	(4,948)
Accounting and audit fees		(136,495)	(158,145)
Depreciation, amortisation and exploration write offs		-	(14,582)
Directors remuneration		(239,310)	(1,223,432)
Professional consulting fees		(291,766)	(266,735)
Employee benefits expense		(116,972)	(588,756)
Travel and accommodation expenses		(25,781)	(114,282)
Administration expenses		(542,364)	(501,156)
Finance expenses		(2,694)	-
Profit / (loss) before income tax		**(1,273,407)**	**(2,842,775)**
Income tax expense	4	-	-
Profit / (loss) for the year from continuing operations		**(1,273,407)**	**(2,842,775)**
Profit / (loss) attributable to discontinued operations	3	27,976	(9,416,082)
Profit / (loss) for the year		**(1,245,431)**	**(12,258,857)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Net gain foreign currency translation reserve		99,911	1,695,621
Income tax related to components of other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**(1,145,520)**	**(10,563,236)**
Profit / (loss) from continuing operations attributable to ordinary equity owners of the company		**(1,273,407)**	**(2,842,775)**
Profit / (loss) for the year attributable to ordinary equity owners of the company		**(1,245,431)**	**(12,258,857)**
Total comprehensive income / (loss) attributable to ordinary equity owners of the company		**(1,145,520)**	**(10,563,236)**
Basic loss per share from continuing operations (cents)	7	(1.26)	(2.97)
Diluted loss per share from continuing operations (cents)	7	(1.26)	(2.97)
Basic earnings per share from discontinued operations (cents)	7	0.03	(9.83)
Diluted earnings per share from discontinued operations (cents)	7	0.02	(9.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Consolidated Group	
		2016	2015
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	3,652,067	2,849,466
Trade and other receivables	9	57,944	249,712
Assets held for sale	10	-	3,288,953
Other current assets		25,435	44,764
Loans	11	552,800	-
TOTAL CURRENT ASSETS		**4,288,246**	**6,432,895**
NON-CURRENT ASSETS			
Working Interest	14	1,474,813	1,380,625
TOTAL NON-CURRENT ASSETS		**1,474,813**	**1,380,625**
TOTAL ASSETS		**5,763,059**	**7,813,520**
CURRENT LIABILITIES			
Trade and other payables	15	292,733	1,153,874
Liabilities held for sale	15	-	166,594
TOTAL CURRENT LIABILITIES		**292,733**	**1,320,468**
TOTAL LIABILITIES		**292,733**	**1,320,468**
NET ASSETS		**5,470,326**	**6,493,052**
EQUITY			
Issued capital	16	51,848,970	51,848,970
Reserves	17	(608,339)	(450,742)
Accumulated losses		(45,770,305)	(44,905,176)
TOTAL EQUITY		**5,470,326**	**6,493,052**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2016

	Note	Ordinary Share Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Options Reserve $	Total $
Consolidated Group						
Balance at 1 January 2015		**51,348,970**	**(32,646,319)**	**(2,526,665)**	**365,637**	**16,541,623**
Total Comprehensive Profit / (Loss) for the year		**-**	**(12,258,857)**	**1,695,621**	**-**	**(10,563,236)**
Transactions with owners in the capacity as owners:						
Shares issued during the year		500,000	-	-	-	500,000
Options issued during the year		-	-	-	14,665	14,665
Balance at 31 December 2015		**51,848,970**	**(44,905,176)**	**(831,044)**	**380,302**	**6,493,052**
Total Comprehensive Profit / (Loss) for the year		**-**	**(1,245,431)**	**99,911**	**-**	**(1,145,520)**
Transactions with owners in the capacity as owners:						
Options issued during the year		-	-	-	122,794	122,794
Options expired during the year		-	380,302	-	(380,302)	-
Balance at 31 December 2016		**51,848,970**	**(45,770,305)**	**(731,133)**	**122,794**	**5,470,326**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Group	
		2016	**2015**
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		143,754	2,317,461
Payments to suppliers and employees		(2,140,976)	(3,036,073)
Interest received / (paid)		45,318	28,899
Net cash provided by / (used in) operating activities	21(a)	**(1,951,904)**	**(689,713)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of working interest, property, plant and equipment		3,127,104	99,322
Loans to other entities		(552,800)	-
Purchase of property, plant and equipment		-	(5,732)
Payment for working interest		(114,804)	(5,230,640)
Net cash provided by / (used in) investing activities		**2,459,500**	**(5,137,050)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Payment)/repayment of loan to director		200,000	-
(Provision of) / proceeds from borrowings		-	(200,000)
Net cash provided by / (used in) financing activities		**200,000**	**(200,000)**
Net increase / (decrease) in cash held		707,596	(6,026,763)
Cash at beginning of financial year		**2,849,466**	**8,439,536**
Effect of exchange rate movement		95,005	436,693
Cash at end of financial year	8	**3,652,067**	**2,849,466**

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), Urgent Issues Group Interpretations and the Corporations Act 2001.

This financial report covers the consolidated financial statements and notes of Indago Energy Limited and controlled entities ('the Company', 'Consolidated Group' or 'Group'). Indago Energy Limited is a listed public company, incorporated and domiciled in Australia. The Company is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016 affected any of the amounts recognised in the current period or any prior period.

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Going concern

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year ended 31 December 2016, Indago Energy incurred a loss of $1,145,520 and had a cash outflow from operating activities of $1,951,904. These results are consistent with the Group's exploration and operating activities.

