



Indago Energy Limited

(ABN 75 117 387 354)

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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Chairman's Letter

Dear Shareholder,

Indago Energy made good progress during 2018, despite the longer than anticipated sales cycle for its key product, HCD Multi-Flow.

In the Chairman's Letter to shareholders last year, I set out Indago's dual strategy to develop and commercialise its recently acquired oil viscosity reducing technology. The first component was to develop a marketing and sales presence in key regions to promote Indago's products to potential end users. The second element of the strategy has been to identify oil projects for direct investment where we believe the technology can be used to generate oil production, reserves and cash-flow.

Progress in implementing the upstream component of that strategy has been strong. Indago has now acquired two projects in the USA, one a heavy oil project in Kentucky, the second a heavy oil sands project in Utah. During the year substantial Contingent Resources of oil were confirmed in both projects by independent certifier Netherland Sewell & Associates Inc who estimated that across both projects there was a combined Original Oil in Place of 184.5 million barrels ("mmbbls"), and Contingent Resources of 32.3 mmbbls (3C), 16.1mmbbls (2C) and 8.1 mmbbls (1C).¹

In Kentucky Indago drilled a successful core-hole, the analysis of which led to a production test where the primary objective of producing oil to the surface was achieved. HCD Multi-Flow was squeezed into the well and reduced the viscosity sufficiently to allow the oil to be pumped to the surface. During the short time the well was tested, it produced approximately 81bbls. The Indago team's attention will now turn to achieving longevity of production through well designs that will permit continuous injection and more cost effective water disposal.

At our Utah project, in addition to substantial oil resources being reported, Indago has applied for permits to take bulk samples of sand to run a series of production tests designed to establish the most effective way to use HCD Multi-Flow to extract oil from the sands.

Indago continued to develop its marketing infrastructure to promote sales of its key products and the Company now has commission only agents and distributors in China, the Middle East, Colombia, India and parts of Europe. We also have our own sales representatives in the US and Canada.

1. ASX announcement dated 6 March 2018 and ASX announcement dated 24 September 2018. Indago confirms that it is not aware of any information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed.

We estimate that over the course of the year, Indago representatives presented to in excess of 120 potential customers, oil samples were received for independent laboratory testing from approximately 40 different projects and 13 field trials were conducted for 8 potential customers. In the vast majority of cases, the technology proved effective and indeed a major new application of the technology evolved – diluent reduction.

Successful field tests in California and China, along with successful laboratory results from Canadian and Colombian oil fields, have demonstrated the ability of HCD Multi-Flow to significantly reduce the cost of heavy oil transportation and production where a diluent is used. Diluent is usually a light oil purchased by producers to dilute heavy oil to allow the production and transportation of certain heavy crudes around the world. The potential for substantial sales of HCD Multi-Flow in this area is considerable.

The financial results for the 12 months to 31 December 2018 include a loss of \$3,871,334 which includes an impairment of \$544,223 on the Newkirk asset in Oklahoma.

In 2018 the Company added considerable value to its upstream portfolio and laid a strong platform for growth and value creation. In the year ahead we will continue to appraise our own projects and continue our relentless efforts to generate product sales.

Finally I'd like to thank the Indago team for their tireless efforts during 2018 and especially our shareholders for their patience and support.

Yours faithfully,

A handwritten signature in black ink, appearing to read "S Mitchell".

Stephen Mitchell

Chairman

PROJECT AND OPERATIONS REPORT

Projects & Activities

In the previous financial year, Indago Energy Limited (the “Company” or “Indago”) purchased an exceptional new oil technology (HCD Multi-Flow) that allows for the swift, clean and cost effective treatment of heavy, asphaltenic and paraffinic oils. The technology has several key applications including:

- lowering the temperature at which paraffin solidifies in some crude oils (or crude oil pour point);
- improving oil flow rates in wells and pipelines producing or transporting viscous crudes;
- reducing the requirement of expensive light crude oil (diluent) traditionally mixed in with the viscous crudes to enable them to be pumped from the reservoir and to meet pipeline viscosity and gravity specifications; and
- recovering saleable oil from sludge in storage facilities.

During the 2018 Financial Year, Indago’s activities to exploit this new technology were focussed in two major areas:

- Acquisition and appraisal of self-owned projects;
- Sales and marketing activities of key products to the oil industry.

Upstream Activities - Indago Energy’s Oil Projects

The Company has an interest in three projects located in the USA, one in each of Kentucky, Utah and Oklahoma.

Kentucky (100%)

In the Kentucky heavy oil project, Indago received the first certification of oil resources as announced to the ASX on 8 March 2018. The resources report, prepared by Netherland Sewell & Associates Inc, estimated that the Contingent Oil Resources within the 100% owned project area are 3.7 million barrels of oil (“mmbbl”) on a 2C basis, 1.9 mmbbls on a 1C basis and 7.5 mmbbls on a 3C basis, from an Original Oil in Place of 42.8 mmbbls.²

During the financial year the Company drilled, cored and production tested the first pilot well in the Kentucky project, the Weldon Young #1A well. The primary objectives of the pilot test were to confirm from core analysis reservoir properties of the Big Clifty Sandstone within Indago’s leased acreage, demonstrate good native crude oil saturation within the Big Clifty Sandstone and also to determine whether or not HCD Multi-Flow could mobilise the ultra viscous (50,000-100,000 centipoise [cP]) native crude existing in the reservoir and allow it to be pumped to surface.

2. Indago confirms that it is not aware of any information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed.



Figure 1. The Weldon Young #1A well.

The core analysis confirmed good porosity, permeability and heavy oil saturation, and the Company designed a well completion process to bring HCD Multi-Flow and the native crude into contact. The process undertaken was a “hesitation squeeze and soak” and involved injecting HCD Multi-Flow and a carrier fluid into the reservoir in pulses that allowed mixing of the injected fluids and the native oil. The well was shut-in for 7 days to soak and then reopened for production by swabbing operations. The fluids produced were directed to a storage tank with small samples collected daily for laboratory analysis. The laboratory analysis indicated that the produced fluids were a combination of the injected Multi-Flow, carrier fluid and native crude and that as the test proceeded, the percentage of native crude increased as did the viscosity and specific gravity. Significantly, the fluid tested at the conclusion of the swabbing operations was estimated to be 98.2% native crude with an API gravity of 11.2^o and an easily pumpable kinematic viscosity of 490 centistokes (cSt), thus satisfying the objective of the pilot test.

This led to a decision to place the well on pump, which occurred late in the Financial Year, to determine if additional oil could be produced from the initial application of HCD Multi-Flow. However, inclement weather caused a delay in pump installation and the well loaded up with water, which required several weeks to pump down to the level of the perforations, at which point the well returned to producing on average one quarter to one-half a barrel of oil per day. The cost of hauling the produced water was prohibitive and the well was shut-in pending the next stage of the trial that will involve injecting HCD MicroPhase to see how the native crude will respond to HCD’s bacterial treatments.

The Company is using information from the production test of the Weldon Young #1A well to design the most effective completion techniques to promote sustained oil production using HCD Multi-Flow and any necessary enhancements such as carrier fluids, bacterial injections, chemical floods, horizontal well completions or stimulation techniques.

Utah (100%).

In Utah the Company acquired 3,459 acres in a heavy oil sands project in the northern part of the Asphalt Ridge targeting the heavily oil saturated Upper Cretaceous-aged Rimrock Sandstone. According to results published on the Utah Geological Survey website of more than 330 core samples, the Rimrock sandstone has an average porosity of 30.3%, average permeability of 524 millidarcies and an oil saturation of 65.6% with the oil gravity ranging from 10- 14⁰API.



Figure 2. Bitumen bleeding from the Rimrock Sandstone at Asphalt Ridge

On 24 September 2018 Indago announced to the ASX a resources report prepared by Netherland Sewell & Associates Inc, that estimated the Contingent Oil Resources within the Utah project are 12.4 million barrels of oil (“mmbbl”) on a 2C basis, 6.2 mmbbbls on a 1C basis and 24.8 mmbbbls on a 3C basis from an Original Oil in Place of 141.7 mmbbbls.³

Geological analysis undertaken by the Company utilising numerous exploration wells and geological mapping indicates that the Rimrock Sandstone reservoir under Indago’s leased acreage is from 27 to 53 meters in thickness and resides at a depth range from outcrop to 914 m. The next step in evaluating the potential in Indago’s leased acreage at Asphalt Ridge is to test the response of the crude oil saturated sands to mixing with HCD Multi-Flow. The Company has applied for permits to undertake bulk sampling of the sands to undertake this testing.

Oklahoma. The Company’s third project is Newkirk in Oklahoma and is a legacy asset not associated with the acquired HCD technology. No activities were undertaken at the project and the Company’s leased acreage over the project area reduced from 3149 acres to 1,786 acre and the book value was reduced from \$513,103 the previous year to nil.

3. Indago confirms that it is not aware of any information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed.

Sales and Marketing Activities

During the course of the Company's marketing efforts in 2018 a very large and exciting new application and global market opportunity for HCD Multi-Flow emerged from successful laboratory and field testing. The new application can significantly reduce the amount of diluent heavy oil producers and transporters need to move their viscous oils. Diluent is usually a light oil brought in to dilute heavy oil so that it may be produced and transported. It represents a major cost to industry and in some cases such as California, producers need to bring in 1bbl of light oil to produce 1bbl of heavy oil. Indago has now, on several occasions, demonstrated the significant impact HCD Multi-Flow can have on reducing the amount of diluent needed by reducing heavy and ultra heavy crude oil viscosity. This can represent substantial cost savings due to the consequent reduction in the amount of expensive diluent required to enable handling, storage and transport of these heavy viscous crudes. Tests to date indicate that HCD Multi-Flow is effective at reducing crude oil viscosity at dosage concentrations of only one or two thousand parts per million while reducing diluent needs by up to 50%.

On a more general note, the Company's sales and marketing efforts led to various field and laboratory tests around the world including the USA, Canada, China, Colombia, India and the Middle East. Over 120 potential customers were approached, with the Company participating in 13 field trials for 8 potential customers. Oil samples were collected and analysed at independent laboratories for approximately 40 projects.

During the year the Company continued to aggressively market its products to industry participants in those provinces where heavy, asphaltenic and paraffinic oils prevail. These marketing efforts were conducted by a combination of Indago's own personnel in the US and Canada, and by a growing team of sales agents and distributors in China, the Middle East, Colombia, India, and parts of Europe and the USA.

Indago's sales agents work on a commission basis and its distributors are offered wholesale prices on the purchase of the Company's products. The following summarises key marketing activities on a regional basis.

USA

The Company conducted several field trials in Utah, California and Texas as well as many laboratory tests of oils from potential customers.

In California, initial trials of HCD Multi-Flow targeted viscosity reduction in the ultra heavy 5-6^oAPI crudes produced by steam flood. These ultra heavy crudes have viscosities on the order of 7,000,000 cP and must be diluted by 50% with expensive light crude oil or naphtha just to be handled or transported. HCD Multi-Flow applied at the modest concentration of 2,000 ppm reduced the viscosity by a remarkable 95% to 284,000 cP, but at this viscosity the crudes are still not movable. However, what is readily apparent is that by greatly reducing the crude oil viscosity by first dosing with small amounts of Multi-Flow, will also greatly reduce the amount of diluent required to further lower crude oil viscosity to enable handling and transport. In the case of the small independent California producer, this reduction in diluent amounted to 40% and resulted in substantial savings.

Results of the diluent reduction testing in the ultra heavy California crudes opened up an exciting new market opportunity and provided the impetus for testing slightly lighter crudes in the range of 8-15^oAPI in California and elsewhere in the world such as Canada, Colombia and China. Moreover, the efficacy of Multi-Flow at reducing heavy crude oil viscosity was demonstrated from the many laboratory tests that were undertaken in these regions during 2018.

Indago's sales and marketing agent in California has arranged two down-hole trials in a large heavy oilfield with a major California producer. The California producer currently uses a viscosity reducing agent (VRA) from a competitor to enable artificial lift and pipeline transport, and the trial with HCD is planned to substitute the existing chemical treatment with Multi-Flow utilising the same down-hole chemical delivery system and compare efficacy. Several drums of Multi-Flow are already onsite and the trial should commence in the second quarter of 2019.

In Texas the trial was about reducing Basic Sediment and Water (BS&W) to raise oil quality and crude oil sale price. While the BS&W was substantially reduced from 4% to 2%, the trial fell short of the 1% target for commercial application.

In Utah, separate trials were undertaken with 2 of the largest producers in the Uinta Basin. The objective in Utah was to reduce the pour point of the very waxy crudes with potential applications ranging from reducing heat costs associated with keeping the crudes liquid at year round ambient temperatures, to increasing crude oil flashpoint to safely transport in railcars, as well as enabling pipeline transport to the refineries in Salt Lake City. Application of Multi-Flow reduced the pour point of one of the major producer's crude by 15^oC and also increased the flash point to 126^oF. The Company is currently in discussion with this major operator now concentrating on converting the successful tests to product orders.

Canada

The Company was involved in three field tests in Canada for three different producers in Alberta, British Columbia and Saskatchewan. Indago also participated in numerous tests of oils from other producers and fields, generally with excellent results. The Company's Canadian representatives are working to secure field tests following successful laboratory results.

Multi-Flow was applied by a large operator in British Columbia to address the very high wax content of their light crude oil. Wax deposition was occurring near the top of the wellbore as the wax cooled from reservoir temperature, halting production on a semi-weekly basis despite the presence of an incumbent chemical treatment programme. HCD Multi-Flow replaced the existing chemical and eliminated the wax deposition enabling continuous production during the 3 month trial. HCD Multi-Flow succeeded in its key objectives in British Columbia but oil market conditions in Canada led to the potential customers to suspend production pending an improvement in local oil prices.

In Saskatchewan, a mid-size Canadian independent operator sought to uplift API gravity of their crude to realise a better crude oil price at the terminal. Multi-Flow dosed at 1,000 ppm successfully uplifted the crude oil gravity by 1.2^oAPI from 14.4 to 15.6^oAPI and reduced viscosity by 42% from 1,001 cSt to 586 cSt (at 20^oC). As was the case in British Columbia, HCD Multi-Flow succeeded in its key objectives but progression to drum sales was curtailed by Canadian oil market conditions. The result of this field trial however, had significant implications for Indago's sales and marketing efforts in Colombia where the specifications for pipeline transport of crude oil is 15^oAPI gravity and 600 cSt viscosity. Hundreds of thousands of barrels of crude produced daily in Colombia fall in the gravity range of 14 to 14.5^oAPI and viscosity in the range of 750-1,000 cSt and require the addition of diluents to meet pipeline specifications.

In Alberta, a major International operator in the Athabasca Oil Sands submitted old storage samples of their crude oil produced in SAGD operations. The objective of the testing was to see if the application of Multi-Flow to the heavy crudes could reduce the amount of diluent required to meet Canadian pipeline specifications. Results of the analysis were a *proof of concept* with the addition of Multi-Flow reducing the diluent requirements by ~8%. The Company is now collecting samples of freshly produced SAGD crude to retest "live" samples more representative of active operations.

