



# Indago Energy Limited

31 July 2018

## June 2018 Quarterly Activity and Cashflow Report

### Summary

- Acquired heavy oil project in Utah
- First well in Kentucky encounters good oil shows
- Continued two field trials in Utah for two oil producers in four wells
- Major sales initiatives commenced in India
- Six trials underway in Canada including two in-field tests
- Assessment of north American heavy and paraffinic oil accumulations for potential joint venture or acquisition continued
- 1 for 5 Rights Issue announced on July 12th to raise up to \$2.6m
- Cash position at 30 June 2018 of A\$1.1m

### Good Oil Shows Encountered in First Kentucky Well

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

Strong oils shows were encountered across multiple zones during drilling operations. The first oil show was observed at 255 feet in the Palistine sandstone with another oil show at 425 feet in the Tar Springs sandstone. Further oil shows were observed in the Hardinsburg sand over a 20 foot interval where samples exhibited high oil saturation.

The primary target, the Big Clifty Sandstone, was reached as prognosed at 600 feet at which point coring operations were conducted from 603' to 657' in the oil saturated sandstone. The cores were observed to be bleeding oil with no observed gas.

The hole was then drilled on to a total depth of 713' after which the well was logged and cased.

Analysis of the core is nearly complete and is being used to design a production test using Indago's viscosity reducing technology, HCD Multi-Flow. The production test of the recently drilled well is expected to commence in the July-September Quarter. The objective of the test is to establish if oil can be produced to surface with Multi-Flow.

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## Indago Energy Limited

The Weldon Young #1A well is the first of several planned to appraise INK's Kentucky heavy oil project. INK will use information from this first well to design the most effective completion techniques to promote oil production using HCD Multi-Flow® and any necessary enhancements, such as carrier fluids, stimulation techniques or bacteria.

The successful drilling programme follows on from Indago's announcement on 6 March 2018 that it had received its first oil certification for its heavy oil project in Kentucky. An independent Contingent Oil Resources report prepared by Netherland Sewell & Associates Inc ("NSAI") estimated that the Contingent Oil Resources within the 100% owned project are 3.74 million barrels of oil ("mmbbl") on a 2C basis, 1.87 mmbbls on a 1C basis and 7.49 mmbbls on a 3C basis from an Original Oil in Place ("OOIP") of 42.8 mmbbls.

This initial Contingent Resource report confirmed significant oil in place in INK's initial project area, which is believed to also extend significantly beyond INK's leased acreage, providing scope for a sizeable project should INK's technologies prove technically and commercially successful.



Figure 1 – Drilling the Weldon-Young #1A well in Kentucky



## Indago Energy Limited

### Acquisition of Utah Heavy Oil Project

During the Quarter, Indago acquired 1,920 acres over a portion of Asphalt Ridge in the Uinta Basin in Utah targeting the oil sands in the Upper Cretaceous Rimrock Sandstone of the Mesaverde Group.

The Rimrock Sandstone of the Mesaverde Group is one of several well documented oil sands in Utah, a state that, according to the Utah Geological Survey, contains oil sands with 14 to 15 billion barrels of measured oil in place with an additional estimated resource of 23 to 28 billion barrels.

As illustrated in Figure 2 below, previous operators in the region have drilled several exploration wells in sections directly adjacent on the north, west and south of Indago's acreage. Indago has been able to assess some of the information from earlier wells which has assisted in understanding key elements of the play and the region's prospectivity. The information from previous operators has demonstrated an oil saturated reservoir approximately 90-175' (27-53 metres) thick at a depth range of between 200-3000' (60-914 metres).