At 31 December 2016 the Group held cash of $3,652,067 and had net assets of $5,470,326. During the year ended 31 December 2016, the Group has been able to continue to meet working capital requirements as a result of sale of assets and restructuring of operations that occurred during the year.

The Group continually monitors its cash flow requirements to ensure that it has sufficient funds to meet its contractual commitments and adjusts its spending, particularly with respect to discretionary exploration activity and corporate overhead, accordingly.

Nevertheless, the ability to develop its working interest and fund its operations is dependent upon effectiveness of liquidity management activities and/or ability to raise further funding from investors.

In the event these activities do not materialise then there is a material uncertainty on going concern.

In the event that the Group experiences an unexpected shortfall in cash flows, several alternative sources of funding are available for consideration and the one which is most aligned with creating shareholder value at the time will be selected. Two notable sources of funding include a sell down of a partial interest in Indago's existing exploration asset (Newkirk) or approaching the equity markets for a capital raising. Alternatively, a combination of the above could be implemented depending on the prevailing economic and market conditions.

Indago has commenced a comprehensive review of operations to secure a positive cash position in the foreseeable future. Some further capital funding may be required to support the Group to implement its business strategy.

These conditions, along with other matters set forth above, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Accounting Policies

(a) Principles of Consolidation

Subsidiaries are all entities over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the parent entity.

Joint Arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

A jointly controlled entity is a corporation, partnership or other entity in which each participant holds an interest. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own income and incurring its own liabilities and expenses.

The Group recognises its proportionate interest in the assets, liabilities, revenues and expenses of joint operations within each applicable line item of the financial statements. Details of the Group's joint operations are set out in Note 13.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of offset exists and it is intended net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of setoff exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liabilities will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Equipment	25%
Other Equipment	20%

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Each area of interest is limited to a size related to a known or probable petroleum resource. Currently the Group operates in State of Oklahoma where areas of interest are generally defined by lease boundaries.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining equipment and facilities, waste removal, and rehabilitation of the site in accordance with clauses of the petroleum permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Leases of property plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the period of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. They are included in current assets except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the carrying value of the asset. Any excess of the carrying value of the asset over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are shown in the Statement of Comprehensive Income and disclosed in the group's foreign currency translation reserve in the Statement of Financial Position.

(i) Employee Benefits

Short term obligations

Liabilities for salary and wages, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits.

Long term obligations

Liabilities for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of estimated future cash outflows to be made for those benefits. The obligations are presented as current liabilities if there is not an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are included in current liabilities except for those with maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable. Amounts received are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group uses the sales method to account for sales of crude oil and natural gas revenues. Under this method, revenues are recognised based on volumes of oil and gas sold to purchasers. The group recognises revenue when it can be reliably measured and it is probable that future economic benefits will flow to the entity.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) EPS

(i) Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the amounts used in determination of basic earnings per share to take in to account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits and accrued expenses. Segment assets and liabilities do not include deferred income taxes.

(r) Trade Receivables

All trade and other debtors are recognised at fair value. Collectability is reviewed on an ongoing basis. A provision for doubtful debts is made where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate. The amount of any provision is recognised in the income statement. Trade receivables are due for settlement no more than 30-60 days from the date of recognition.

(s) Trade Payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are included in current liabilities except for those with maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

(t) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

Critical Accounting Estimates and Assumptions

The directors evaluate estimates and assumptions incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use and fair value less cost to sell calculations performed in assessing recoverable amounts incorporate a number of key estimates.

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 any area of interest unless the Company's rights of tenure to that area of interest are current. The ultimate recoupment of exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area.

Restoration Obligations

The Company estimates the future removal costs of production facilities and wells at the time of installation of the assets. In most instances, restoration occurs many years in to the future. This requires assumptions regarding removal date, future environmental legislation, methodology for estimating costs and specific discount rates to determine the present value of these cash flows.

Reserves Estimates

Estimates of proven and probable oil and gas reserves require interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reserves can impact asset carrying values, provisions for restoration and the recognition of any deferred tax assets due to changes in expected future cash flows. Reserve estimates are prepared based on standard definitions set out by the Society of Petroleum Engineers, Petroleum Resources Management System, 2007 for all reserves classifications by an independent and appropriately qualified reserve engineer.

NOTE 2 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The Group does not have any hedging arrangements.

AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 18 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer with the notion of control replacing the existing notion of risks and rewards. The group has not yet considered the effect of the new rules on its revenue recognition policies. The Group intends to apply the amendment from 1 January 2018.

AASB 16: Leases (effective 1 January 2019)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2018)

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. The directors do not anticipate that the adoption of AASB 2014-10 will have an impact on the Group's financial statements.

AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferrred Tax Assets for Unrealised Losses [AASB 112] (effective 1 January 2017)

This Standard amends AASB 112 Income Taxes to clarify the circumstances in which the recognition of deferred tax assets may arise in respect of unrealized losses on debt instruments measured at fair value. The Group does not currently have any debt instruments.

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (effective 1 January 2017)

This Standard amends AASB 107 Statement of Cash Flows to include additional disclosures and reconciliation relating to changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The group has not yet considered the effect of the new rules. The Group intends to apply the amendment from 1 January 2017.