South America

Indago's sales and marketing agent has focussed almost entirely in Colombia because of the unique fit between HCD Multi-Flow's capacity for reducing diluent requirements and the Colombia oil industry's need for adding diluents to make the crude oil produced pipeline compliant. More than 400,000 barrels of oil per day (bopd) are transported across the Colombian pipeline network with the aid of diluents. Indago's sales agent collected samples from two large heavy oilfields in the Llanos Basin and one small field in the Middle Magdalena Valley subsequent to the 2018 year end, and successfully tested several of these samples in an Intertek Laboratory demonstrating meaningful reductions in crude oil viscosity. An API gravity uplift from 13.8^o API to 15^oAPI was achieved in both fields and kinematic viscosity significantly reduced by as much as 50%. Field trials are currently being discussed and if the same viscosity reductions are realized in the field trials then these crudes would be pipeline compliant without the need for any addition of expensive diluents. The combined oil production from both fields is on the order of 40,000 barrels of oil per day

Reducing crude oil viscosity to reach pipeline compliance was the primary focus of the Company's sales efforts in 2018, but significant potential exists for down-hole applications in Colombia to reduce crude oil viscosity and enable artificial lift and increased daily oil production flow rates.

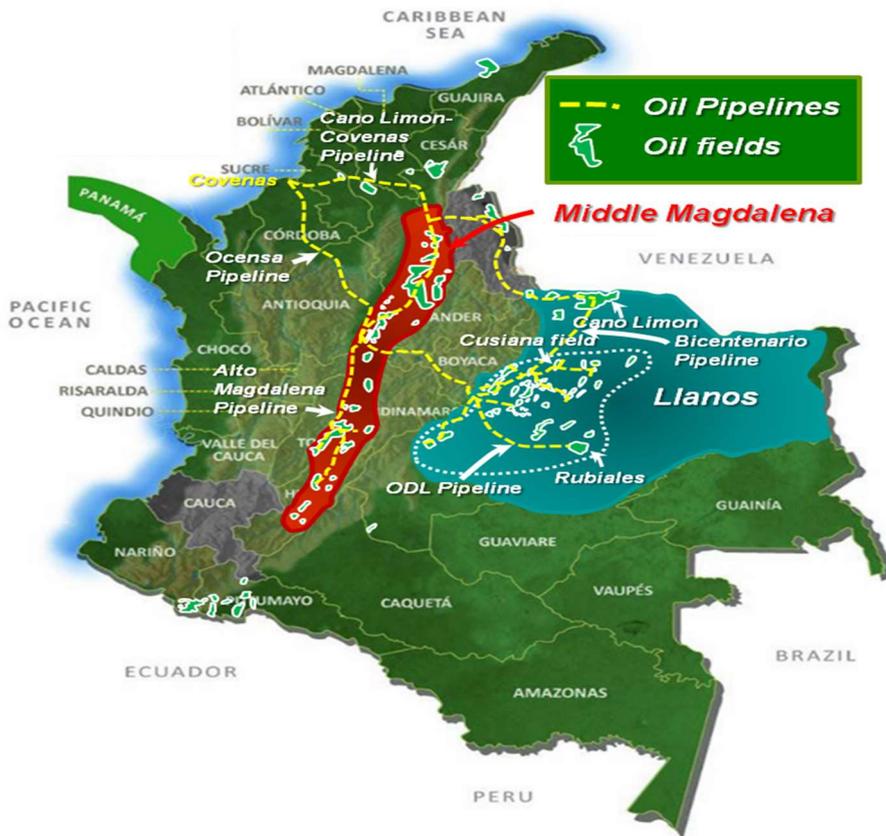


Figure 3. The pipeline network across Colombia and major oil fields

Middle East Initiatives

Indago and its Middle East distributor, Gulf Green Crude Dynamics (GGCD), have progressed discussions with oil producers in Kuwait, the UAE, Iraq and Oman. Several samples of oils and sludges have been provided by UAE's ADNOC and ADOC and tested in independent laboratories in the USA where initial results have been encouraging. The opportunity is for a Tank Clean with both companies requiring approximately 100 drums of HCD Multi-Flow and successful applications are expected to lead not only to further Tank Clean scheduling, but also to preventive treatments in pipelines from oilfield platforms to tank farms.

In Kuwait, Indago team members joined GGCD recently and received approval from Kuwait Oil Company for a pilot well stimulation treatment using HCD Multi-Flow in the Abduliyah Oilfield (adjacent to the Greater Burgan field). The objective of the trial is to increase production flow rate by reducing crude oil viscosity. This oilfield comprises 1,000's of wells producing from a mixed carbonate siliciclastic reservoir sequence. The thickness of the reservoir is from 40-60 feet and the oil column is 30 feet thick. Reservoir porosity is 20% and permeability varies from 20-100 md. Reservoir depth varies from 3,000-4,500 feet and the viscosity of the crude is from 100-200 cP at standard conditions (15°C). The pilot well is a good candidate for HCD Multi-Flow, and the drums have already been purchased and are now in Kuwait. Tentative scheduling of the Pilot is expected to commence sometime between May and July.

In Iraq, GGCD has submitted a pilot proposal requested by Basrah Oil Company for both a tank clean and a small scale pipeline clean-up across a length redirected from one of the trunk lines. These are being reviewed at the time of writing and Indago expects a tentative start date in Q3, 2019.

GGCD are now trying to secure trials in several fields and tanks based on the results of the various Kuwait, UAE, Iraq and Oman activities.

China Initiatives

Indago and its distributor in China performed 2 distinctly different pilot trials for CNPC, both aimed at enhancing crude oil production from a field currently producing ~40,000 barrels of heavy viscous oil per day from their giant (>one billion barrels reserves) oilfield. The first trial utilised HCD's Tri-Phase squeeze process to embed viscosity and specific-gravity reducing bacteria (HCD Micro-Phase) into the reservoir to attain a sustained crude oil production increase. The second trial utilizing Multi-Flow's demonstrated capacity to reduce crude oil viscosity aimed at reducing the required amount of diluent that is essential to produce and transport the ultra-viscous crude by mixing Multi-Flow directly into the diluent tank which was then injected down-hole into the well bores.

Whereas both trials resulted in enhanced crude oil production, the diluent reduction trial provided superior results of a 21% increase in crude oil production, a 65% reduction in crude oil viscosity and an estimated 40% reduction in the amount of diluent required. The Multi-Flow inadvertently provided an additional benefit to the diluent utilised by CNPC. The diluent is a locally produced waxy crude that solidifies during cold climate (-15°C to -20°C) requiring the diluent tanks to be heated to approximately 50°C to ensure flow assurance to the wells. The addition of Multi-Flow enabled the heating of the diluent tank to be reduced to 20°C, providing substantial energy savings in the operation. Indago's distributor is in discussions with CNPC to expand the application of the diluent reduction methodology to the nearly 1,000 wells in the field, in a phased manner.



Figure 4. HCD Multi-Flow drums on site to test CNPC well in giant heavy oilfield

The Company's distributor in China also reported it had secured a trial with a major Chinese producer in the Bohai Sea which is expected to be undertaken in the second quarter of 2019. The trial will address technical problems associated with bitumen plugging in gravel pack completions and wax deposition in perforations and production tubulars.

India

The Company appointed two sales agents to promote its products in India. Oil samples from two large producers were tested successfully which have resulted in discussions for testing in each on a 'no cure no pay' basis. The first opportunity is in Rajasthan where the crude oil is heavy and viscous, impeding artificial lift and production flow rate. The pumps rarely operate for 24 hours per day because inflow to the wellbore is restricted by the viscosity of the crude in the reservoir. The Company's trial will endeavour to reduce crude oil viscosity, increase inflow to the well bore and increase daily oil production rate by 60%. The second opportunity is in a pipeline application where, because of high wax appearance temperature of the crude oil, the pipeline must be continuously heated. Reducing the wax appearance temperature and pour point of the waxy crudes could attain huge energy savings by reducing the heating required on the pipeline.

Other

The Company also continued to develop and enhance its products as well as to seek new applications for its principle product, HCD Multi-Flow. Significant research was undertaken in assessing the opportunities to deploy HCD products in the Canadian Mature Fines Tailings as well as to use it in the Canadian oil sands industry especially in SAGD operations (Steam Assisted Gravity Drainage). Early test results have been encouraging.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Indago Energy Limited ('Indago' or 'the Group') believes there is a strong link between high standards of corporate governance and equity performance. We are committed to operating in accordance with Indago's corporate governance policies in all aspects of our business.

The Board believes that good corporate governance is about conducting business in a transparent and ethical way that enhances value for all of our 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 our 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.indagoenergy.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 Group 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 Group 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 Group.

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 Group'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 Group, 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: 11%

Senior Management: 14%

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 2019. 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, Indago complied 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.

Details of the Committee members' attendance at Committee meetings are set out in the 2018 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 four directors as at the date of the Annual Report. Mr Stephen Mitchell is currently Executive Chairman. Mr Nicholas Castellano is an executive director and Mr Ray Shorrocks and Mr Allan Ritchie are independent Non-executive Director.

During the prior reporting period, Indago did not comply with ASX Principle 2.4 which requires that a majority of the Board should be Independent. The Board believed that, given the size of the Group, the nature of its operations and the ability of all incumbent directors to bring an independent judgement to bear in Board deliberations.

The following table outlines the Directors of the Group during the reporting period, including their period of office, non-executive and independence status.

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

| Name | Appointment date | Retirement date | Non-executive status | Independence status |
|---------------------|------------------|-----------------|----------------------|---------------------|
| Stephen Mitchell | 12 January 2016 | - | ✗ | ✗ |
| Ray Shorrocks | 12 January 2016 | - | ✓ | ✓ |
| Donald Beard | 12 January 2016 | 30 April 2018 | ✓ | ✓ |
| Allan Ritchie | 6 April 2017 | - | ✓ | ✓ |
| Nicholas Castellano | 6 April 2017 | - | ✗ | ✗ |

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 Group 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 2018 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:

- 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;
- 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;
- 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;
- 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
- 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 Group and in the industry and environment in which the Group 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 Group's website. The Board, senior executives and all employees are committed to implementing and complying with the Code. The Code requires that the Group 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 Group has adopted a Securities Trading Policy in line with the ASX Listing Rules and Guidance Note to regulate dealings by the Group'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 Group's website and has also been lodged with the ASX.

PRINCIPLE FOUR: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Financial Controller oversees the Group's financial resources, records and reporting.

The Board requires the persons performing the roles of CEO/Managing Director (or in the absence of a CEO, the Chair of the Audit Committee) and Financial Controller 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 Group's financial reports present a true and fair view, in all material respects, of the Group'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 Group'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 Group'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:

- (a) concerning Indago that a reasonable person would expect to have a material effect on the price or value of Indago's shares; and
- (b) 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; and
- 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 Group's website. The Group 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, and 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 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 Group's business, financial condition and results of operations.
- **Environmental:** the Group's activities are subject to the environmental risks inherent in the oil and gas industry. The Group 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 Kentucky. The Group intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Group may be the subject of accidents or unforeseen circumstances that could subject the Group to extensive liability. Further, the Group 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 Group from undertaking its desired activities. The Group 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 Group'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.

- **Intellectual Property:** The Group's activities are focussed on the use of its key products, significantly HCD Multi-Flow. The Group constantly monitors the products of competitors in the industry to ensure its technology has not been replicated or superseded. If this occurred, it would have a material adverse effect on the Group's business, financial condition and results of operations.
- **Social sustainability:** the Group 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.

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 2018 year and further details about the Remuneration Policy of Indago are set out in the 2018 Directors' Report.

DIRECTORS' REPORT

In accordance with a resolution of directors, the directors present their report together with the Annual Report of Indago Energy Limited (Indago) and its wholly owned subsidiaries (together referred to as the 'Group') for the financial year ended 31 December 2018 and the Independent Audit Report thereon. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. INFORMATION ON DIRECTORS

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

(a) STEPHEN MITCHELL

Director (appointed 12 January 2016)

Special responsibilities:

Executive Chairman

Experience:

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.

Directorships held in other listed entities in the last three years:

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

- Petrel Energy (resigned January 2015)

Stephen is also a partner of Mitchell Peterson Capital Partners, a Melbourne based corporate advisory firm. He is also a director of several private companies, including Lowell Resources Funds Management Pty Ltd.

(b) NICK CASTELLANO

Executive Director (appointed 6 April 2017)

Special responsibilities:

Member of the Remuneration and Nomination Committee
Chairman of the Technical Advisory Board

Experience:

Nick is a Hydrocarbon Dynamics (HCD) founder and is the inventor of the HCD Multi-Flow technology. Nick spent a decade in the nuclear power program of the United States Navy, ultimately becoming the leading chief of the reactor laboratory division of the nuclear powered aircraft carrier the Dwight D. Eisenhower, where he assumed responsibilities for chemistries in the reactor plants. After leaving, Nick developed cutting edge chemistry and patented processes in the industrial water and oil industries. In the industrial water industry Nick founded an industrial water treatment company with clients such as Pepsi Cola, Coca Cola and United Dairymen. In the oil industry Nick focused on oil well chemistry, developing and founding the technology of HCD.

He completed his MA PHD at Canterbury University. Nick is passionate and committed to providing ongoing input into expanding the application of HCD's technology.

Directorships held in other listed entities in the last three years:

None.

(c) DONALD BEARD

Non-Executive Director (appointed 12 January 2016, resigned 30 April 2018)

Special responsibilities:

Chairman of the Remuneration and Nomination Committee (resigned 30 April 2018)

Member of the Audit Committee (resigned 30 April 2018)

Experience:

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.

Directorships held in other listed entities in the last three years:

None.

(d) RAY SHORROCKS

Non-Executive Director (appointed 12 January 2016)

Special responsibilities:

Chairman of the Remuneration and Nomination Committee (from 30 April 2018)

Member of the Remuneration and Nomination Committee (to 30 April 2018)

Chairman of the Audit Committee

Experience:

Mr Shorrocks has more than 22 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.

Directorships held in other listed entities in the last three years:

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

- Bellevue Gold Limited (appointed 24 December 2015);
- Estrella Resources Limited (appointed 1 July 2015); and
- Galilee Energy Limited (appointed 2 December 2013).

(d) ALLAN RITCHIE

Non-Executive Director (appointed 6 April 2017)

Special responsibilities:

Member of the Audit Committee

Experience:

Allan has served as a director of several private and public listed companies and is a principal of his own firm where he focuses on asset acquisitions and off-take arrangements in the energy, resources and infrastructure space. Allan is an investment banking professional with a career spanning 30 years of origination and structuring. He held senior positions at Westpac, ANZ Bank, HSBC and BNP Paribas in London, New York and Asia Pacific. He engages with the chief executives of major corporations and state owned enterprises spanning the global resources, energy and infrastructure sectors. He was previously voted number one in the BRW Magazine poll of Financial Markets, bankers in Australia.

Allan graduated from the University of Technology Sydney with a Bachelor of Business and has a post graduate Diploma in Applied Finance from FINSIA.

Directorships held in other listed entities in the last three years:

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

- Adavale Resources Limited (appointed 28 April 2017)

2. COMPANY SECRETARY

Ms Julie Edwards was appointed Company Secretary on 1 July 2016 and continues in office at the date of this report.

Ms Julie 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. 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 | 13 | 12 | - | - | - | - |
| Nicholas Castellano | 13 | 11 | - | - | 3 | 3 |
| Donald Beard | 5 | 4 | 2 | 2 | - | - |
| Ray Shorrocks | 13 | 13 | 4 | 4 | 3 | 3 |
| Allan Ritchie | 13 | 12 | 4 | 4 | - | - |

This disclosure is made in accordance with *s.300(10)(c) of the Corporations Act 2001*.