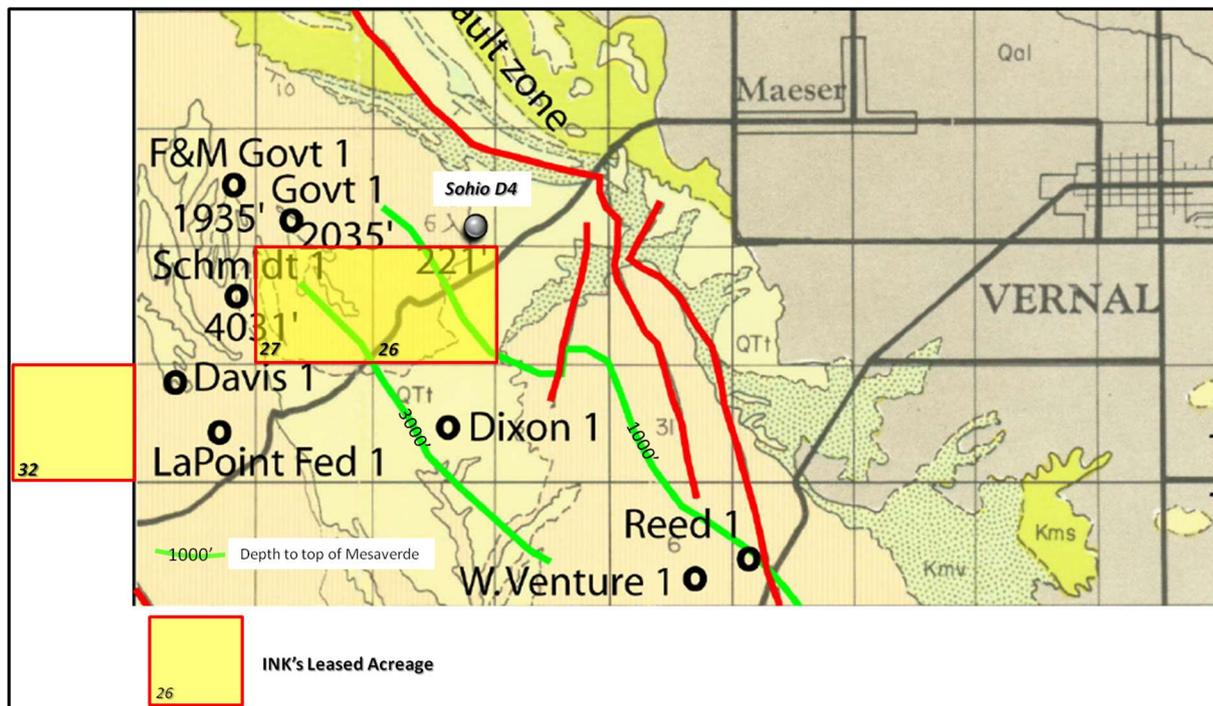


Figure 2 Indago leases and previous exploration wells



## Indago Energy Limited

Based on previous results published on the Utah Geological Survey website of more than 330 core samples from six test wells drilled in the sections adjacent to Indago's acreage, the target zone has reported reservoir properties including an average porosity of 30.3%, average permeability of 524 millidarcies, oil saturation of 65.6% and an oil gravity of 10-14<sup>0</sup>API.

The Company will initially test oil sand samples from Rimrock Sandstone to both understand the efficacy of INK's technology in extracting oil from the sand as well as to assist in the design of a larger appraisal programme.

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

### **Field Trials Update**

See detailed market Update released to ASX on 12 July 2018.

### **Distributor and Agent Update**

See detailed Market Update released to the ASX on 12 July 2018.

### **Laboratory Testing & Product Update**

NEW Multi-Flow Safety Data Sheets were completed during the quarter including a new European SDS and REACH certification, an important step in allowing bulk sales into the European Union.

Indago subsidiary, HCD received a USA Patent, Patent number 10,0005,613 B2 for its unique "Non-Entry Tank Cleaning Methodology".

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

No work was conducted during the Quarter.



## Indago Energy Limited

### Financial

On 12 July 2018, Indago announced a 1 for 5 Rights Issue at 7.4 cent per share to raise approximately \$2.6m. This price represented an 8% discount to the 5 day VWAP at that time.

Peloton Capital Pty Ltd has been appointed to manage the Rights Issue and to assist the Directors to place the shortfall. The Record Date for shareholder participation is Wednesday, 18 July 2018 and the closing date for subscriptions is 10 August 2018 at 5pm AEST unless extended.

At 30 June 2018, Indago Energy had cash resources of \$1.1 million.

### Oil and Gas Tenements as at 30 June 2018

Project	Location	Interest acquired or disposed of during the quarter net to Indago	Total acres owned net to Indago	Working Interest held as at 31 March 2018
Newkirk	Kay and Noble Counties, Oklahoma	0	3,149	100%
Kentucky	Butler and Warren Counties, Kentucky	0	1,786	100%
Utah	Uintah, County	1,920	1,920	100%

For further information please contact:

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ASX Code: INK

## Appendix 5B

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

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

Indago Energy Limited

### ABN

75 117 387 354

### Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
144 Receipts from customers	-	10
1.2 Payments for		
(a) exploration & evaluation	(309)	(454)
(b) development	-	-
(c) production	-	-
(d) staff costs	(295)	(725)
(e) administration and corporate costs	(249)	(458)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	10
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other - Royalties	(64)	(126)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(916)</b>	<b>(1,745)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(1)
(b) tenements (see item 10)	(81)	(114)
(c) investments	-	-
(d) other non-current assets	-	(7)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	8	16
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash purchased on acquisition)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(73)</b>	<b>(106)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	64	64
3.6	Repayment of borrowings	(27)	(27)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>37</b>	<b>37</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,091	2,947
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(916)	(1,745)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(73)	(106)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	37	37
4.5	Effect of movement in exchange rates on cash held	6	12
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,145</b>	<b>1,145</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,145	2,091
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,145</b>	<b>2,091</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

(278)

8

- 6.1 - Directors fees, Consultancy and Royalties
- 6.2 - Director loan repayment (acquired with HCD purchase)

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

-

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

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	125
9.2 Development	-
9.3 Production	-
9.4 Staff costs	280
9.5 Administration and corporate costs	200
9.6 Other - Royalties	65
<b>9.7 Total estimated cash outflows</b>	<b>670</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Uintah Basin, Utah	100% in acreage	-	1,920 Acres

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

  
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Company secretary

Date: 31 July 2018

Print name: Julie Edwards

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.