NOTE 3: REVENUE, EXPENDITURE AND DISCONTINUED OPERATIONS

	Consolidated Group	
	2016	**2015**
	$	**$**
The following revenue items are relevant in explaining the financial performance for the year:		
Other Income	342	-
Interest	50,408	29,261
Total Revenue continuing operations	**50,750**	**29,261**
Oil and Gas revenue – discontinued operations	10,513	2,331,473
Total Revenue for the year	**61,263**	**2,360,734**

DISCONTINUED OPERATIONS

Raven

On 12 November 2014 the Company sold its interest in the Raven project. During the 2015 year, additional sale consideration of $99,322 was received following positive resolution of certain outstanding title defects/lease issues.

Financial information relating to the discontinued operation is set out below.

	Consolidated Group	
	2016	**2015**
	$	**$**
Revenue	-	-
Expenses	-	-
Profit / (Loss) before income tax	**-**	**-**
Income tax expense	-	-
Profit / (Loss) after income tax	**-**	**-**
Gain on sale attributable to discontinued operation	-	99,322
Total Profit/(Loss) for the year attributable to discontinued operation	**-**	**99,322**
Net cash inflow / (outflow) from operations	-	-
Net cash inflow / (outflow) from investing	-	99,322
Net cash inflow / (outflow) from financing	-	-
Net increase / (decrease) in cash	-	99,322

Four Rivers/Capitola

During the year ended 31 December 2015, the Capitola and Four Rivers projects were held for sale. In February 2016, the Four Rivers Project assets were sold with an effective date of 1 January 2016 for A$160,320 (US$120,000), an amount equal to the carrying value of the asset (post impairment) as at 31 December 2015.

The Capitola project assets, with a carrying value at the date of sale of A$2,939,200 (US$2.2 million), was sold for A$2,936,661 (US$2.1 million) on 2 March 2016.

Financial information relating to the discontinuing operations for these projects is set out below:

	Consolidated Group	
	2016	**2015**
	$	**$**
Revenue	10,513	2,331,473
Production expenses	13,709	(884,263)
Depletion, depreciation and amortisation	-	(2,403,417)
Gain on asset sales	3,754	-
Exploration write offs / impairment	-	(8,559,196)
Profit / (Loss) attributable to discontinued operations	**27,976**	**(9,515,403)**
Income tax expense	-	-
Profit / (Loss) after income tax	**27,976**	**(9,515,403)**
Net cash inflow / (outflow) from operations	18,819	1,143,965
Net cash inflow / (outflow) from investing	3,127,104	(5,230,639)
Net increase / (decrease) in cash	**3,145,923**	**(4,086,674)**
Consideration received	3,127,104	-
Carrying amount of net assets sold	(3,123,350)	**-**
	3,754	**-**

The carrying amounts of assets and liabilities held for sale are as follows:

	Consolidated Group	
	2016	**2015**
	$	**$**
Trade receivables	-	151,537
Working interest	-	3,137,416
Trade payables	-	(42,577)
Provisions	-	(124,017)

NOTE 4 INCOME TAX EXPENSE

		Consolidated Group 2016 $	Consolidated Group 2015 $
a.	The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%)		
	— Consolidated group	(373,629)	(3,677,657)
	Add:		
	— Non-allowable items	(27,897)	3,330,726
	— Share options expensed during year	36,838	4,399
	Less:		
	— Tax deductible equity raising costs	(42,481)	(52,263)
	— Other deductible amounts	162,314	(1,151,477)
		(244,855)	(1,546,272)
	Current year tax losses not recognised	244,855	1,546,272
	Income tax expense	-	-
	The applicable weighted average effective tax rates are as follows:	0%	0%
b.	Net deferred tax assets not brought to account:		
	Unused tax losses for which no deferred tax asset has been recognised	26,757,651	24,931,041
	Potential tax benefit @ 30%	8,027,295	7,479,312

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

Components of Key Management Personnel Compensation

	Consolidated Group 2016 $	Consolidated Group 2015 $
Short-term benefits	370,334	884,630
Post-employment benefits	-	682,634
Equity based payments - options	122,794	11,732
	493,128	1,578,996

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report.

During the 2015 year the Company provided a loan of $200,000 to Mr Justin Pettett to cover part of a tax liability arising out of an employee option scheme with the Company. The loan was on commercial terms, including interest payable at 5.65%. The loan was repayable in full 2 years from the date of the advance. Subsequent to balance date and pursuant to the Redundancy Deed of Settlement with Justin Pettett effective 1 January 2016, the loan was repaid in full.

NOTE 6 AUDITORS' REMUNERATION

	Consolidated Group	
	2016 $	**2015 $**
Remuneration of the auditor of the Group for:		
PricewaterhouseCoopers		
— auditing or reviewing the financial report	58,697	78,270
— taxation services	-	8,027
	58,697	86,297

NOTE 7 EARNINGS PER SHARE

	Consolidated Group	
	2016 $	**2015 $**
a. Reconciliation of earnings to profit or loss		
Loss for the year from continuing operations	(1,273,407)	(2,842,775)
Earnings used to calculate basic EPS	(1,273,407)	(2,842,775)
Profit/(loss) for the year from discontinued operations	27,976	(9,416,082)
Earnings used to calculate basic EPS	27,976	(9,416,082)
	No.	**No.**
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	100,738,040	95,765,512
Weighted average number of options outstanding	30,246,777	45,877,556
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	130,984,817	141,643,068

All figures have been adjusted for ten for one share consolidation on 23 May 2016 as explained in per note 16.

NOTE 8 CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2016	**2015**
	$	**$**
Cash at bank and in hand	2,152,067	2,419,790
Short-term bank deposits	1,500,000	429,676
	3,652,067	2,849,466

The effective interest rate on short-term bank deposits was 1.27% (2015: 1.74%).