4. REMUNERATION REPORT

The directors of the Group present the Remuneration Report, prepared in accordance with section 300A of the *Corporations Act 2001*, AASB124 *Related Party Disclosures* and Principle 8 of the ASX Corporate Governance Principles and Recommendations. This report outlines the remuneration arrangements in place for the Non-executive Directors, Executive Directors and other Key Management Personnel of the Group.

This report has been audited, as required by section 308(3C) of the *Corporations Act 2001*.

Remuneration Committee

The Board has established a Remuneration Committee which provides advice and specific recommendations on the remuneration packages and other terms of employment for Executive Directors, other senior executives; and Non-executive Directors including:

- the level of Non-executive Director fees;
- the amount and nature of remuneration arrangements for Executive Directors and other executives; and
- the type and nature of incentive arrangements including key performance targets effecting the remuneration of the executive team.

The objective of the Remuneration Committee is to ensure that the remuneration policies and arrangements are 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 level of remuneration and other terms and conditions of employment for Executive Directors and Company executives are reviewed annually having regard to performance and relevant comparative information, and are approved by the Board after the Remuneration Committee has sought independent professional advice, as required. In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility.

The Corporate Governance Statement provides further information on the role of this Committee.

Key Management Personnel

Key Management Personnel includes all of the Directors of the Group.

| | |
|----------------------------|---|
| Stephen Mitchell | Executive Chairman |
| Nicholas Castellano | Executive Director |
| Donald Beard | Non-executive Director (resigned 30 April 2018) |
| Ray Shorrocks | Non-executive Director |
| Allan Ritchie | Non-executive Director |
| Douglas Hamilton | Business Development Manager |
| Julie Edwards ¹ | Company Secretary and Financial Controller |

¹ Julie Edwards is remunerated via an external accounting firm, Lowell Accounting Services Pty Ltd

Non-executive Director Remuneration

The Board's policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No advice was sought during the 2018 financial year.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting. The latest determination was in the ASX announcement on 4 February 2016 when the Directors approved an aggregate pool limit of \$300,000.

Fees for Non-executive Directors are not linked to the performance of the Group, however, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group. There is no minimum holding prescribed in the Constitution.

Non-executive Directors' fees (inclusive of superannuation) have been paid on the following basis:

| Director fees | 2018 | 2017 |
|-----------------------|---------------|-------------|
| | \$ | \$ |
| Base fees | 30,000 | 30,000 |
| Chair of the Board | 72,000 | 72,000 |
| Chair of a committee | 12,000 | 12,000 |
| Member of a committee | 6,000 | 6,000 |

Executive Remuneration Policy

The objective of the executive remuneration policy is to ensure that the Group's remuneration arrangements are competitive and reasonable, enabling it to attract and retain the right calibre of staff and to align the remuneration of Executive Directors and other executives with shareholder and business objectives. Executive remuneration arrangements comprise a fixed remuneration component and may also include specific long-term incentives based on key performance areas affecting the Group's financial and/or operational results as follows:

- (a) a base salary (which is based on factors such as length of service, qualifications and experience), superannuation, fringe benefits and performance incentives;
- (b) short-term performance incentives in the form of cash or equity bonuses which are paid only when predetermined key performance indicators have been met. These reflect the achievement of a number of short term goals established on an annual basis;
- (c) executives engaged through professional service entities are paid fees based on an agreed market based hourly rate for the services provided and may also be entitled to short term performance based incentives; and
- (d) long-term performance-based incentives comprising performance rights which are designed to align the remuneration of executives with the business objectives of the Group and its shareholders. LTIs may be delivered in an equity award(s), which is granted upon the satisfaction of performance conditions/key performance indicators.

The Remuneration Committee reviews executive remuneration arrangements annually by reference to the Group's performance, executive performance and comparable information from industry sectors. Such a review may include, but not limited to, changing the total proportion of executive remuneration which is 'at-risk', the payment of short term/long term incentives and the proportion of the risk remuneration between short term/long term incentives.

Executive and Non-executive Directors and other employed executives receive the superannuation guarantee contribution required by the Commonwealth Government. For the year ended 31 December 2018 the rate was 9.5% up to a maximum contribution of \$20,531. Executive and Non-executive Directors and other employed executives do not receive any other retirement benefits, however, some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid is valued at either cost or the fair value to the Group and expensed.

Summary of Executive Remuneration

| Name / position | Contract | Terms per annum | Total remuneration per annum |
|--|----------|---|------------------------------|
| Stephen Mitchell Executive Chairman | Yes | Executive Director \$333,593 plus super (contract expires 1 April 2019 after which agreement continues with no fixed term). Short-term incentive terms: Where the VWAP exceeds the VWAP in June of the preceding year by between 40% and 100%, the bonus increases between 25% and 100% of the yearly salary, depending on the VWAP percentage increase achieved. No termination notice or benefit terms. | \$365,284 |
| Nicholas Castellano Executive Director | Yes | Executive Director US\$180,000 (Contract expires 6 April 2020). No termination notice or benefit terms. | US\$180,000 |
| Donald Beard Non-executive Director (resigned 30 April 2018) | No | Non-executive Director \$30,000. Board Committee Chairman \$12,000. Board Committee member \$6,000. Consulting fees \$72,000. | \$120,000 |
| Ray Shorrocks Non-executive Director | No | Non-executive Director \$30,000. Board Committee Chairman \$12,000. Board Committee member \$6,000. | \$48,000 |
| Allan Ritchie Non-executive Director | Yes | Non-executive Director \$36,000. Contractor \$54,000. | \$90,000 |
| Douglas Hamilton Business Development Manager | Yes | Business Development Manager \$300,000. | \$300,000 |

Total Reward Mix

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

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

The mix of short term and long term incentives offered to executives will depend on their position in the Group. Generally, long term incentives are only offered to members of the senior executive team and short term incentives are only offered to other employees. Short and long term incentives are classified as 'at-risk' remuneration.

The Board believes that remuneration arrangements for executives should typically incorporate an at-risk component which is performance related and rewards employees for the achievement of goals which contribute to shareholder wealth. The Board believes that such arrangements should both incentivise and reward performance of executives that adds value to the Group for all shareholders.

Share Trading Policy

Shares issued under any of the Group's employee equity plans are subject to, and conditional upon, compliance with the Group's Securities Trading Policy. Executives are prohibited from limiting risk attached to those instruments by use of derivatives or other means. The Group's equity plan participants are required to confirm that they have not entered into any such prohibited transactions.

Details of Remuneration

Details of remuneration of each of the Key Management Personnel of the Group during the financial year are set out in the following table:

| | YEAR | SHORT TERM BENEFITS | | | LONG TERM BENEFITS | POST EMPLOYMENT | EQUITY BASED PAYMENTS | TOTAL | PERFORMANCE RELATED ⁵ |
|----------------------------------|-------------|---------------------|---------------------------------|---------------|--------------------|-----------------|-----------------------|------------------|----------------------------------|
| | | CASH, SALARY & FEES | RELATED PARTY FEES ³ | BONUS | | SUPER-ANNUATION | OPTIONS | | |
| | | \$ | \$ | \$ | | \$ | \$ | | \$ |
| NON-EXECUTIVE DIRECTORS | | | | | | | | | |
| Donald Beard ² | 2018 | 14,612 | 24,000 | - | - | 1,388 | - | 40,000 | - |
| | 2017 | 43,836 | 72,000 | - | - | 4,164 | 31,574 | 151,574 | - |
| Ray Shorrocks | 2018 | - | 73,000 | - | - | - | - | 73,000 | - |
| | 2017 | - | 48,000 | - | - | - | 31,574 | 79,574 | - |
| Allan Ritchie ¹ | 2018 | - | 90,000 | - | - | - | - | 90,000 | - |
| | 2017 | - | 67,500 ¹ | - | - | - | - | 67,500 | - |
| EXECUTIVES | | | | | | | | | |
| Stephen Mitchell | 2018 | 341,285 | - | - | 764 | 20,257 | - | 362,305 | - |
| | 2017 | 312,501 | 6,000 | 80,000 | 847 | 25,541 | 42,099 | 466,988 | - |
| Nicholas Castellano ³ | 2018 | - | 242,210 | - | - | - | - | 242,210 | - |
| | 2017 | - | 176,256 | - | - | - | - | 176,256 | - |
| OTHER KEY MANAGEMENT | | | | | | | | | |
| Douglas Hamilton | 2018 | - | 300,000 | - | - | - | 8,167 | 308,167 | - |
| | 2017 | - | 298,180 | - | - | - | 40,833 | 332,013 | - |
| TOTAL | 2018 | 355,897 | 729,210 | - | 764 | 21,645 | 8,167 | 1,115,683 | - |
| TOTAL | 2017 | 356,337 | 660,936 | 80,000 | 847 | 29,705 | 146,080 | 1,273,905 | - |

- Allan Ritchie was an executive Director from 6 April 2017 to 29 September 2017.
- Donald Beard resigned 30 April 2018.
- Remuneration paid via Director related entities. Refer to Note 20.
- Refer to Note 8 for related party receivable.
- All performance-related incentives are long term and non-performance related.

Comparison of Key Management Personnel Remuneration to Group Performance

The table below shows the total remuneration cost of the Key Management Personnel, earnings per ordinary share (EPS), dividends paid or declared, and the closing price of ordinary shares on ASX at year end for the current year and previous four years.

| Relation to performance | 2018 | 2017 | 2016 | 2015 | 2014 |
|---------------------------------|-----------|-----------|---------|-----------|---------|
| Total remuneration (\$) | 1,115,683 | 1,273,905 | 493,128 | 1,598,996 | 908,933 |
| EPS (loss) cents | (2.09) | (2.50) | (1.26) | (2.97) | (0.3) |
| Dividends paid | - | - | - | - | - |
| Share price at year end (cents) | 0.04 | 0.14 | 0.08 | 0.08 | 0.08 |

Director Interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group, as notified by the directors to the Australian Securities Exchange in accordance with *S205G(1) of the Corporations Act 2001 and Reg. 2M.3.03(1) of the Corporations Regulations 2001*, at the date of this report is as follows:

| Director | Ordinary shares | Options (\$0.10, expiring 1-Apr-19) | Options (\$0.25, expiring 6-Apr-19) | Performance rights (tranche 2) |
|---------------------|-----------------|---|---|-----------------------------------|
| Stephen Mitchell | 10,827,500 | 2,000,000 | - | - |
| Nicholas Castellano | 5,668,140 | - | 3,853,527 | 8,952,135 |
| Donald Beard | - | 1,500,000 | - | - |
| Ray Shorrocks | 2,785,500 | 1,500,000 | - | - |
| Allan Ritchie | 2,597,253 | - | 1,342,628 | 3,119,062 |

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.

Options

The terms and conditions of each grant of options during the year affecting remuneration in the current or a future period with respect to Key Management Personnel are shown in the table below.

| Executive | Grant date | # of Options | Expiry date | Vesting date | Exercise price | Fair value | Performance condition | Vested % |
|---------------------|------------|--------------|-------------|--------------|----------------|------------|------------------------------------|----------|
| Stephen Mitchell | 18-May-16 | 2,000,000 | 1-Apr-19 | 18-May-17 | \$0.10 | \$0.04 | 12 months service to 18 May 2017. | 100% |
| Donald Beard | 18-May-16 | 1,500,000 | 1-Apr-19 | 18-May-17 | \$0.10 | \$0.04 | 12 months service to 18 May 2017. | 100% |
| Ray Shorrocks | 18-May-16 | 1,500,000 | 1-Apr-19 | 18-May-17 | \$0.10 | \$0.04 | 12 months service to 18 May 2017. | 100% |
| Doug Hamilton | 1-Mar-17 | 1,750,000 | 1-Mar-20 | 1-Mar-18 | \$0.14 | \$0.03 | 12 months service to 1 March 2018. | 100% |
| Allan Ritchie | 6-Apr-17 | 1,342,628 | 6-Apr-19 | N/A | \$0.25 | \$0.01 | Nil. | 0% |
| Nicholas Castellano | 6-Apr-17 | 3,853,527 | 6-Apr-19 | N/A | \$0.25 | \$0.01 | Nil. | 0% |

The movements in the current year of the number of options granted to Key Management Personnel are as follows:

| Executive | Grant date | Vesting date | Number at beginning of year | Granted during the year | Number of options exercised | Number of options lapsed | Number at end of year |
|---------------------|------------|--------------|-----------------------------|-------------------------|-----------------------------|--------------------------|-----------------------|
| Stephen Mitchell | 18-May-16 | 18-May-17 | 2,000,000 | - | - | - | 2,000,000 |
| Donald Beard | 18-May-16 | 18-May-17 | 1,500,000 | - | - | - | 1,500,000 |
| Ray Shorrocks | 18-May-16 | 18-May-17 | 1,500,000 | - | - | - | 1,500,000 |
| Doug Hamilton | 1-Mar-17 | 1-Mar-18 | 1,750,000 | - | - | - | 1,750,000 |
| Allan Ritchie | 6-Apr-17 | N/A | 1,342,628 | - | - | - | 1,342,628 |
| Nicholas Castellano | 6-Apr-17 | N/A | 3,853,527 | - | - | - | 3,853,527 |

Performance Rights

The terms and conditions of each grant of performance rights during the year affecting remuneration in the current or a future period with respect to Key Management Personnel are shown in the table below.

| Executive | Grant date | # of PRs | Expiry date | Vesting date | Exercise price | Fair value | Performance condition | Vested % |
|---------------------|------------|-----------|-------------|--------------|----------------|------------|--|----------|
| Allan Ritchie | 6-Apr-17 | 1,871,437 | 31-Mar-18 | 31-Mar-18 | \$nil | \$nil | HCD EBITDA of US\$4,000,000 at 31 March 2018, vesting 10 shares for every US\$1 above US\$1,000,000. | 0% |
| Nicholas Castellano | 6-Apr-17 | 5,371,281 | 31-Mar-18 | 31-Mar-18 | \$nil | \$nil | HCD EBITDA of US\$4,000,000 at 31 March 2018, vesting 10 shares for every US\$1 above US\$1,000,000. | 0% |
| Allan Ritchie | 6-Apr-17 | 3,119,062 | 31-Mar-19 | 31-Mar-19 | \$nil | \$nil | HCD EBITDA of US\$8,000,000 at 31 March 2019, vesting 10 shares for every US\$1 above US\$3,000,000. | 0% |
| Nicholas Castellano | 6-Apr-17 | 8,952,135 | 31-Mar-19 | 31-Mar-19 | \$nil | \$nil | HCD EBITDA of US\$8,000,000 at 31 March 2019, vesting 10 shares for every US\$1 above US\$3,000,000. | 0% |

The movements in the current year of the number of performance rights granted to Key Management Personnel are as follows:

| Executive | Grant date | Vesting date | Number at beginning of year | Granted during the year | Number of rights vested | Number of rights lapsed | Number at end of year |
|---------------------|------------|--------------|-----------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Allan Ritchie | 6-Apr-17 | 31-Mar-18 | 1,871,437 | - | - | (1,871,437) | - |
| Nicholas Castellano | 6-Apr-17 | 31-Mar-18 | 5,371,281 | - | - | (5,371,281) | - |
| Allan Ritchie | 6-Apr-17 | 31-Mar-19 | 3,119,062 | - | - | - | 3,119,062 |
| Nicholas Castellano | 6-Apr-17 | 31-Mar-19 | 8,952,135 | - | - | - | 8,952,135 |

Key Management Personnel Shareholdings

The number of ordinary shares in the Group held by each of the Key Management Personnel of the Group is as follows:

| Executive | Balance at beginning of the year | Shares purchased | Shares sold | Balance at end of the year |
|---------------------|---|-------------------------|--------------------|-----------------------------------|
| Stephen Mitchell | 8,153,001 | 2,674,499 | - | 10,827,500 |
| Nicholas Castellano | 5,571,281 | 96,859 | - | 5,668,140 |
| Donald Beard | 451,214 | - | - | 451,214 |
| Ray Shorrocks | 2,263,733 | 521,767 | - | 2,785,500 |
| Allan Ritchie | 2,495,250 | 102,003 | - | 2,597,253 |
| Douglas Hamilton | 500,000 | - | - | 500,000 |
| Julie Edwards | 50,000 | - | - | - |

Related Party Transactions

During the year, the Group paid the following amounts to related party entities:

- \$24,000 of consulting fees to Aldena Pty Ltd, a company associated with Donald Beard.
- \$73,000 of board fees to Spring Street Holdings Pty Ltd, a company associated with Ray Shorrocks.
- \$90,000 of consulting fees (in lieu of board fees) to True Success Pty Ltd, a company associated with Allan Ritchie.
- \$242,210 of salaries and wages and \$257,135 of royalties to NC2 LLC, a company associated with Nicholas Castellano.
- \$300,000 of consulting fees to Yurpal Australia Pty Ltd, a company associated with Douglas Hamilton.