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	2016	2015
Cash and cash equivalents	3,652,067	2,849,466
	3,652,067	2,849,466

NOTE 9 TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2016	**2015**
	$	**$**
CURRENT		
Other receivables:		
- GST receivable	28,771	12,236
- Operating bond/deposits	26,769	37,476
- Interest receivable	2,404	-
- Director loan	-	200,000
	57,944	249,712

During the 2015 year the Company provided a loan of $200,000 to Mr Justin Pettett to cover part of a tax liability arising out of an employee option scheme with the Company. The loan was on commercial terms, including interest payable at 5.65%. The loan was repayable in full 2 years from the date of the advance. Subsequent to balance date and pursuant to the Redundancy Deed of Settlement with Justin Pettett effective 1 January 2016, the loan was repaid in full. There are no balances past due.

NOTE 10 ASSETS HELD FOR SALE

	Consolidated Group	
	2016 $	2015 $
Working Interest: Capitola	-	2,882,023
Working Interest: Four Rivers	-	255,393
Trade and other receivables	-	151,537
	-	3,288,953

In February 2016, the Four Rivers Project assets were sold with an effective date of 1 January 2016 for A$168,392 (US$120,000), an amount equal to the carrying value of the asset (post impairment) as at 31 December 2015.

The Capitola project was sold on the 2 March 2016. The carrying value at the date of sale was A$2,882,023 (US$2.2 million). It was sold for A$2,958,706 (US$2.1 million) on 2 March 2016.

NOTE 11 LOANS

	Consolidated Group	
	2016 $	2015 $
Loan to HCDI Holdings Ltd	552,800	-
	552,800	-

In addition to a Memorandum of Understanding to acquire the Hong Kong based HCDI Holdings Ltd ('HCDI'), its related companies and associated Intellectual Property signed 28 October 2016 (see Note 22), the Company has also agreed to finance approximately US$300,000 worth of product for HCDI (prior to completion of the proposed transaction) to sell to existing customers to enable HCDI to finance product orders and US$100,000 in working capital. The Company's shareholders, however will receive the sale proceeds from this product whether or not the business combination completes.

NOTE 12 CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%)*	
		2016	2015
Subsidiaries of Indago Energy Limited:			
Indago Oil and Gas Inc	US	100%	100%
Pryme Energy LLC	US	100%	100%
Trident Minerals LLC	US	100%	100%
Pryme Royalty Holdings LLC	US	100%	100%
Pryme Mineral Holdings LLC	US	100%	100%
Pryme Oil and Gas LLC	US	100%	100%
TOC LLC	US	100%	100%
Trimissco LLC	US	100%	100%

** Percentage of voting power is in proportion to ownership*

NOTE 13 INTERESTS IN JOINT ARRANGEMENTS

Set out below are the jointly controlled arrangements of the group as at 31 December 2016 for the purpose of oil and gas exploration and production. The arrangements are classified as a joint operations as, under the relevant join operating agreements, the group has a direct right to it's proportionate share of the jointly held assets, liabilities, revenues and expenses as described in note 1(a).

The principal place of business and the Group's proportionate working interest in the assets, liabilities, revenues and expenses of the Group's joint operations held under the applicable joint operating agreements are recognised within each applicable line item of the financial statements. The percentage working interest in particular wells varies across projects as indicated.

Name of Project	Note	Place of Business	Working Interest (%)	
			2016	2015
Four Rivers	(a)	US	-	8-25%
Capitola	(b)	US	-	25-37.5%
Newkirk	(c)	US	100%	50%

(a) The Company disposed of its interest in the Four Rivers project effective 1 January 2016.
(b) The Company disposed of its interest in the Capitola project effective 2 March 2016.
(c) The Company acquired its working interest in the Newkirk project under an agreement entered into effective 1 July 2015.

NOTE 14 WORKING INTEREST

	Note	Consolidated Group 2016 $	Consolidated Group 2015 $
Exploration Expenditure Capitalised:			
- Exploration and evaluation phases		1,380,625	5,873,346
- Less reclassification to production phase		-	(4,240,237)
- Less impairment Capitola		-	(1,633,110)
- Add Newkirk project		94,188	1,380,625
- Production phase:		-	8,257,040
- Add reclassification from exploration phase		-	4,240,237
- Less accumulated depletion		-	(2,433,774)
- Less impairment Capitola and Four Rivers		-	(6,926,086)
- Less Capitola and Four Rivers transferred to held for sale		-	(3,137,416)
Total Working Interest		1,474,813	1,380,625

Effective 1 July 2015, the Company acquired an interest in the Newkirk project from ASX-listed Raya Group Limited (renamed Xped Group ASX:XPE). Initial consideration for the acreage acquired comprised of 100million fully paid shares and A$250,000 cash. In addition, further conditional consideration of A$175,000 will be payable in respect of each of the first two wells in the event of gross 1P reserves from each well is certified, within 6 months, after the commencement of production from the second well to be equal to or greater than 31 thousand barrels of oil and 200 cubic feet of natural gas (MMcf).

NOTE 15 CURRENT LIABILITIES

	Consolidated Group	
	2016 $	2015 $
Trade and other payables	292,733	1,153,874
Held for sale	-	166,594
Total current liabilities	**292,733**	**1,320,468**

NOTE 16 ISSUED CAPITAL

	Consolidated Group	
	2016	2015
	$	$
100,738,214 (2015: 1,007,380,397) fully paid ordinary shares	55,175,841	55,175,841
Capital raising costs	(3,326,871)	(3,326,871)
	51,848,970	**51,848,970**

a. **Ordinary shares**	**No. of Shares**	**No. of Shares**
At the beginning of reporting year	1,007,380,397	907,380,397
Shares issued during the year		
- 1 July 2015	-	100,000,000
- Consolidation on 10 for 1 basis on 23 May 2016	(916,642,183)	-
At reporting date	100,738,214	1,007,380,397

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value and Indago does not have a limited amount of authorised capital.

b. Options

	Consolidated Group	
	Number of Options 2016	Number of Options 2015
Listed Options (2 cents)		
At the beginning of the year	481,025,026	458,340,516
- Options issued 24 December 2015	-	22,684,510
- Consolidation on 10 for 1 basis on 23 May 2016 (i)	(432,922,523)	-
- Expiry of options on 26 July 2016 (ii)	(48,102,503)	-
	-	481,025,026
Unlisted Options (10 cents)		
At the beginning of the year	-	-
- Issued during the year (iii)	5,000,000	-
	5,000,000	-

(i) Shares and options consolidated on the basis of every 10 shares/options being consolidated into one share/option with fraction of shares rounded up to the nearest whole share as approved by shareholders on 18 May 2016 at the Annual General Meeting.
(ii) 2 cent options, lapsed on 26 July 2016.
(iii) 10 cent options granted on 1 June 2016, expires on 1 April 2019.

The assessed fair value at grant date of the options granted during the year ended 31 December 2016 was $0.041 per option (2015 - $0.000646). The fair value at grant date is determined using the Black Scholes Model and takes into account the exercise price, term of the option, share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The model inputs for the options granted during the year ended 31 December 2016 include:

a. Exercise price: $0.10 (2015: $0.02)
b. Grant date: 1 June 2016 (2015: 6 August 2014)
c. Expiry date: 1 April 2019 (2015: 26 July 2016)
d. Share price at grant date: $0.06
e. Expected volatility of the Company's shares: 140% (2015: 49%)
f. Expected dividend yield: Nil (2015: Nil)
g. Risk fee interest rate: 1.6% (2015: 2.69%)

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to fund operations and continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital comprises equity as described in the statement of financial position. There are no externally imposed capital requirements. Management monitors the group's capital by assessing financial risks and adjusting its capital structure in response to changes to these risks in the market. Responses to these changes include management of share issues.

NOTE 17 RESERVES

a. Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

b. Option reserve

The option reserve recognises the value of options issued as described in Note 16 (b) which have not been exercised.

	Consolidated Group	
	2016	**2015**
	$	**$**
Foreign currency translation reserve	(731,133)	(831,044)
Option reserve	122,794	380,302
	(608,339)	(450,742)

NOTE 18 CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2016	**2015**
	$	**$**
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	-	39,317
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	-	39,317

NOTE 19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at 31 December 2016 (2015: Nil).

NOTE 20 SEGMENT REPORTING

	Australia	United States of America	Eliminations	Total
	$	$	$	$
2016				
Income				
Other	49,743	665	-	50,408
Expenditure				
Employee related expenses	(116,972)	-	-	(116,972)
Other	(997,752)	335,242	(544,333)	(1,206,843)
Segment result	**(1,064,981)**	**335,907**	**(544,333)**	**(1,273,407)**
Profit attributable to discontinued operations	-	27,976	-	27,976
Reconciliation to profit/(loss)	**(1,064,981)**	**363,883**	**(544,333)**	**(1,245,431)**
Assets	6,088,613	1,494,672	(1,820,226)	5,763,059
Liabilities	137,295	46,605,926	(46,450,488)	292,733

	Australia	United States of America	Eliminations	Total
2015	$	$	$	$
Income				
Intercompany management fee	1,915,970	-	(1,915,970)	-
Other	28,899	5,406,674	(5,406,312)	29,261
Expenditure				
Depletion, depreciation and exploration expenditure written off	(2,860)	(11,722)	-	(14,582)
Employee related expenses	(561,902)	(26,854)	-	(588,756)
Intercompany management fee	-	(1,915,970)	1,915,970	-
Intercompany loan impairment	(13,805,300)	-	13,805,300	-
Other	(1,298,994)	(969,704)	-	(2,268,698)
Segment result	**(13,724,187)**	**2,482,424**	**8,398,988**	**(2,842,775)**
Loss attributable to discontinued operations	-	(9,416,082)	-	(9,416,082)
Reconciliation to profit/(loss)	**(13,724,187)**	**(6,933,658)**	**8,398,988**	**(12,258,857)**
Assets	7,723,554	7,058,123	(6,968,157)	7,813,520
Liabilities	830,048	52,088,840	(51,598,420)	1,320,468

NOTE 21 CASH FLOW INFORMATION

	Consolidated Group	
	2016 **$**	**2015** **$**
a. Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax		
Profit/(Loss) after income tax	(1,245,431)	(12,258,857)
Non-cash flows in profit		
Depreciation, depletion and amortisation	-	2,417,999
(Gain)/Loss on sale of assets	(34,979)	(94,374)
Employee share options	-	14,665
Unrealised FX (Gain)/Loss on sale of assets - parent	68,223	-
Director share options	122,794	-
Impairment & project costs expensed	(13,465)	8,625,526
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	(6,431)	421,423
(Increase)/decrease in prepayments	12,441	(19,058)
(Increase)/decrease in accrued interest	(2,405)	-
Increase/(decrease) in trade payables and accruals	(872,651)	202,963
Cashflow from (used in) operations	**(1,971,904)**	**(689,713)**

b. Credit Standby Arrangements with Banks

There are no credit or standby arrangements with financiers as at 31 December 2016 (2015: Nil).