\$150,000 was also paid to Lowell Accounting Services for accounting and secretarial services and rent, an entity of which Stephen Mitchell and Julie Edwards are Directors. Nicholas Castellano borrowed funds from the Group in April 2017. The loan is non-interest bearing and is repayable from July 2017 in instalments of US\$2,000 per month. The loan was fully repaid during the year.

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

END OF AUDITED REMUNERATION REPORT

5. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year under review were evaluating, exploring and developing oil prospects and technologies in North America and internationally and the sale of new clean oil technology products.

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

6. REVIEW OF OPERATIONS AND FINANCIAL POSITION/RESULTS

Projects and Activities

In the previous financial year, the Group purchased an exceptional new oil technology (HCD Multi-Flow) and business that allows for the swift, clean and cost effective treatment of heavy, asphaltenic and paraffinic oils. The technology can be applied to 1) lowering the temperature at which paraffin that occurs naturally in some crude oils solidifies (or crude oil pour point), 2) improve oil flow rates in wells and pipelines producing or transporting viscous crudes, 3) reduce the requirement of expensive light crude oil (diluent) traditionally mixed in with the viscous crudes to enable them to be pumped from the reservoir and to meet pipeline viscosity and gravity specifications, and 4) recover saleable oil from sludge in storage facilities.

The Group has researched the Oil Provinces of the world where heavy, asphaltenic and paraffinic oils prevail, and has appointed Agents and Distributors across several of these regions to exploit potential market opportunities including Canada, China, the Middle East, Colombia, India, parts of Europe and the USA, and has directly employed several marketing people in North America.

During the 2018 Financial Year, activities were focussed in two major areas:

1. Acquisition and appraisal of self-owned projects;
2. Sales and marketing activities of key products to the oil industry.

Indago Energy Oil Projects

The Group has an interest in three projects located in the USA, one in each of Kentucky, Utah and Oklahoma.

In the Kentucky heavy oil project, the Group received the first certification of oil resources as announced to the ASX on 8 March 2018. The resources report, prepared by Netherland Sewell & Associates Inc, estimated that the Contingent Oil Resources within the 100% owned project area are 3.7 million barrels of oil (“mmbbl”) on a 2C basis, 1.9 mmbbls on a 1C basis and 7.5 mmbbls on a 3C basis, from an Original Oil in Place of 42.8 mmbbls.

During the financial year the Group drilled and production tested the first pilot well in the Kentucky project, the Weldon Young #1A well. The objective of the pilot test was to determine whether or not HCD Multi-Flow could mobilise the ultra-viscous (50,000-100,000 centipoise [cP]) native crude residing in the reservoir and allow it to be pumped to surface. The process undertaken is termed a “hesitation squeeze and soak” and involved injecting HCD Multi-Flow and a carrier fluid into the reservoir in pulses that allowed mixing of the injected fluids and the native crude. The well was shut-in for 7 days to soak and then reopened for production by swabbing operations. The fluids produced were directed to a storage tank with small samples collected daily for laboratory analysis. The laboratory analysis indicated that the produced fluids were a combination of the injected Multi-Flow and carrier fluid and native crude and that as the test proceeded, the percentage of native crude increased as did the viscosity and specific gravity. Significantly, the fluid tested at the conclusion of the swabbing operations was 98.2% native crude with an API gravity of 11.2^o and an easily pumpable kinematic viscosity of 490 cSt, thus satisfying the objective of the pilot test. This led to a decision to place the well on pump, which occurred late in the Financial Year, to determine if additional oil could be produced from the initial application of HCD Multi-Flow.

In Utah the Group acquired 3,459 acres in a heavy oil sands project, and on September 24th, 2018 announced to the ASX a resources report prepared by Netherland Sewell & Associates Inc, that estimated the Contingent Oil Resources within the 100% owned project are 12.4 million barrels of oil (“mmbbl”) on a 2C basis, 6.2 mmbbls on a 1C basis and 24.8 mmbbls on a 3C basis from an Original Oil in Place of 141.7 mmbbls. The Group has subsequently applied for permits to undertake bulk sampling of the sands for further testing.

The Group’s third project is Newkirk in Oklahoma and is a legacy asset not associated with the acquired HCD technology. No activities were undertaken at the project and the Group’s leased acreage over the project area reduced from 3,149 acres to 1,473 and reduced the book value from \$259,831 the previous year to nil.

Sales and Marketing Activities

The Group’s sales and marketing efforts led to various field and laboratory tests around the world including Canada, USA, China, Colombia, India and the Middle East.

Canada

The Group was involved in three field tests in Canada for three different producers, one in each of Alberta, British Columbia and Saskatchewan. INK also participated in numerous tests of oils from other producers and fields, generally with excellent results. The Group's Canadian representatives are working to secure field tests following successful laboratory results.

Multi-Flow was applied by a large operator in British Columbia to address the very high wax content of their light crude oil. Wax deposition was occurring near the top of the wellbore as the wax cooled from reservoir temperature, halting production on a semi-weekly basis despite the presence of an incumbent chemical treatment programme. HCD Multi-Flow replaced the existing chemical and eliminated the wax deposition enabling continuous production during the 3 month trial.

In Saskatchewan, a mid-size Canadian independent operator sought to uplift API gravity of their crude to realise a better crude oil price at the terminal. Multi-Flow dosed at 1,000 ppm successfully uplifted the crude oil gravity by 1.2°API and reduced viscosity by 42% from 1,001 cSt to 586 cSt (at 20°C).

HCD Multi-Flow succeeded in its key objectives in the British Columbia and Saskatchewan trails but oil market conditions in Canada led to the potential customers suspending production pending an improvement in local oil prices.

In Alberta, a major International operator in the Athabasca Oil Sands submitted old storage samples of their crude oil produced in SAGD operations. The objective of the testing was to see if the application of Multi-Flow to the heavy crudes could reduce the amount of diluent required to meet Canadian pipeline specifications. Results of the analysis were a *proof of concept* with the addition of Multi-Flow reducing the diluent requirements by ~8%. The Group is now collecting sample of freshly produced SAGD crude to retest "live" samples more representative of active operations.

USA

The Group conducted several field trials in Utah, California and Texas as well as many laboratory tests of oils from potential customers.

Initial trials of Multi-Flow in California targeted viscosity reduction in the ultra heavy 5-60API crudes produced by steam flood, but with a starting point of ~7,000,000 cP, the 95% viscosity reduction achieved by injecting Multi-Flow was insufficient to mobilise the crudes without the addition of diluent. However, the Multi-Flow was able to reduce diluent requirements by 40%, offering the operators the potential for substantial savings.

In Texas the trial was about reducing Basic Sediment and Water (BS&W) to raise oil quality and crude oil sale price. While the BS&W reduction was substantially reduced from 4% to 2% the trial fell short of the 1% target for commercial application.

In Utah, separate trials were undertaken with 2 of the largest producers in the Uinta basin. The objective in Utah was to reduce the pour point of the very waxy crudes with potential applications ranging from reducing heat costs associated with keeping the crudes liquid at year round ambient temperatures, to increasing crude oil flashpoint to safely transport in railcars, as well as enabling pipeline transport to the refineries in Salt Lake City. Application of Multi-Flow reduced the pour point of one of the major producer's crude by 15°C and also increased the flash point to 126°F. The Group is currently in discussion with this major operator now concentrating on converting the successful tests to product orders.

China

The Group and its distributor in China performed 2 distinctly different pilot trials for CNPC, both aimed at enhancing crude oil production and reducing diluent from the current ~40,000 barrels of heavy viscous oil per day from a large oilfield. The first trial utilized HCD's Tri-Phase squeeze process to embed viscosity & specific-gravity reducing bacteria (HCD Micro-Phase) into the reservoir to attain a sustained crude oil production increase. The second trial utilizing Multi-Flow's demonstrated capacity to reduce crude oil viscosity aimed at reducing the required amount of diluent that is essential to produce and transport the ultra-viscous Tuha crude by mixing Multi-Flow directly into the diluent tank which was then injected downhole into the well bores. Whereas both trials resulted in enhanced crude oil production, the diluent reduction trial provided superior results of a 21% increase in crude oil production, a 65% reduction in crude oil viscosity and an estimated 40% reduction in the amount of diluent required. The Group is in discussions with CNPC to expand application of the diluent reduction methodology to the nearly 1,000 wells in the field in a phased manner.

The Group's distributor also reported it had secured a trial with a large producer offshore in the Bohai Sea which is expected to be undertaken in the second quarter of 2019. The trial will address technical problems associated with bitumen plugging in gravel pack completions and wax deposition in perforations and production tubulars.

Colombia

The Group's sales agent collected samples from two large heavy oilfields in the Llanos basin and subsequent to the 2018 year end, successfully tested several of these samples in an Intertek Laboratory demonstrating meaningful reductions in crude oil viscosity. An API gravity uplift from 13.8^o API to 15^oAPI was achieved in both fields and Kinematic viscosity significantly reduced by as much as 50%. Field trials are currently being discussed and if the same viscosity reductions are realized in the field trials then these crudes would be pipeline compliant without the need for any addition of expensive diluents.

Reducing crude oil viscosity to reach pipeline compliance was the primary focus of the Group's sales efforts in 2018, but significant potential exists for downhole applications to reduce crude oil viscosity and enable artificial lift and increased daily oil production flow rates.

India

The Group appointed sales agents to promote its products in India. Oil samples from two large producers were tested successfully which have resulted in discussions for testing in each on a 'no cure no pay' basis. The first opportunity is in Rajasthan where the crude oil is heavy and viscous, impeding artificial lift and production flow rate. The pumps rarely operate for 24 hours per day because inflow to the wellbore is restricted by the viscosity of the crude in the reservoir. The Group's trial will endeavour to reduce crude oil viscosity, increase inflow to the well bore and increase daily oil production rate by 60%. The second opportunity is in a pipeline application where, because of high wax appearance temperature of the crude oil, the pipeline must be continuously heated. Reducing the wax appearance temperature and pour point of the waxy crudes could attain huge energy savings by reducing the heating required on the pipeline.

Middle East

INK and its Middle East distributor Gulf Green Crude Dynamics (GGCD) progressed discussions with oil producers in Kuwait, the UAE, Iraq and Oman. Several samples of oils and sludges have been provided by producers and tank owners and tested in independent laboratories where initial results have been encouraging. GGCD are now trying to secure trials in several fields and tanks based on these results.

Europe

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

Other

The Group also continued to develop and enhance its products as well as to seek new applications for its principle product, HCD Multi-Flow. Significant research was undertaken in assessing the opportunities to deploy HCD products in the Canadian Mature Fines Tailings as well as to use it in the Canadian oil sands industry especially in SAGD operations (Steam Assisted Gravity Drainage). Early test results have been encouraging.

The Group has the following tenement interests at the date of this report:

| Project | Location | Gross acreage owned by Indago | Net acreage owned by Indago | Working Interest held as at 31 December 2018 |
|----------|--------------------------------------|-------------------------------|-----------------------------|--|
| Newkirk | Kay and Noble Counties, Oklahoma | 1,520 | 1,473 | 100% |
| Kentucky | Butler and Warren Counties, Kentucky | 1,844 | 1,786 | 100% |
| Utah | Uintah, County | 3,458 | 3,458 | 100% |

7. SIGNIFICANT AFFAIRS

There have not been any significant changes in the state of affairs of the Group for the financial year ended 31 December 2018.

8. LIKELY DEVELOPMENTS

The Group intends to continue its principle activities of acquiring, disposing, exploring and developing oil prospects and related technologies and to continue to sell and market its HCD products.

9. DIVIDENDS PAID OR RECOMMENDED

The Directors recommend that no dividend be paid or declared at this point in time. No amounts have been paid or declared by way of dividend during the financial year.

10. ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group is subject to various environmental regulations in relation to its permits and licences in the United States of America.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group. The Board is not aware of any breaches of the Group's licence or permit conditions and no government agency has notified the Group of any environmental breaches during the period ended 31 December 2018.

11. UNISSUED SHARES UNDER OPTION

The Group has the following unissued shares under option outstanding at the date of the Directors' Report:

| Executive | Grant date | # of Options | Expiry date | Vesting date | Exercise price | Fair value | Performance condition | Vested % |
|---------------------------|------------|--------------|-------------|--------------|----------------|------------|---|----------|
| Share options – tranche 1 | 18-May-16 | 5,000,000 | 1-Apr-19 | 18-May-17 | \$0.10 | \$0.04 | 12 months service to 18 May 2017. | 100% |
| Share options – tranche 2 | 1-Mar-17 | 1,750,000 | 1-Mar-20 | 1-Mar-18 | \$0.14 | \$0.03 | 12 months service to 1 March 2018. | 100% |
| HCD acquisition options | 6-Apr-17 | 33,200,000 | 6-Apr-19 | N/A | \$0.25 | \$0.01 | Nil. | 0% |
| Share options – tranche 3 | 22-Sep-17 | 750,000 | 1-Mar-20 | 22-Sep-18 | \$0.14 | \$0.04 | 12 months service to 22 September 2018. | 100% |

This disclosure is made in accordance with s.300(1)(e) of the Corporations Act 2001.

Refer to note 13 for further information.

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

The Group has not paid any premiums in respect of any contract insuring its auditor against a liability incurred in that role as an auditor of the Group. In respect of non-audit services, Pitcher Partners have the benefit of an indemnity to the extent they reasonably rely on information provided by the Group which is false, misleading or incomplete. No amount has been paid under this indemnity during the financial year ending 31 December 2018 or to the date of this Report.

13. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The following fees were paid or payable for services provided by Pitcher Partners, the auditor of the Group:

| | 2018 | 2017 |
|--|---------------|-------------|
| | \$ | \$ |
| Auditing or reviewing the financial statements | 50,000 | 50,000 |
| Non-audit services | 4,000 | - |
| | 54,000 | 50,000 |

This disclosure is made in accordance with s.300(2A)(11B(a)) and (11C(b)) of the Corporations Act 2001.

The Board of Directors will continuously consider the position and, in accordance with advice received from the Audit Committee, ensure that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services (where applicable) by the auditor, does not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services will be reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services (where applicable) undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

The auditor's independence declaration under section 307C of the Corporations Act set out in the Annual Report forms a part of the Annual Report for the year ended 31 December 2018.

14. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court under section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

15. ROUNDING OFF

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest dollar, unless otherwise stated.

16. EVENTS SUBSEQUENT TO REPORTING DATE

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 Group's operations, results or the state of affairs in future financial years.

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



Stephen Mitchell
Chairman
Melbourne, Victoria
28 March 2018



PITCHER PARTNERS

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Brisbane, Queensland 4000

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PRIVATE AND CONFIDENTIAL

The Directors
Indago Energy Limited
Level 6, 412 Collins Street
Melbourne VIC 3000

Auditor's Independence Declaration

As lead auditor for the audit of Indago Energy Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

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

PITCHER PARTNERS

N BATTERS
Partner

Brisbane, Queensland
28 March 2019

Ken Ogden
Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Ian Jones

Xylie Lamprecht
Norman Thurecht
Brett Headrick

Warwick Face
Nigel Batters
Cole Wilkinson

Simon Chun
Jeremy Jones
Tom Splatt

James Field
Daniel Colwell

An Independent Queensland Partnership ABN 84 797 724 539
Liability limited by a scheme approved under Professional Standards Legislation
Pitcher Partners is an association of independent firms

Adelaide Brisbane Melbourne Newcastle Perth Sydney

 an independent member of
BAKER TILLY
INTERNATIONAL

INDAGO ENERGY LIMITED

(ABN 75 117 387 354)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Note | Group | |
|---|------|--------------------|--------------------|
| | | 2018 | 2017 |
| | | \$ | \$ |
| REVENUE AND OTHER INCOME | | | |
| Revenue | | 45,569 | 74,578 |
| Other income | 5 | 24,737 | 250,721 |
| | | <u>70,306</u> | <u>325,299</u> |
| EXPENSES | | | |
| Professional consultant and contractor fees | | (1,013,099) | (768,399) |
| Director and employee related costs | 5 | (882,747) | (941,882) |
| Depreciation and impairment costs | 5 | (546,787) | (933,388) |
| General and administration costs | | (508,658) | (393,330) |
| Travel and accommodation costs | | (290,266) | (272,119) |
| Royalties | 20 | (257,135) | (166,544) |
| Accounting and audit fees | | (164,643) | (191,240) |
| Development and testing fees | | (147,352) | - |
| Productions costs | | (88,027) | - |
| Business acquisition cost | | - | (98,165) |
| Bad and doubtful debts | | (65,335) | - |
| Finance expenses | | (34,146) | (2,488) |
| Loss on sale of assets | | - | (5,581) |
| | | <u>(3,998,195)</u> | <u>(3,773,136)</u> |
| LOSS BEFORE INCOME TAX | | (3,927,889) | (3,447,837) |
| Income tax benefit/(expense) | 6 | - | - |
| LOSS FOR THE YEAR | | (3,927,889) | (3,447,837) |
| OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | 56,555 | (90,551) |
| TOTAL OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX | | 56,555 | (90,551) |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | (3,871,334) | (3,538,388) |
| Loss attributable to owners of the parent | | <u>(3,927,889)</u> | <u>(3,447,837)</u> |
| Comprehensive loss attributable to owners of the parent | | <u>(3,871,334)</u> | <u>(3,538,388)</u> |
| Basic loss per share from continuing operations (cents) | 16 | (2.09) | (2.50) |
| Diluted loss per share from continuing operations (cents) | 16 | (2.09) | (2.50) |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

INDAGO ENERGY LIMITED

(ABN 75 117 387 354)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2018**

| | Note | Group 2018 \$ | Group 2017 \$ |
|--|------|---------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 2,206,515 | 2,947,442 |
| Trade and other receivables | 8 | 60,284 | 127,987 |
| Other current assets | | 37,842 | 60,619 |
| Inventory | 9 | 539,412 | 658,807 |
| TOTAL CURRENT ASSETS | | 2,844,053 | 3,794,855 |
| NON-CURRENT ASSETS | | | |
| Exploration and evaluation expenditure | 10 | 578,598 | 549,335 |
| Plant and equipment | | 5,505 | 4,352 |
| Intangible assets | 11 | 3,960,920 | 3,956,019 |
| TOTAL NON-CURRENT ASSETS | | 4,545,023 | 4,509,706 |
| TOTAL ASSETS | | 7,389,076 | 8,304,561 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 518,962 | 246,039 |
| Provisions | | 22,465 | 14,296 |
| TOTAL CURRENT LIABILITIES | | 541,427 | 260,335 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | | 1,610 | 847 |
| TOTAL NON-CURRENT LIABILITIES | | 1,610 | 847 |
| TOTAL LIABILITIES | | 543,037 | 261,182 |
| NET ASSETS | | 6,846,039 | 8,043,379 |
| EQUITY | | | |
| Issued capital | 13 | 60,453,157 | 57,805,330 |
| Reserves | 13 | (461,087) | (543,809) |
| Accumulated losses | | (53,146,031) | (49,218,142) |
| TOTAL EQUITY | | 6,846,039 | 8,043,379 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2018**

| Consolidated | Issued Capital | Foreign Currency Translation Reserve | Share Based Payments Reserve | Accumulated Losses | Total |
|---|---------------------------|---|---|-------------------------------|------------------|
| Balance at 1 January 2017 | 51,848,970 | (731,133) | 122,794 | (45,770,305) | 5,470,326 |
| Loss for the period | - | - | - | (3,447,837) | (3,447,837) |
| Other comprehensive loss for the period | - | (90,551) | - | - | (90,551) |
| Total comprehensive loss for the period | - | (90,551) | - | (3,447,837) | (3,538,388) |
| Transactions with owners in their capacity as owners | | | | | |
| Contributions of equity net of transaction costs | 5,956,360 | - | - | - | 5,956,360 |
| Share based payments | - | - | 155,081 | - | 155,081 |
| | 5,956,360 | - | 155,081 | - | 6,111,441 |
| Balance at 31 December 2017 | 57,805,330 | (821,684) | 277,875 | (49,218,142) | 8,043,379 |
| Balance at 1 January 2018 | 57,805,330 | (821,684) | 277,875 | (49,218,142) | 8,043,379 |
| Loss for the period | - | - | - | (3,927,889) | (3,927,889) |
| Other comprehensive loss for the period | - | 56,555 | - | - | 56,555 |
| Total comprehensive loss for the period | - | 56,555 | - | (3,927,889) | (3,871,334) |
| Transactions with owners in their capacity as owners | | | | | |
| Contributions of equity net of transaction costs | 2,647,827 | - | - | - | 2,647,827 |
| Share based payments | - | - | 26,167 | - | 26,167 |
| | 2,647,827 | - | 26,167 | - | 2,673,994 |
| Balance at 31 December 2018 | 60,453,157 | (765,129) | 304,042 | (53,146,031) | 6,846,039 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

INDAGO ENERGY LIMITED

(ABN 75 117 387 354)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 DECEMBER 2018**

| | Note | Group | |
|--|------|--------------------|--------------------|
| | | 2018 | 2017 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 41,374 | 256,605 |
| Payments to suppliers and employees | | (2,955,924) | (2,713,543) |
| Interest received | | 25,215 | 18,675 |
| Interest paid | | (2,904) | (2,488) |
| NET CASH USED IN OPERATING ACTIVITIES | 7(a) | (2,892,239) | (2,440,751) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for property, plant and equipment | | (3,610) | (4,846) |
| Payment for exploration and evaluation assets | | (509,233) | (95,892) |
| Payment for intangible assets | | (4,901) | (673,120) |
| NET CASH USED IN INVESTING ACTIVITIES | | (517,744) | (773,858) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of loan by director | | 27,034 | 12,032 |
| Repayment of borrowings | | - | (231,680) |
| Proceeds from issue of shares | | 2,748,352 | 3,050,558 |
| Share issue costs | | (109,525) | (244,197) |
| Net cash acquired on acquisition | | - | 4,432 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | 2,665,861 | 2,591,145 |
| Net increase / (decrease) in cash held | | (744,122) | (623,464) |
| Cash at beginning of financial year | | 2,947,442 | 3,652,067 |
| Effect of exchange rate movement | | 3,195 | (81,161) |
| CASH AT THE END OF THE YEAR | 7 | 2,206,515 | 2,947,442 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, and Interpretations, issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

The Group's registered office is: Level 6, 412 Collins Street, Melbourne VIC 3000.

NOTE 2 BASIS OF PREPARATION

Compliance with accounting standards

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

Comparatives

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

Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The ability of the Group to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding through debt, equity or farm-out, the successful exploration and subsequent exploitation of the Group's working interests, or the commercialisation of the Group's HCD product. The Group's ability to enact its strategy to develop its exploration and evaluation assets and commercialise its HCD product is dependent upon the effectiveness of ongoing liquidity management activities.

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.

In the absence of the above matters being successful, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial statements. No adjustments for such circumstances have been made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the years presented unless otherwise stated.

(a) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity. Investments in subsidiaries are accounted for at cost in the separate financial statements of Indago Energy Limited.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the parent entity.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that any amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(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 as unused tax losses.

NOTES TO THE FINANCIAL STATEMENTS

Income tax (continued)

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) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Indago Energy Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency translation (continued)

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated as a separate component of equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences that have been accumulated in equity are recognised in the Statement of Profit or Loss and Other Comprehensive Income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) 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.

(e) Revenue and other Income

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

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

NOTES TO THE FINANCIAL STATEMENTS

(f) 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 Statement of Financial Position.

(g) 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. Financial instruments are subsequently classified and measured as set out below.

Classification and subsequent measurement

Financial assets:

Financial assets are classified as current assets except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Financial assets are subsequently classified and measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. All of the Group's financial assets are measured at amortised cost.

Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest rate method.

The Group establishes an allowance for impairment of trade receivables using the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has not modified or renegotiated the contractual cash flows of any financial assets during the year. The Group has instead derecognised financial assets to the value of \$65,335 (2017: \$nil).

Refer to note 15 for further information on the Group's credit risk management policies and practices.

Financial liabilities:

Financial liabilities include trade payables, other creditors and accruals, loans and other amounts due, are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months reporting date.

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.

NOTES TO THE FINANCIAL STATEMENTS

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected more than 12 months after reporting date.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss as part of other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

The Group establishes an allowance for impairment of trade receivables using the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(i) Inventories

The cost of inventory includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Group's cost generally includes the purchase price and the cost of transferring the inventory to the warehouse. Inventory is purchased from a third party. Inventories are measured at the lower of cost and net realisable value.

(j) Exploration and evaluation expenditure

Cost

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are expensed in the profit or loss.

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

Recognition

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
- (ii) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Once the technical feasibility and commercial viability of the area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to property and development assets within property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

Exploration and evaluation expenditure (continued)

The accumulated costs for the relevant area of interest is then amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

The timing and amount of restoration costs that are expected to be incurred are estimated, and the net present value is included as part of the cost of the exploration and evaluation activity that gives rise to the need for restoration. A corresponding provision for restoration and rehabilitation is also recognised. Finance charges arising from the unwinding of the liability are recognised as an expense in the profit or loss. 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.

Impairment

The Group assesses the carrying value of the working asset on an annual basis, in accordance with the indicators set out in AASB136, being:

- (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- (d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale.

(k) Plant and equipment

Each class of plant and equipment is carried at cost less 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 is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

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

| Class of fixed asset | Depreciation rate |
|-----------------------------|--------------------------|
| Plant and equipment | 20 - 25% |

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.

NOTES TO THE FINANCIAL STATEMENTS

(l) Intangible assets

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses.

Intangible assets

Indefinite useful life intangible assets are not amortised but are tested annually for impairment.

(m) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

(n) Trade and other 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.

(o) Provisions

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.

NOTES TO THE FINANCIAL STATEMENTS

Provisions (continued)

Defined contribution superannuation plan

The consolidated entity makes superannuation contributions (currently 9.50% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

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.

The share-based payments reserve is used to record the expense associated with options and performance rights granted to employees under equity-settled share-based payment arrangements. It is also used to record fair value of options granted for other goods and services as well as acquisition of other assets.

(p) 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.

(q) Leases

Leases are classified at commencement as either finance leases or operating leases.

Finance leases

Leases of property, plant and equipment where substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period at the interest rate implicit in the lease. Leased assets are depreciated on a straight line basis over the asset's estimated useful life or over the shorter of the asset's useful life and the lease term where there is no reasonable certainty that the Group will obtain ownership at the end the lease term.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

(r) EPS

Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the Group, 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.

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.

(s) 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, inventory, intangibles and plant and equipment, net of 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.

(t) Changes in accounting policies

The Group adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on 1 January 2018. Neither standard had a material effect on the consolidated financial statements for the year ended 31 December 2018.

(u) New accounting standards and interpretations for application in future periods

A number of Australian Accounting Standards and Interpretations have been issued or amended but are not yet mandatory for the 31 December 2018 annual reporting period and have not been early adopted by the Group for the preparation of these financial statements. The Group's assessment of the impact of these new or amended Standards and Interpretations, most relevant to the Group, are set out below:

AASB 16 Leases (applicable to annual reporting period, beginning on or after 1 January 2019)

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its Statement of Financial Position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its Statement of Financial Position for most leases.

There are some optional exemptions for leases with a period of 12 months or less, low value leases and leases of exploration and mineral tenements. The impact of this standard has been fully assessed and adoption of this standard from 1 January 2019 is not expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The critical estimates and judgements applied in the preparation of the Annual Report are as follows:

(a) Recoverability of exploration and evaluation expenditure

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

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

During the year, management made an assessment that the carrying value of the Newkirk asset would not be recovered through its exploitation or sale and therefore impaired 100% of the carrying value. This resulted in an impairment expense of \$544,223.

(b) Recoverability of goodwill and other intangible assets

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other indefinite useful life intangible assets are not amortised but are tested annually for impairment.