NOTE 22 EVENTS AFTER BALANCE SHEET DATE

Other than the matters discussed below, in the opinion of the directors, there has not arisen 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 Consolidated Group's operations, results or the state of affairs in future financial years.

On 31 January 2017 the company signed a Share Purchase Agreement to acquire the Hong Kong based company HCDI Holdings Ltd (HCD), its related companies and associated Intellectual Property. Together the Companies own an exceptional new oil technology and business that allows for the swift, clean and cost effective treatment of heavy, asphaltenic and paraffinic oils. There are a number of conditions precedent and subsequent to completion of the proposed transaction including respective shareholder approvals of both Indago and HCD and regulatory approvals. Other key conditions precedent to completion include:

- Completion of the acquisition of HCD Blending LLC in accordance with the HCD Blending Purchase Agreement
- ASIC relief with respect to the Escrow Agreements being obtained in accordance with Regulatory Guide 5 Part F
- Persons to whom at least 21 million of completion shares to be issued have entered in to the Escrow Agreement with the Purchaser
- The Group's budget with respect to the 18 month period ending 30 September 2018 having been agreed
- Deed of assignment of Intellectual Property has been entered in to
- Ownership of the www.hydrocarbondynamics.com website having transferred to the Company
- Respective shareholder approvals of both Indago and HCD and regulatory approvals

In a staged transaction and subject to the various conditions, Indago will initially pay ~A$1m in cash or assumed liabilities plus 50 million fully paid shares and 33.2 million options (exercisable at $0.25c for two years). Of the 50 million shares, 20 million will be withheld pending either the re-instatement of drum sales of HCD's principle product to Malaysia or a new contract is entered into for drum sales of roughly the same amount (note this is a change from the MOU terms where the full 50 million shares were to be issued on completion). Subject to certain EBITDA hurdles being met, Indago may issue up to a further 30 million shares in April/May 2018 and 50 million shares in April/May 2019. To secure ownership of the Intellectual Property Indago will also pay a royalty of 5% of net sales to inventor Nick Castellano until those payments total US$20m. The royalty is also subject to a US$20,000/month minimum payment (once the Malaysian contract has been replaced).

As announced on ASX on 24 February 2017 Indago has further advanced $135,000 as part of the $1m purchase price consideration.

The business combination is incomplete. The assessment of the financial impacts of the business combination including the fair value assessment of assets and liabilities acquired will be made once completion has occurred. Management will work on provisional numbers within 12 months from the effective acquisition date.

NOTE 23 RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2016	**2015**
	$	**$**
Transactions with related parties:		
Key Management Personnel	175,000	215,119

During the 2015 year the Company provided a loan of $200,000 to Mr Justin Pettett to cover part of a tax liability arising out of an employee option scheme with the Company. The loan was on commercial terms, including interest payable at 5.65%. The loan was repayable in full 2 years from the date of the advance. Subsequent to balance date and pursuant to the Redundancy Deed of Settlement with Justin Pettett effective 1 January 2016, the loan was repaid in full.

During the year, the Company paid consulting fees of $72,000 to Aldena a business associated with Donald Beard, $3000 of which relates to January 2017. Consulting fees of $68,000 were paid to Spring Street Holdings Pty Ltd a company associated with Ray Shorrocks and consulting fees of $35,000 to MP Capital Pty Ltd a company associated with Stephen Mitchell. These amounts are included in the total remuneration paid to Directors as per the Remuneration Summary in the Directors' Report.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 24 FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

i. Treasury Risk Management

Senior executives of the group regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The executive's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest Rate Risk

The Company has no exposure to interest rate risk as the Company has no debt.

Foreign Currency Risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's presentation currency. The group considers there to be immaterial risk exposure from these transactions. The group is also exposed to fluctuations in foreign currencies arising from the loans advanced by the Australian based parent entity (denominated in AUD) to its United States based subsidiaries. Foreign currency gains/losses are recorded by the subsidiaries and eliminated on consolidation via the foreign currency translation reserve.

Liquidity Risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds from capital raising are maintained for future expenditure on working interest.

Credit Risk

The maximum exposure to credit risk is the carrying amount of receivables, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Receivables are held with predominantly un-rated entities.

Credit risk is managed on a group basis. It arises from exposures to customers as well as through deposits with financial institutions.

The group manages credit risk by actively assessing the rating quality and liquidity of counter parties including:

- only utilising banks and financial institutions with an 'A' rating;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under arrangements entered into by the consolidated group.

b. Financial Instruments composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period and maturity, as well as management's expectations of the settlement period for all other financial instruments. As such amounts may not reconcile to the balance sheet.

	Average Interest Rate	Variable Interest Rate $	Non Interest Bearing Less than 90 Days $	Total $
2016 CONSOLIDATED				
Financial Assets:				
Cash and cash equivalents	1.27%	3,251,275	400,792	3,652,067
Receivables	-	-	83,379	83,379
Financial Liabilities:				
Trade and sundry payables	-	-	(292,733)	(292,733)
Total		**3,251,275**	**191,438**	**3,442,713**

	Average Interest Rate	Variable Interest Rate $	Non Interest Bearing Less than 90 Days $	Total $
2015 CONSOLIDATED				
Financial Assets:				
Cash and cash equivalents	1.74%	540,076	2,309,390	2,849,466
Receivables	-	-	401,249	401,249
Financial Liabilities:				
Trade and sundry payables	-	-	(1,196,451)	(1,196,451)
Total		**540,076**	**1,514,188**	**2,054,264**

c. Net Fair Values

The net fair values of:

- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value. Where the loan is repayable within one year the cashflows are undiscounted and approximate fair value.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidated group intends to hold these assets to maturity.

NOTE 25 PARENT INFORMATION

The following information has been extracted from the books and records of the parent, Indago Energy Limited, and has been prepared in accordance with Accounting Standards.

STATEMENT OF COMPREHENSIVE INCOME

	Parent Entity	
	2016	**2015**
	$	**$**
Total Profit/(Loss)	(1,064,982)	(13,724,187)
Total Comprehensive Income	(1,064,982)	(13,724,187)

STATEMENT OF FINANCIAL POSITION

	2016	**2015**
	$	**$**
ASSETS		
Current Assets	3,715,587	755,398
Non-Current Assets	2,373,026	6,968,156
TOTAL ASSETS	6,088,613	7,723,554
LIABILITIES		
Current Liabilities	137,295	830,048
TOTAL LIABILITIES	137,295	830,048
EQUITY		
Issued capital	51,848,970	51,848,970
Reserves	122,794	380,302
Accumulated losses	(46,020,446)	(45,335,766)
TOTAL EQUITY	5,951,318	6,893,506

The total loss in 2015 of $13,724,187 includes a provision of $13,805,300 against the intercompany loan with the parents' 100% owned US subsidiary. The intercompany loan is eliminated on consolidation and therefore has no effect on the financial statements of the group.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Indago Energy Limited (Indago):

   (a) the Financial Statements and Notes as set out on pages 27 to 55 are in accordance with the Corporations Act 2001, including:

   i. complying with Accounting Standards and 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 31 December 2016 and of its performance as represented by the results of its operations and its cash flows for the year ended on that date; and

   (b) the remuneration disclosures that are included on pages 6 to 9 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 December 2016.

Signed in accordance with a Resolution of the Directors:

Stephen Mitchell
Chairman
Melbourne, Victoria.
30 March 2017

Independent auditor's report

To the shareholders of Indago Energy Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Indago Energy Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the consolidated statement of financial position as at 31 December 2016
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 to these financial statements, which indicates that Indago Energy Limited has experienced operating losses and negative cash flows in the current period and will seek to obtain new funding to finance future operations.

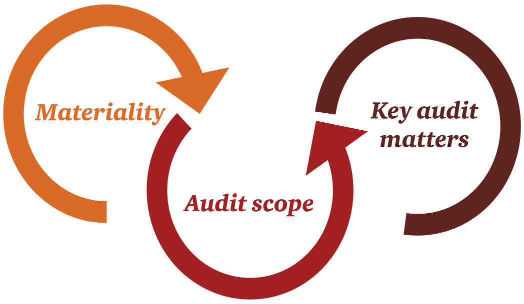
These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Company is an ASX listed entity whose operations predominantly relate to oil and gas exploration projects in Oklahoma, United States.



Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall Group materiality of $57,600, which represents approximately 1% of the Group's total assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose the Group's total assets, because in our view, it is the metric against which the performance of the Group is most commonly measured whilst it is in the exploration phase. • We utilised a 1% threshold based on our professional judgement, noting it is also within the range of commonly acceptable thresholds.	• Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group has exploration assets in Oklahoma. The accounting processes are based out of the head office finance function in Australia.	• Among other relevant topics, we communicated the following key audit matters to the Audit Committee: – Carrying value of exploration assets – Valuation of share options – Material uncertainty related to going concern • These are further described in the *Key audit matters* section of our report, except for the matter described in the *Material uncertainty related to going concern* section.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. The following key audit matters are in addition to the matter described in the *Material uncertainty related to going concern* section.

Key audit matter	How our audit addressed the key audit matter
Carrying value of exploration assets (Refer to note 14) [$ 1,474,813] The Group is involved in exploration and evaluation activities with the aim of identifying, evaluating and subsequently developing new sources of oil and gas. The Group holds exploration and evaluation tenements in Oklahoma (the Newkirk project). The Group performed an impairment assessment on these tenements as at 31 December 2016 and determined that there were no indicators of impairment. This was a key audit matter due to the exploration asset being the largest non-current asset on the balance sheet and management make a number of key judgements and assumptions in determining whether impairment triggers exist.	We evaluated the Group's impairment assessment to assess if there were any indicators of impairment for the Newkirk project. We performed the following procedures: - Interviewed key management to develop an understanding of the current status of exploration work and future intention for the asset; - Identified lease acreage where the Group's right to explore was either at, or close to, expiry and assessed the appropriateness of retaining the associated costs as an asset; - Tested a sample of additions to exploration assets capitalised at 31 December 2016 by agreeing them to invoices and appropriate supporting data; - Assessed planned expenditure as included in future cash flow forecasts of the Company; and - Compared reserves and production profiles to reserves certified by the Company's expert whose competency, experience and objectivity we evaluated.

Valuation of share options

(Refer to notes 16 b and 17 b) [$ 122,794]

During the year the Group introduced an incentive share option plan for the Board of Directors. 5,000,000 share options were granted at an exercise price of 0.10 cents per option.