During the year, management made an assessment that the carrying value of the intangible asset was not impaired and therefore did not recognise an impairment expense for the goodwill or other intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 REVENUE AND EXPENDITURE

| | 2018 | 2017 |
|--|------------------|-------------|
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| (a) Other income | | |
| Interest income | 24,737 | 21,604 |
| Other income | - | 229,117 |
| | 24,737 | 250,721 |
| (b) Director and employee related costs | | |
| Salaries and wages expense | (834,935) | (757,096) |
| Share based payments expense | (26,167) | (155,081) |
| Defined contribution superannuation expense | (21,645) | (29,705) |
| | (882,747) | (941,882) |
| (c) Depreciation and impairment costs | | |
| Depreciation expense | (2,464) | (3,204) |
| Impairment expense | (544,323) | (930,184) |
| | (546,787) | (933,388) |
| (c) Auditor's remuneration | | |
| During the year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the Group: | | |
| - Auditing or reviewing the financial statements | 50,000 | 50,000 |
| - Non-audit services | 4,000 | - |
| | 54,000 | 50,000 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 INCOME TAX EXPENSE

| | 2018 | 2017 |
|--|--------------------|-------------|
| | \$ | \$ |
| (a) Recognised in the Statement of Profit or Loss and Other Comprehensive Income | | |
| Current tax expense | - | - |
| Deferred tax expense | - | - |
| Income tax expense | - | - |
| (b) Numerical reconciliation of income tax expense to prima facie tax on accounting profit | | |
| Loss before income tax | (3,927,889) | (3,447,837) |
| Tax benefit at the Australian tax rate of 30% (2017: 30%) | 1,178,322 | 1,034,351 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Share options expensed | 7,850 | 46,524 |
| Capital raising costs | (59,456) | (56,219) |
| Other non-deductible items | (1,100) | (12,422) |
| Capital and tax losses not recognised in deferred tax assets | (1,125,616) | (1,012,234) |
| | - | - |
| The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from the deferred tax assets. | | |
| (c) Reconciliation of deferred tax assets/(liabilities) | | |
| Deferred tax asset | - | - |
| The balance of deferred tax asset comprises: | | |
| Deferred tax assets | | |
| Tax losses | 9,367,086 | 8,136,058 |
| Provisions | 19,232 | 15,054 |
| | 9,386,318 | 8,151,112 |
| Deferred tax liabilities | | |
| Exploration and evaluation expenditure | 173,579 | 164,801 |
| | 173,579 | 164,801 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 INCOME TAX EXPENSE (CONTINUED)

| | 2018 | 2017 |
|--|--------------------|-------------|
| | \$ | |
| Net deferred tax asset | 9,212,739 | 7,986,311 |
| Deferred tax asset not recognised | (9,212,739) | (7,986,311) |
| Deferred tax asset recognised in accounts | - | - |
| Movements in deferred tax asset | | |
| Opening balance | - | - |
| Deferred tax (credited) to profit or loss | - | - |
| Closing balance | - | - |
| (d) Franking tax credits | | |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%) | - | - |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (i) franking credits that will arise from the payment of the amount of the provision for income tax;
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (iii) franking credits that will arise from the receipt of dividends recognised as receivable at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 CASH AND CASH EQUIVALENTS

| | 2018 | 2017 |
|-----------------|------------------|-------------|
| | \$ | \$ |
| Cash at bank | 498,468 | 1,447,442 |
| Cash on deposit | 1,708,047 | 1,500,000 |
| | 2,206,515 | 2,947,442 |

The effective interest rate on short-term bank deposits was 1.95% (2017: 2.32%).

(a) Reconciliation of cash flow from operations

| | | |
|--|--------------------|-------------|
| Loss for the year | (3,927,889) | (3,447,837) |
| Depreciation expense | 2,464 | 3,204 |
| Loss on sale of assets | - | 5,581 |
| Share-based payments expense | 26,167 | 155,081 |
| Foreign exchange /loss | 6,101 | 81,654 |
| Impairment expense | 544,323 | 930,184 |
| Bad and doubtful debts | 65,335 | - |
| Change in assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | 67,225 | (33,030) |
| (Increase)/decrease in inventories | 18,925 | (33,516) |
| (Increase)/decrease in other assets | 22,777 | (28,876) |
| (Increase)/decrease in accrued interest | 478 | (2,927) |
| Increase/(decrease) in trade and other payables | 281,855 | (70,272) |
| Net cash used in operating activities | (2,892,239) | (2,440,751) |

(b) Non-cash financing and investing activities

The Group issued 100,000 shares to John Zetzman on 3 September 2018. These shares had a fair value of \$9,000 and were issued for no consideration.

(c) Credit standby arrangements

There are no credit or standby arrangements with financiers as at 31 December 2018 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|--------------------------|---------------|-------------|
| | \$ | \$ |
| Trade receivables | - | 47,093 |
| Related party receivable | - | 27,034 |
| GST receivable | 28,314 | 22,849 |
| Deposits | 8,106 | 7,308 |
| Other receivables | 23,864 | 23,703 |
| | 60,284 | 127,987 |

The related party receivable relates to an amount owed by a director, Nicholas Castellano, which was repayable from July 2017 in instalments of US\$2,000 per month. The amount is non-interest bearing.

NOTE 9 INVENTORIES

| | 2018 | 2017 |
|------------------------------|-----------------|-------------|
| | \$ | \$ |
| Stock on hand | 551,943 | 658,807 |
| Provision for obsolete stock | (12,531) | - |
| | 539,412 | 658,807 |

NOTE 10 EXPLORATION AND EVALUATION EXPENDITURE

| | 2018 | 2017 |
|--|--------------------|-------------|
| | \$ | \$ |
| Exploration and evaluation expenditure | 2,156,602 | 1,479,519 |
| Less provision for impairment | (1,578,004) | (930,184) |
| | 578,598 | 549,335 |

The carrying value of each working interest is as follows:

| | | |
|----------|----------------|---------|
| Newkirk | - | 512,103 |
| Kentucky | 492,266 | 37,232 |
| Utah | 86,332 | - |
| | 578,598 | 549,335 |

Movements in exploration and evaluation:

| | | |
|--|------------------|-----------|
| Balance at the beginning of the year | 549,335 | 1,474,813 |
| Exploration and evaluation expenditure during the year | 518,233 | 95,892 |
| Impairment expense | (544,323) | (930,184) |
| Foreign currency adjustment | 55,353 | (91,186) |
| Balance at the end of the year | 578,598 | 549,335 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 INTANGIBLE ASSETS

| | 2018 | 2017 |
|-----------------------|------------------|-------------|
| | \$ | \$ |
| Goodwill | 3,282,899 | 3,282,899 |
| Intellectual property | 663,218 | 663,218 |
| Patents | 14,803 | 9,902 |
| | 3,960,920 | 3,956,019 |

Movements in intangible assets:

| | | |
|--------------------------------------|------------------|-----------|
| Balance at the beginning of the year | 3,956,019 | - |
| Additions | 4,901 | 3,956,019 |
| Balance at the end of the year | 3,960,920 | 3,956,019 |

The goodwill, intellectual property and patents were acquired as part of a business combination on 6 April 2017.

NOTE 12 TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|------------------|----------------|-------------|
| | \$ | \$ |
| Trade creditors | 139,303 | 41,995 |
| Accrued expenses | 187,548 | 88,000 |
| Other payables | 192,111 | 116,044 |
| | 518,962 | 246,039 |

NOTE 13 EQUITY

Issued capital

| | 2018 | 2017 |
|-----------------------|--------------------|-------------|
| | \$ | \$ |
| Issued capital | 64,133,749 | 61,376,397 |
| Capital raising costs | (3,680,592) | (3,571,067) |
| | 60,453,157 | 57,805,330 |

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EQUITY (CONTINUED)

| | 2018 | | 2017 | |
|--|--------------------|-------------------|-------------|------------|
| | No. | \$ | No. | \$ |
| Movement in number of shares: | | | | |
| Balance at the beginning of the year | 174,318,106 | 61,376,397 | 100,738,214 | 55,175,839 |
| <i>Movements during the year:</i> | | | | |
| Entitlement offer ⁽ⁱ⁾ | 36,802,000 | 2,723,352 | 43,579,892 | 3,050,558 |
| Private placement ⁽ⁱⁱ⁾ | 337,838 | 25,000 | - | - |
| Consulting services ⁽ⁱⁱⁱ⁾ | 100,000 | 9,000 | - | - |
| HCD acquisition shares ^(iv) | - | - | 30,000,000 | 3,150,000 |
| | 37,239,838 | 2,757,352 | 73,579,892 | 6,200,558 |
| Balance at the end of the year | 211,557,944 | 64,133,749 | 174,318,106 | 61,376,397 |

(i) Shares issued under a placement on 19 July 2018 at an issue price of 7.4 cents per share.

(ii) Shares issued under a private placement to a sophisticated investor on 7 September 2018 at an issue price of 7.4 cents per share.

(iii) shares issued to John Zetzman as consideration for consultancy services for nil consideration. The market value of the shares was 9 cents per share at the date of issue.

(iv) shares issued as consideration for the purchase of the HCD business.

Reserves

| | 2018 | 2017 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Foreign currency translation reserve | (765,129) | (821,684) |
| Share based payments reserve | 304,042 | 277,875 |
| | (461,087) | (543,809) |

Movement in foreign currency translation reserve:

| | | |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | (821,684) | (731,133) |
| Foreign currency adjustment | 56,555 | (90,551) |
| Balance at the end of the year | (765,129) | (821,684) |

Movement in share based payments reserve:

| | | |
|--------------------------------------|----------------|----------------|
| Balance at the beginning of the year | 277,875 | 122,794 |
| Share based payments during the year | 26,167 | 155,081 |
| Balance at the end of the year | 304,042 | 277,875 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EQUITY (CONTINUED)

Foreign currency translation reserve

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

Share based payments reserve

The share-based payments reserve is used to record the expense associated with options and performance rights granted to employees under equity-settled share-based payment arrangements. It is also used to record fair value of options granted for other goods and services as well as acquisition of other assets.

Share based payments

The share based payments expense included in the financial statements with respect to performance rights issued during the year and already issued in prior years is as follows:

| | 2018 | 2017 |
|--|-----------------|-------------|
| | \$ | \$ |
| <i>Statement of Profit or Loss and Other Comprehensive Income</i> | | |
| Share based payments expense included in director and employee related costs | (26,167) | (155,081) |

Performance Rights

The terms and conditions of each grant of performance rights during the year affecting remuneration in the current or a future period are shown in the table below.

| Executive | Grant date | # of PRs | Expiry date | Vesting date | Exercise price | Fair value | Performance condition | Vested % |
|------------------------------------|------------|------------|-------------|--------------|----------------|------------|--|----------|
| HCD performance rights – tranche 1 | 6-Apr-17 | 30,000,000 | 31-Mar-18 | 31-Mar-18 | \$nil | \$nil | HCD EBITDA of US\$4,000,000 at 31 March 2018, vesting 10 shares for every US\$1 above US\$1,000,000. | 0% |
| HCD performance rights – tranche 2 | 6-Apr-17 | 30,000,000 | 31-Mar-19 | 31-Mar-19 | \$nil | \$nil | HCD EBITDA of US\$8,000,000 at 31 March 2019, vesting 10 shares for every US\$1 above US\$3,000,000. | 0% |

The movements in the current year of the number of performance rights granted are as follows:

| Executive | Grant date | Vesting date | Number at beginning of year | Granted during the year | Number of rights vested | Number of rights lapsed | Number at end of year |
|------------------------------------|------------|--------------|-----------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| HCD performance rights – tranche 1 | 6-Apr-17 | 31-Mar-18 | 30,000,000 | - | - | (30,000,000) | - |
| HCD performance rights – tranche 2 | 6-Apr-17 | 31-Mar-19 | 30,000,000 | - | - | - | 30,000,000 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EQUITY (CONTINUED)

Options

There is no formal employee share option plan. The number of options issued, the strike price of options issued and all other relevant terms have been set having regard to the persons position in the Group and level of experience. Such options vest according to the terms that are agreed at the time of grant between Indago and the employee. However, options normally vest either immediately upon grant or progressively within 12 months. Upon termination by either Indago or by the employee, all vested options remain the property of the employee, with no change to the life of the option. Upon termination by either Indago or the employee, all unvested options lapse.

The terms and conditions of each grant of options during the year affecting remuneration in the current or a future period are shown in the table below.

| Executive | Grant date | # of Options | Expiry date | Vesting date | Exercise price | Fair value | Performance condition | Vested % |
|---------------------------|------------|--------------|-------------|--------------|----------------|------------|---|----------|
| Share options – tranche 1 | 18-May-16 | 5,000,000 | 1-Apr-19 | 18-May-17 | \$0.10 | \$0.04 | 12 months service to 18 May 2017. | 100% |
| Share options – tranche 2 | 1-Mar-17 | 1,750,000 | 1-Mar-20 | 1-Mar-18 | \$0.14 | \$0.03 | 12 months service to 1 March 2018. | 100% |
| HCD acquisition options | 6-Apr-17 | 33,200,000 | 6-Apr-19 | N/A | \$0.25 | \$0.01 | Nil. | 0% |
| Share options – tranche 3 | 22-Sep-17 | 750,000 | 1-Mar-20 | 22-Sep-18 | \$0.14 | \$0.04 | 12 months service to 22 September 2018. | 100% |

The movements in the current year of the number of options granted are as follows:

| Executive | Grant date | Vesting date | Number at beginning of year | Granted during the year | Number of options exercised | Number of options lapsed | Number at end of year |
|-------------------------------|------------|--------------|-----------------------------|-------------------------|-----------------------------|--------------------------|-----------------------|
| Share options – tranche 1 | 18-May-16 | 18-May-17 | 5,000,000 | - | - | - | 5,000,000 |
| Share options – tranche 2 | 1-Mar-17 | 1-Mar-18 | 1,750,000 | - | - | - | 1,750,000 |
| Other HCD acquisition options | 6-Apr-17 | N/A | 33,200,000 | - | - | - | 33,200,000 |
| Share options – tranche 3 | 22-Sep-17 | 22-Sep-18 | 750,000 | - | - | - | 750,000 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 SEGMENT INFORMATION

Operating segments — geographical segments

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

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

| | Australia | USA | Worldwide | Eliminations | Total |
|---|--------------------|--------------------|--------------------|---------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2018 | | | | | |
| Income | | | | | |
| Interest | 24,589 | 148 | - | - | 24,737 |
| Other income | - | - | 257,683 | (212,114) | 45,569 |
| Expenditure | | | | | |
| Director and employee expenses | (501,473) | (49,064) | (332,210) | - | (882,747) |
| Other | (582,963) | 3,861,424 | (1,772,843) | (4,621,066) | (3,115,448) |
| Profit/(Loss) for the period | (1,059,847) | 3,812,508 | (1,847,370) | (4,833,180) | 3,927,889 |
| Assets as at 31 December 2018 | 12,472,487 | 721,448 | 1,510,257 | (7,315,116) | 7,389,076 |
| Liabilities as at 31 December 2018 | 217,543 | 47,568,463 | 4,734,830 | (51,977,799) | 543,037 |
| | | | | | |
| | Australia | USA | Worldwide | Eliminations | Total |
| | \$ | \$ | \$ | \$ | \$ |
| 2017 | | | | | |
| Income | | | | | |
| Interest | 21,604 | - | - | - | 21,604 |
| Other income | - | 229,117 | 74,578 | - | 303,695 |
| Gain / (loss) on sale of assets | - | (5,581) | - | - | (5,581) |
| Expenditure | | | | | |
| Director and employee expenses | (645,993) | - | (295,889) | - | (941,882) |
| Other | (808,911) | (4,420,939) | (1,116,313) | 3,520,490 | (2,825,673) |
| Profit/(Loss) for the period | (1,433,303) | (4,197,403) | (1,337,624) | 3,520,490 | (3,447,837) |
| Assets as at 31 December 2017 | 10,851,346 | 603,613 | 1,471,259 | (4,621,657) | 8,304,561 |
| Liabilities as at 31 December 2017 | 221,886 | 46,511,526 | 2,941,780 | (49,414,010) | 261,182 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 FINANCIAL RISK MANAGEMENT

Overview

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, loans to and from subsidiaries, and trade and other payables. The main risks arising from the Group's financial assets and liabilities are interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk. This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk.

The Group regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of new entity or project) and policies are created or revised as required. The overall objective of the Group's financial risk management policy is to support the Group in meeting its financial targets, whilst minimizing potential adverse effects on financial performance.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains. As the Group's operations change, the Directors will review this policy.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

The Group holds the following financial instruments which are carried at amortised cost unless otherwise stated:

| | 2018 | 2017 |
|------------------------------|------------------|-------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 2,206,515 | 2,947,442 |
| Trade and other receivables | 31,970 | 105,138 |
| | 2,238,485 | 3,052,580 |
| Financial liabilities | | |
| Trade and other payables | 331,414 | 158,039 |
| | 331,414 | 158,039 |

Interest rate risk

Exposure to interest rate risk arises on cash and cash equivalents recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

A forward business cash requirement estimate is made, identifying cash requirements for the following period (generally up to one year) and interest rate term deposit information is obtained from a variety of banks over a variety of periods (usually one month up to six month term deposits) accordingly. The funds to invest are then scheduled in an optimised fashion to maximise interest returns.

Interest rate sensitivity

A sensitivity of 1% interest rate has been selected as this is considered reasonable given the current market conditions. A 1% movement in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Profit or Loss | | Equity | |
|---------------------------|----------------|-----------------|---------------|-----------------|
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| 2018 | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 22,065 | (22,065) | 22,065 | (22,065) |
| 2017 | | | | |
| Cash and cash equivalents | 29,474 | (29,474) | 29,474 | (29,474) |

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient resources to meet its obligations when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. 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 assets. This involves the monitoring of actual cash flows and matching the maturity profiles of financial assets and liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid.

The following table details the remaining contractual maturity for non-derivative financial liabilities.

| | <1 year | Total | Carrying Amount |
|--------------------------|----------------|------------------------|-----------------|
| | | Contractual Cash Flows | |
| 2018 | \$ | \$ | \$ |
| Trade and other payables | 331,414 | 331,414 | 331,414 |
| | 331,414 | 331,414 | 331,414 |
| 2017 | | | |
| Trade and other payables | 158,039 | 158,039 | 158,039 |
| | 158,039 | 158,039 | 158,039 |

Foreign exchange risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchases of goods and services in currencies other than the Group's presentation currency. The Group is also exposed to transactional currency movements. Such exposures arise from transactions which are denominated in currencies other than the functional currency of the Group. The Group's exposure to foreign currency risk primarily arises from the Group's operations overseas, namely in the United States.

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 are eliminated on consolidation via the foreign currency translation reserve.

The Group does not have material foreign currency receivable or payable balances at balance date.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk. The Group's policy is to generally convert its local currency to US dollars at the time of transaction.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 FINANCIAL RISK MANAGEMENT (CONTINUED)

Based on financial instruments held in a foreign currency at 31 December 2018 and 31 December 2017, had the Australian dollar strengthened/weakened by 10% there would be an immaterial impact on the Group's profit or loss and equity.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables. The Group exposure and the credit ratings of its counterparties are continuously monitored by the Board of Directors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table above.

Credit risk exposures

Trade and other receivables

Trade and other receivables comprise receivables from the sale of products and services to predominantly unrelated entities. All potential customers are rated for credit worthiness, taking into account their size, market position and financial standing. The receivable balances are monitored on an ongoing basis. The Group's exposure to bad debts is not significant. At 31 December 2018 \$nil, (2017: \$nil) of the Group's receivables were past due.

Cash and cash equivalents, restricted cash and term deposits

The Group has a significant concentration of credit risk with respect to cash deposits with banks. However, significant cash deposits are invested across three to four banks to mitigate credit risk exposure to a particular bank. AA rated banks are mostly used and non AA banks are utilised where commercially attractive returns are available.

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

Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group is exposed to commodity price risk. Commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

Capital risk management

When managing capital, management's objective is to ensure the Group continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements. In order to maintain or adjust the capital structure, the Group may seek to issue new shares.

Consistent with others in the industry, the Group monitors capital on the basis of forecast exploration and evaluation expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. Total capital is calculated as 'equity' as shown in the statement of financial position.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

Fair value hierarchy

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level as determined by the following fair value measurement hierarchy:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Other fair value disclosures

The Directors consider that the carrying amount of trade and other receivables and trade and other payables recorded in the financial statements approximates their fair values due to their short-term nature.

NOTE 16 EARNINGS PER SHARE

| | 2018 | 2017 |
|---|--------------------|-------------|
| | \$ | \$ |
| (a) Reconciliation of earnings used in calculating basic and diluted earnings per share: | | |
| Loss for the year | (3,927,889) | (3,447,837) |
| Loss used in the calculation of the basic and dilutive earnings per share | (3,927,889) | (3,447,837) |
| (b) Weighted average number of ordinary shares used as the denominator: | | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 187,613,369 | 137,952,273 |
| <i>Adjustments for the calculation of diluted earnings per share:</i> | | |
| Option / performance rights | - | - |
| Weighted average number of ordinary shares used in calculating dilutive earnings per share | 187,613,369 | 137,952,273 |

(c) Options and performance rights are considered to be “potential ordinary shares” and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Details relating to options and performance rights are set out in note 13.

NOTE 17 COMMITMENTS

There are no commitments as at 31 December 2018 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 CONTINGENCIES

There are no contingent liabilities or contingent assets as at 31 December 2018 (2017: Nil).

NOTE 19 SUBSEQUENT EVENTS

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 Group's operations, results or the state of affairs in future financial years.

NOTE 20 RELATED PARTY DISCLOSURE

Related party transactions

Parent entity

The legal parent entity is Indago Energy Limited. Details of the controlled entities are set out in note 21.

Transactions with related parties

During the year, the Group paid the following amounts to related party entities:

- \$24,000 of consulting fees to Alenda Pty Ltd, a company associated with Donald Beard.
- \$73,000 of board fees to Spring Street Holdings Pty Ltd, a company associated with Ray Shorrocks.
- \$90,000 of consulting fees (in lieu of board fees) to True Success Pty Ltd, a company associated with Allan Ritchie.
- \$242,210 of salaries and wages and \$257,135 of royalties to NC2 LLC, a company associated with Nicholas Castellano.
- \$300,000 of consulting fees to Yurpal Australia Pty Ltd, a company associated with Douglas Hamilton.

These amounts are included in the total remuneration paid to Directors as per the Remuneration Report in the Directors' Report. \$150,000 was also paid to Lowell Accounting Services for accounting and secretarial services and rent, an entity of which Stephen Mitchell and Julie Edwards are Directors.

Nicholas Castellano borrowed funds from the Group in April 2017. The loan is non-interest bearing and is repayable from July 2017 in instalments of US\$2,000 per month. The loan was fully repaid during the year. Refer to note 8 for further information.

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

Transactions with controlled entities

Transactions between Indago Energy Limited and its subsidiaries during the year included:

- loans advanced to/repayments from subsidiaries; and
- investments in subsidiaries.

The loans and investments have been impaired as shown in the parent entity disclosures section of this note. The loans to subsidiaries are interest free, repayable in cash at call and are unsecured.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20 RELATED PARTY DISCLOSURE (CONTINUED)

Key management personnel

Key management personnel comprise all of the Directors of the Group, including the following:

| | |
|---------------------|---|
| Stephen Mitchell | Executive Chairman |
| Nicholas Castellano | Executive Director |
| Donald Beard | Non-executive Director (resigned 30 April 2018) |
| Ray Shorrocks | Non-executive Director |
| Allan Ritchie | Non-executive Director |
| Douglas Hamilton | Business Development Manager |
| Julie Edwards | Company Secretary |

| | 2018 | 2017 |
|--------------------------|------------------|-------------|
| | \$ | \$ |
| Short-term benefits | 1,085,107 | 1,097,273 |
| Long-term benefits | 764 | 847 |
| Post-employment benefits | 21,645 | 29,705 |
| Equity-based payments | 8,167 | 146,080 |
| | 1,115,683 | 1,273,905 |

Refer to the Remuneration Report in the Directors' Report for further information.

Parent entity disclosures

ASSETS

| | | |
|---------------------|-------------------|------------|
| Current assets | 2,213,533 | 2,946,792 |
| Non-current assets | 10,249,954 | 7,915,891 |
| TOTAL ASSETS | 12,463,487 | 10,862,683 |

LIABILITIES

| | | |
|-------------------------|----------------|---------|
| Current liabilities | 215,931 | 221,886 |
| Non-current liabilities | 1,611 | - |

| | | |
|--------------------------------|----------------|---------|
| NON-CURRENT LIABILITIES | 217,542 | 221,886 |
|--------------------------------|----------------|---------|

| | | |
|-------------------|-------------------|------------|
| NET ASSETS | 12,245,945 | 10,640,797 |
|-------------------|-------------------|------------|

EQUITY

| | | |
|--------------------|---------------------|--------------|
| Issued capital | 60,453,157 | 57,805,330 |
| Reserves | 304,042 | 277,875 |
| Accumulated losses | (48,511,254) | (47,442,408) |

| | | |
|---------------------|-------------------|------------|
| TOTAL EQUITY | 12,245,945 | 10,640,797 |
|---------------------|-------------------|------------|

COMPREHENSIVE LOSS FOR THE YEAR

| | | |
|-------------------|--------------------|-------------|
| Loss for the year | (1,068,846) | (1,433,303) |
|-------------------|--------------------|-------------|

| | | |
|--|--------------------|-------------|
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | (1,068,846) | (1,433,303) |
|--|--------------------|-------------|

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 GROUP STRUCTURE

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3(a).

| Name of entity | Country of incorporation | Class of shares | Equity holding % ¹ | |
|--|--------------------------|-----------------|-------------------------------|------|
| | | | 2018 | 2017 |
| HCD Brazil Pty Ltd | Australia | Ordinary | 100 | 100 |
| Hydrocarbon Dynamics Australia Pty Ltd | Australia | Ordinary | 100 | 100 |
| HCD Canada Ltd | Canada | Ordinary | 100 | 100 |
| HCDI Holdings Ltd | Hong Kong | Ordinary | 100 | 100 |
| Hydrocarbon Dynamics Ltd | Hong Kong | Ordinary | 100 | 100 |
| HCD Offshore SDN BND | Malaysia | Ordinary | 100 | 100 |
| HCD Blending LLC | USA | Ordinary | 100 | 100 |
| Indago Oil and Gas Inc | USA | Ordinary | 100 | 100 |
| Pryme Oil and Gas LLC | USA | Ordinary | 100 | 100 |
| TOC LLC dba Triopco LLC | USA | Ordinary | 100 | 100 |
| Trimissco LLC | USA | Ordinary | 100 | 100 |
| Pryme Energy LLC ² | USA | Ordinary | - | 100 |
| Trident Minerals LLC ² | USA | Ordinary | - | 100 |

¹ percentage of voting power is in proportion to ownership interest.

² Entity was deregistered in the 2019 financial year.

NOTE 22 BUSINESS COMBINATIONS

On 6 April 2017, the Group acquired 100% of the issued shares in Hydrocarbon Dynamics (“HDC”) a new clean oil technology business that allows for the swift, clean and cost effective treatment of heavy, asphaltenic and paraffinic oils for consideration of 30 million ordinary shares and 33.2 million options (exercisable at \$0.25 for two years) and will issue additional shares if certain revenue and EBITDA hurdles are met. The Group paid cash for the intellectual property and also pays a monthly royalty of 5% of net sales to Director Mr Nicholas Castellano up to a cumulative total of US\$19.5 million. The royalty is US\$20,000/month minimum once sales targets have been achieved (pending achievement of sales targets payments are US\$16,000/month).

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

- 30 million ordinary shares (of which 21,265,731 are subject to voluntary escrow for a 12 month period);
- 33.2 million options exercisable at 25 cents each with a 2 year expiry;
- 30 million Performance Milestone Tranche 1 Rights, based on HCD EBITDA performance benchmarks for the 12 month period ending 31 March 2018 being satisfied;
- 50 million Performance Milestone Tranche 2 Rights, based on HCD EBITDA performance benchmarks for the 12 month period ending 31 March 2019 being satisfied, and
- 20 million potential Conditional Shares to be issued by the Group to the vendors of the HCD business. The additional shares were to be issued if HCD achieved revenue of several hundred thousand dollars’ worth of product on certain minimum terms and conditions. These revenues were not achieved within the requisite time period, and accordingly the conditional shares were not be issued.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 BUSINESS COMBINATIONS (CONTINUED)

| | 2017 |
|--|------------------|
| | \$ |
| PURCHASE CONSIDERATION TRANSFERRED: | |
| Issue of equity | 3,150,000 |
| Cash payment | 663,218 |
| TOTAL PURCHASE CONSIDERATION | 3,813,218 |
| IDENTIFIABLE NET ASSETS: | |
| <i>Assets:</i> | |
| Cash and cash equivalents | 4,432 |
| Trade and other receivables | 41,227 |
| Inventory | 625,291 |
| Other current assets | 6,308 |
| Intellectual property | 663,218 |
| Plant and equipment | 8,292 |
| TOTAL ASSETS | 1,348,768 |
| <i>Liabilities:</i> | |
| Trade and other payables | (132,134) |
| Borrowings to related parties | (686,315) |
| TOTAL LIABILITIES | (818,449) |
| TOTAL IDENTIFIABLE NET ASSETS | 530,319 |
| <i>Reconciliation of purchase consider transferred:</i> | |
| Identifiable net assets | 530,319 |
| Goodwill arising on acquisition | 3,282,899 |
| PURCHASE CONSIDERATION TRANSFERRED | 3,813,218 |
| NET CASH INFLOW OR OUTFLOW ARISING FROM ACQUISITION | |
| Cash paid | (663,218) |
| Cash acquired | 4,432 |
| NET CASH OUTFLOW ARISING FROM ACQUISITION | (658,786) |

The acquired business contributed revenues of \$74,581 and a net loss of \$1,337,621 to the Group for the period from 1 April 2017 to 31 December 2017. Acquisition related costs of \$98,165 that were not directly attributable to the issue of shares are included in business acquisition costs in profit or loss and in operating cash flows in the statement of cash flows.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - a. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the consolidated entity.
2. As stated in Note 1, the financial statements also comply with International Financial Reporting Standards.
3. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Managing Director and Financial Controller required by section 295A of the Corporations Act 2001.