The share options have been classified as an equity settled share base payment transaction in accordance with Australian Accounting Standards.

This was a key audit matter because the Group valued the options using the Black Scholes model, where inputs such as volatility, dividend yield and risk free rate require judgement.

The impact on the financial report for the year ended 31 December 2016 reflected a profit and loss charge of $ 122,794. The remaining value of the share options of $ 87,708 will be charged to the profit and loss over the remaining vesting period i.e. up to 31/05/2017.

We tested the valuation of the share options by assessing the following input data with the assistance of internal PwC valuation experts.

- share price
- strike price
- dividend yield
- risk free rate
- volatility
- grant date
- vesting period
- expiry date

We performed a shadow calculation of the risk free rate at grant date, dividend yield and volatility to assess if the input data used by the Company was within a reasonable range.

We compared the grant date to publicly available supporting data.

We assessed attributes in respect of the valuation of the share options including the vesting conditions. We considered whether these attributes were appropriately included in the share option valuation model.

Other information

The directors are responsible for the other information. The other information comprises the Director's Report, Chairman's Letter, Operations Report, Projects, Corporate Governance Statement, Shareholder Information and Corporate Directory included in the Group's annual report for the year ended 31 December 2016 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 20 to 23 of the directors' report for the year ended 31 December 2016.

In our opinion, the remuneration report of Indago Energy Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
30 March 2017

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report is as follows. The information is current as at 17 March 2017.

1. Substantial shareholders

The number of securities held by substantial shareholders and their associates are set out below:

Fully paid Ordinary Shares

Name	Number	%
GXB Pty Ltd/G&J Super Fund Pty Ltd[1]	60,000,000	7.64
Equity Trustees Limited ACF Lowell Resources Fund[2]	57,000,000	5.66
Morgan Stanley and its subsidiaries[3]	5,468,763	5.43

[1] As notified on 2 March 2016
[2] As notified on 28 October 2015
[3] As notified on 1 November 2016

2. Number of security holders and securities on issue

Indago has issued the following equity securities:

100,738,214 fully paid ordinary shares held by 1,326 shareholders;
5,000,000 $0.10 unlisted Director Options held by 3 option holder.

3. Voting rights

Ordinary shares
The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

Listed Options and Unlisted Management Options

The holders of Unlisted Director Options do not have any voting rights on the Unlisted Director Options held by them.

4. Distribution of security holders

Quoted securities

(a) Fully paid ordinary shares

Category	Fully paid ordinary shares		
	Holders	Shares	%
1 - 1,000	443	221,364	0.22
1,001 - 5,000	363	954,157	0.95
5,001 - 10,000	125	952,589	0.95
10,001 - 100,000	268	9,954,515	9.88
100,001 and over	127	88,655,589	88.00
Total	**1,326**	**100,738,214**	**100.00**

Unquoted securities

Director Options

Category	$0.10 Unlisted Management Options		
	Holders	Unlisted Management Options	%
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 and over	3	5,000,000	100.00
Total	**3**	**5,000,000**	**100.00**

5. Unmarketable parcel of shares

The number of security investors holding less than a marketable parcel of securities is 822 with a combined total of 1,262,942 securities.

6. Unquoted securities

5,000,000 $0.10 Unlisted Director Options have been issued to three holders and remain unvested and unexercised. Details of holders of the Unlisted Director Options are as follows:

Name	No. of $0.10 Unlisted Director Options	%
Stephen Mitchell	2,000,000	40.00
Ray Shorrocks	1,500,000	30.00
Don Beard	1,500,000	30.00

7. On market buy-back

There is no current on market buy-back.

8. Twenty largest shareholders of quoted equity securities

(a) Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding are:

	Name	No. of shares	%
1	EQUITY TRUSTEES LIMITED	6,632,372	6.58
2	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	6,000,000	5.96
3	G & J SUPER FUND PTY LTD	5,000,000	4.96
4	WHEELBARROW INVESTMENTS PTY LTD	4,932,500	4.90
5	GXB PTY LTD	4,525,000	4.49
6	BUDERIM PANORAMA PTY LTD	3,964,492	3.94
7	BOND STREET CUSTODIANS LIMITED	3,000,000	2.98
8	ALASTAIR R BROWN PTY LTD	2,804,732	2.78
9	MR STEPHEN PETER MITCHELL & MRS SERENA CLARE MITCHELL	1,965,724	1.95
10	MAWALLOK PASTORAL COMPANY PTY LTD	1,625,000	1.61
11	FORSTU PTY LTD	1,500,420	1.49
12	JOJETO PTY LTD	1,325,144	1.32
13	FIRST STIRLING INVESTMENTS PTY LIMITED	1,250,000	1.24
14	CHEMBANK PTY LIMITED	1,200,000	1.19
15	CHAG PTY LTD	1,180,000	1.17
16	MR ANTHONY RISPOLI	1,104,540	1.10
17	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	1,020,128	1.01
18	MR JOHN CHARLES HOLMES CLARK & MRS REBECCA KATRINA CLARK	1,000,000	0.99
18	MR CRAIG MACBRIDE	1,000,000	0.99
19	GHJC PTY LIMITED	996,798	0.99
20	YELBOR INVESTMENTS PTY LIMITED	959,876	0.95
	Total for Top 20	**52,986,726**	**52.60**

CORPORATE DIRECTORY

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Brisbane QLD 4000

Stock Exchanges
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Code: INK
International OTC Pink
Code: POGLY

Australian Company Number
117 387 354

Australian Business Number
75 117 387 354