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



Stephen Mitchell
Chairman
Melbourne, Victoria.
28 March 2019



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Brisbane, Queensland 4000

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info@pitcherpartners.com.au

INDEPENDENT AUDITOR'S REPORT

To the Directors of Indago Energy Limited and its controlled entities Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Indago Energy Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of 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 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the annual report which states that the Group's ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding through debt, equity or farm-out, the successful exploration and subsequent exploitation of the Group's working interests, or the commercialisation of the Group's HCD product. The matters set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

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 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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 of the current period. These 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.

| | | | | | |
|----------------|-----------------|-----------------|----------------|--------------|----------------|
| Ken Ogden | Peter Camenzuli | Kylie Lamprecht | Warwick Face | Simon Chun | James Field |
| Nigel Fischer | Jason Evans | Norman Thurecht | Nigel Batters | Jeremy Jones | Daniel Colwell |
| Mark Nicholson | Ian Jones | Brett Headrick | Cole Wilkinson | Tom Splatt | |

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INTERNATIONAL

| Key audit matter | How our audit addressed the matter |
|---|--|
| IMPAIRMENT OF EXPLORATION AND EVALUATION ASSET <i>Refer to Note 10: Exploration and evaluation expenditure</i> | |
| <p>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), Kentucky (the Illinois project), and Utah (the Asphalt Ridge project).</p> <p>Exploration and evaluation assets totalling \$578,598 as disclosed in Note 10 represent a significant balance recorded in the consolidated statement of financial position.</p> <p><i>AASB 6 Exploration for and Evaluation of Mineral Resources</i> require the exploration and evaluation asset to be assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.</p> <p>Management performed an impairment assessment at 31 December 2018 that require management to make key assumptions in determining whether impairment indicators exist, including:</p> <ul style="list-style-type: none"> ▪ Reserve certification; ▪ Testing and analysis results to date; ▪ Fluctuations in oil prices; and ▪ Capital expenditure estimates. <p>An impairment expense of \$544,323 was recognised during the year.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Understanding and evaluating the controls pertaining to exploration and evaluation expenditure; ▪ Testing a sample of additions to the exploration and evaluation asset for the year ending 31 December 2018; ▪ Assessing the adequacy of the Group’s disclosures; ▪ Testing the compliance with the lease terms of each tenement; and ▪ Evaluating management’s methodologies and the basis for key assumptions utilised in the impairment assessment. |
| IMPAIRMENT OF INTANGIBLE ASSETS <i>Refer to Note 11: Intangible assets</i> | |
| <p>The Group acquired HCDI Holdings Limited (‘HCD’) in 2017 resulting in the recognition of two intangible assets being goodwill and intellectual property with the carrying value recognised in the Group’s consolidated statement of financial position as at 31 December 2018 of \$3,282,899 and \$663,218 respectively.</p> <p>As these balances constitute 53.40% of the total assets of the Group and the use of key estimates and judgments in the assessment of any potential impairment, this is a key area of audit focus.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Understanding and evaluating the controls pertaining to goodwill and intellectual property; ▪ Assessing management’s determination of the Group’s CGUs based on our understanding of the Group’s business and internal reporting; ▪ Comparing managements cash flow forecasts to the board approved forecast; ▪ Assessing the assumptions and methodology used for the impairment assessment in particular those assumptions relating to sales volume and value; ▪ Checking the mathematical accuracy of the cash flow model and agreeing relevant data to the latest forecasts and performing sensitivity analysis by varying key assumptions; and ▪ Assessing the adequacy of the disclosure in the financial report. |

Responsibilities of the Directors for the Financial Report

The directors of the Group 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 has 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

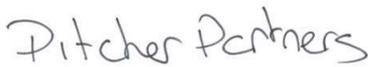
REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 14 to 20 of the directors' report for the year ended 31 December 2018. In our opinion, the Remuneration Report of Indago Energy Limited, for the year ended 31 December 2018, 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.



PITCHER PARTNERS



N BATTERS

Partner
Brisbane, Queensland
28 March 2019

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 19 March 2019.

1. Substantial shareholders

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

Fully paid Ordinary Shares

| Name | Number | % |
|---|------------|------|
| Sterling McGregor Super Pty Ltd | 14,438,229 | 6.82 |
| GXB Pty Ltd/G&J Super Fund Pty Ltd | 11,041,419 | 5.22 |
| Equity Trustees Limited ACF Lowell Resources Fund | 10,898,817 | 5.15 |

2. Number of security holders and securities on issue

Indago has issued the following equity securities:

211,557,945 fully paid ordinary shares held by 1,511 shareholders;
5,000,000 \$0.10 unlisted Director Options held by 3 option holders
2,500,000 \$0.14 unlisted Incentive Options held by 2 option holders
33,200,000 \$.25 unlisted HCD Acquisition Options held by 116 option holders

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.

Unlisted Options

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

4. Distribution of security holders

Quoted securities

Fully paid ordinary shares

| Category | Fully paid ordinary shares | | |
|------------------|----------------------------|--------------------|---------------|
| | Holders | Shares | % |
| 1 - 1,000 | 433 | 209,478 | 0.10 |
| 1,001 - 5,000 | 346 | 922,172 | 0.44 |
| 5,001 - 10,000 | 120 | 896,760 | 0.42 |
| 10,001 - 100,000 | 366 | 14,144,091 | 6.69 |
| 100,001 and over | 246 | 195,385,444 | 92.36 |
| Total | 1,511 | 211,557,945 | 100.00 |

Unquoted securities

Options

| Category | Unlisted Options | | |
|------------------|------------------|-------------------|---------------|
| | Holders | Options | % |
| 1 - 1,000 | 1 | 920 | 0.00 |
| 1,001 - 5,000 | 8 | 16,897 | 0.04 |
| 5,001 - 10,000 | 15 | 113,299 | 0.28 |
| 10,001 - 100,000 | 44 | 1,707,376 | 4.20 |
| 100,001 and over | 53 | 38,861,508 | 95.48 |
| Total | 121 | 40,700,000 | 100.00 |

5. Unmarketable parcel of shares

The number of security investors holding less than a marketable parcel of securities is 951 with a combined total of 2,639,359 securities.

6. Twenty largest shareholders of quoted equity securities

Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding are:

| | Name | No. of shares | % |
|----|--|--------------------|---------------|
| 1 | Stirling Mcgregor Super Pty Ltd <S Mcgregor Super Fund A/C> | 14,438,229 | 6.82% |
| 2 | Equity Trustees Limited <Lowell Resources Fund A/C> | 10,898,817 | 5.15% |
| 3 | Mr Amin Talib Khan | 8,646,333 | 4.09% |
| 4 | Wheelbarrow Investments Pty Ltd <William Burrell Family A/C> | 6,576,667 | 3.11% |
| 5 | Buderim Panorama Pty Ltd | 6,343,188 | 3.00% |
| 6 | Titus Energy Limited | 5,668,140 | 2.68% |
| 7 | G & J Super Fund Pty Ltd <G & J Super Fund A/C> | 5,541,419 | 2.62% |
| 8 | GXB Pty Ltd | 5,000,000 | 2.36% |
| 9 | Mawallok Pastoral Company Pty Ltd | 4,300,000 | 2.03% |
| 10 | HSBC Custody Nominees (Australia) Limited | 4,150,633 | 1.96% |
| 11 | Stephen Mitchell | 4,000,000 | 1.89% |
| 12 | First Growth Funds Limited | 3,750,000 | 1.77% |
| 13 | Mr S Mitchell & Mrs S Mitchell <S P Mitchell Super Fund A/C> | 3,500,000 | 1.65% |
| 14 | Mutual Trust Pty Ltd | 3,400,000 | 1.61% |
| 15 | Mr John Charles Holmes Clark & Mrs Rebecca Katrina Clark | 3,028,660 | 1.43% |
| 16 | Chag Pty Ltd | 2,649,900 | 1.25% |
| 17 | RAAR Capital Group Pty Ltd | 2,521,037 | 1.19% |
| 18 | Spring Street Holdings Pty Ltd | 2,500,000 | 1.18% |
| 19 | Mr David James Stewart | 2,073,363 | 0.98% |
| 20 | National Nominees Limited | 2,044,728 | 0.97% |
| | Total for Top 20 | 101,031,114 | 47.76% |

CORPORATE DIRECTORY

Registered and Principal Office

Indago Energy Limited
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Melbourne VIC 3000

Phone: +61 3 9642 2899

Fax: +61 3 9642 5177

Website: www.indagoenergy.com

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Phone: 1300 288 664

Fax: +61 2 9698 5414

Auditors

Pitcher Partners
Level 38, Central Plaza,
345 Queen Street
Brisbane QLD 4000

Stock Exchanges

Australian Securities Exchange Limited (ASX)

Code: INK

International OTC Pink (United States)

Code: POGLY

Australian Company Number

117 387 354

Australian Business Number

75 117 387 354

SHAREHOLDER INFORMATION

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| Name | Number | % |
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Indago has issued the following equity securities:

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33,200,000 \$.25 unlisted HCD Acquisition Options held by 116 option holders

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.

Unlisted Options

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

4. Distribution of security holders

Quoted securities

Fully paid ordinary shares

| Category | Fully paid ordinary shares | | |
|------------------|----------------------------|--------------------|---------------|
| | Holders | Shares | % |
| 1 - 1,000 | 433 | 209,478 | 0.10 |
| 1,001 - 5,000 | 346 | 922,172 | 0.44 |
| 5,001 - 10,000 | 120 | 896,760 | 0.42 |
| 10,001 - 100,000 | 366 | 14,144,091 | 6.69 |
| 100,001 and over | 246 | 195,385,444 | 92.36 |
| Total | 1,511 | 211,557,945 | 100.00 |

Unquoted securities

Options

| Category | Unlisted Options | | |
|------------------|------------------|-------------------|---------------|
| | Holders | Options | % |
| 1 - 1,000 | 1 | 920 | 0.00 |
| 1,001 - 5,000 | 8 | 16,897 | 0.04 |
| 5,001 - 10,000 | 15 | 113,299 | 0.28 |
| 10,001 - 100,000 | 44 | 1,707,376 | 4.20 |
| 100,001 and over | 53 | 38,861,508 | 95.48 |
| Total | 121 | 40,700,000 | 100.00 |

5. Unmarketable parcel of shares

The number of security investors holding less than a marketable parcel of securities is 951 with a combined total of 2,639,359 securities.

6. Twenty largest shareholders of quoted equity securities

Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding are:

| | Name | No. of shares | % |
|----|--|--------------------|---------------|
| 1 | Stirling Mcgregor Super Pty Ltd <S Mcgregor Super Fund A/C> | 14,438,229 | 6.82% |
| 2 | Equity Trustees Limited <Lowell Resources Fund A/C> | 10,898,817 | 5.15% |
| 3 | Mr Amin Talib Khan | 8,646,333 | 4.09% |
| 4 | Wheelbarrow Investments Pty Ltd <William Burrell Family A/C> | 6,576,667 | 3.11% |
| 5 | Buderim Panorama Pty Ltd | 6,343,188 | 3.00% |
| 6 | Titus Energy Limited | 5,668,140 | 2.68% |
| 7 | G & J Super Fund Pty Ltd <G & J Super Fund A/C> | 5,541,419 | 2.62% |
| 8 | GXB Pty Ltd | 5,000,000 | 2.36% |
| 9 | Mawallok Pastoral Company Pty Ltd | 4,300,000 | 2.03% |
| 10 | HSBC Custody Nominees (Australia) Limited | 4,150,633 | 1.96% |
| 11 | Stephen Mitchell | 4,000,000 | 1.89% |
| 12 | First Growth Funds Limited | 3,750,000 | 1.77% |
| 13 | Mr S Mitchell & Mrs S Mitchell <S P Mitchell Super Fund A/C> | 3,500,000 | 1.65% |
| 14 | Mutual Trust Pty Ltd | 3,400,000 | 1.61% |
| 15 | Mr John Charles Holmes Clark & Mrs Rebecca Katrina Clark | 3,028,660 | 1.43% |
| 16 | Chag Pty Ltd | 2,649,900 | 1.25% |
| 17 | RAAR Capital Group Pty Ltd | 2,521,037 | 1.19% |
| 18 | Spring Street Holdings Pty Ltd | 2,500,000 | 1.18% |
| 19 | Mr David James Stewart | 2,073,363 | 0.98% |
| 20 | National Nominees Limited | 2,044,728 | 0.97% |
| | Total for Top 20 | 101,031,114 | 47.76% |

CORPORATE DIRECTORY

Registered and Principal Office

Indago Energy Limited
Level 6, 412 Collins Street
Melbourne VIC 3000

Phone: +61 3 9642 2899

Fax: +61 3 9642 5177

Website: www.indagoenergy.com

Share Registry

Automic
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Phone: 1300 288 664

Fax: +61 2 9698 5414

Auditors

Pitcher Partners
Level 38, Central Plaza,
345 Queen Street
Brisbane QLD 4000

Stock Exchanges

Australian Securities Exchange Limited (ASX)

Code: INK

International OTC Pink (United States)

Code: POGLY

Australian Company Number

117 387 354

Australian Business Number

75 117 387 354

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

Name of entity

Indago Energy Limited

ABN / ARBN

75 117 387 364

Financial year ended:

31 December 2018

Our corporate governance statement² for the above period above can be found at:³

These pages of our annual report: Pages 14 to 21 of the 31 December 2018 Annual Report released to the ASX on 29 March 2018

This URL on our website:

The Corporate Governance Statement is accurate and up to date as at 28 March 2019 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 29 March 2018

Julie Edwards, Company Secretary.



¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ |
|---|---|---|--|
| PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT | | | |
| 1.1 | A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 1.2 | A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 1.3 | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 1.4 | The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Key to Disclosures Corporate Governance Council Principles and Recommendations

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ |
|---|---|---|--|
| 1.5 | <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> | <p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 1.6 | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 1.7 | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

Key to Disclosures Corporate Governance Council Principles and Recommendations

| Corporate Governance Council recommendation | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ | |
|---|--|---|---|
| PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE | | | |
| 2.1 | <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.indagoenergy.com/irm/content/corporate-governance.aspx?RID=181</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> at page 24 of 31 December 2018 Annual Report</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 2.2 | <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p> | <p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

Key to Disclosures Corporate Governance Council Principles and Recommendations

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ |
|--|---|---|---|
| 2.3 | A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. | ... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| 2.4 | A majority of the board of a listed entity should be independent directors. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 2.5 | The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | ... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] | <input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 2.6 | A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY | | | |
| 3.1 | A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. | ... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> at http://www.indagoenergy.com/irm/content/corporate-governance.aspx?RID=181 | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |

Key to Disclosures Corporate Governance Council Principles and Recommendations

| Corporate Governance Council recommendation | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ | |
|---|--|---|---|
| PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING | | | |
| 4.1 | <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location http://www.indagoenergy.com/irm/content/corporate-governance.aspx?RID=181</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> at page 24 of 31 December 2018 Annual Report</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| 4.2 | <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p> | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |

Key to Disclosures Corporate Governance Council Principles and Recommendations

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ |
|---|--|--|---|
| 4.3 | A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | <p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> at http://www.indagoenergy.com/irm/content/corporate-governance.aspx?RID=181 | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable |
| PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE | | | |
| 5.1 | A listed entity should: <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p> | <p>... our continuous disclosure compliance policy or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS | | | |
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | <p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> http://www.indagoenergy.com | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | <p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | <p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable |
| 6.4 | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | <p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |

Key to Disclosures Corporate Governance Council Principles and Recommendations

| Corporate Governance Council recommendation | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ | |
|--|--|--|--|
| PRINCIPLE 7 – RECOGNISE AND MANAGE RISK | | | |
| 7.1 | <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at this location</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at http://www.indagoenergy.com/irm/content/corporate-governance.aspx?RID=181 (Refer to Audit Committee Charter and Board Charter)</p> | <p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| 7.2 | <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | <p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |

Key to Disclosures Corporate Governance Council Principles and Recommendations

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ |
|---|--|---|---|
| 7.3 | A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | <p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| 7.4 | A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | <p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |

Key to Disclosures Corporate Governance Council Principles and Recommendations

| Corporate Governance Council recommendation | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ | |
|--|--|---|--|
| PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY | | | |
| 8.1 | <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.indagoenergy.com/irm/content/corporate-governance.aspx?RID=181</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> at page 24 of 31 December 2018 Annual Report</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 8.2 | <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> | <p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 8.3 | <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p> | <p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

Key to Disclosures Corporate Governance Council Principles and Recommendations

| Corporate Governance Council recommendation | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴ |
|---|---|---|
| ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES | | |
| <p>- <i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p> | <p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| <p>- <i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p> | <p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |