INDAGO ENERGY LIMITED

(ABN 75 117 387 354)

AND

CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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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: 8%
Senior Management: Nil
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 2018. 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 2017 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 five directors as at the date of the Financial Report. Mr Stephen Mitchell is currently Executive Chairman. Mr Nicholas Castellano is an executive director and Mr Ray Shorrocks, Mr Donald Beard and Mr Allan Ritchie are independent Non-executive Director.

During the prior reporting period, Indago partly complied with ASX Principle 2.4 which requires that a majority of the Board should be Independent. During the period 1 January 2016 to 12 January 2016 the board comprised of one independent directors and two non-independent directors and therefore did not comply with ASX Principle 2.4. 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. A three member Board comprising at least two independent directors has been in place since 12 January 2016 to comply with ASX Principle 2.4.

During the reporting period, there were a number of changes to the Board. The following table outlines the Directors of the 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	Non-executive status	Independence status
Stephen Mitchell	12 January 2016	✗	✗
Ray Shorrocks	12 January 2016	✓	✓
Donald Beard	12 January 2016	✓	✓
Allan Ritchie	6 April 2017	✓[1]	✓[1]
Nicholas Castellano	6 April 2017	✗	✗

[1] Non-executive and independent from 30 September 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 2017 Directors' Report. The Board Charter and the Remuneration & Nomination Committee Charter outline in more detail the procedure for the selection and appointment of new directors.

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

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

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

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

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. This includes education concerning key developments in the 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 CFO oversees the Group's financial resources, records and reporting.

The Board requires the persons performing the roles of CEO/Managing Director and CFO to declare in writing to the Board at the time of approving and signing the annual and half-yearly accounts that, in their opinion, the 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 Financial 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:

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

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

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

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

Principle Six – Respect the Rights of Shareholders

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

Indago is committed to:

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

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

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

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

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

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

Where possible, Indago will arrange for advance notification to shareholders of significant Group briefings. Presentations to be made at such briefings, which contain information not previously released to shareholders, will be released via the ASX and published on the 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, levels of authority and due diligence requirements. Capital expenditure and revenue commitments that exceed a delegated authority will require prior Board approval. Procedures have been established to ensure business transactions are properly authorised and executed. Compliance with these procedures may be scrutinised by the external auditor.

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

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

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

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

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

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 2017 year and further details about the Remuneration Policy of Indago are set out in the 2017 Directors' Report.

DIRECTORS' REPORT

In accordance with a resolution of directors, the directors present their report together with the Financial Report of Indago Energy Limited (Indago) and its wholly owned subsidiaries (together referred to as the 'Group') for the financial year ended 31 December 2017 and the Independent Audit Report thereon. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. Directors

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

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

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

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

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

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

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

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

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

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

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

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

- Draig Resources Limited (Appointed 24 December 2015)
- Estrella Resources Limited (Appointed 1 July 2015)
- Galilee Energy Limited (Appointed 2 December 2013)

(d) Allan Ritchie – Non- executive Director
Non-executive Director (Appointed 6 April 2017, Executive Director from 6 April 2017 to 30 September 2017)

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.

(e) Nick Castellano – Executive Director
Executive Director (Appointed 6 April 2017)

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.

2. Company Secretary

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. Principal Activities

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

4. Review of Operations and Financial Results

A review of, and information about, the Group's operations, including the results of those operations and changes in its state of affairs during the year together with the information about the financial position of the Group is specified in the 2017 Financial Report.

Total Comprehensive Income for the Group for the period was a loss of $3,538,388 (2016: loss of $1,145,520). Total Comprehensive Loss includes a loss of $90,551 (2015: gain of $99,911) arising on translation of foreign operations.

On 6 April 2017, Indago completed the acquisition of HCDI Holdings Ltd, and associated technologies including a new clean oil technology and business that allows for the swift, clean and cost effective treatment of heavy, asphaltenic and paraffinic oils.

The key product, HCD MultiflowTM is a small, specially engineered carbon-based organic molecule that can disaggregate the large, naturally occurring agglomerations of waxes and asphaltenes in heavy or paraffinic oil.

Indago has paid the vendors 30 million ordinary shares and 33.2 million options (exercisable at $0.25c for two years) and will issue additional shares if certain revenue and EBITDA hurdles are met. Indago paid cash for Intellectual property and also pays a monthly royalty of 5% of net sales (subject to a minimum of US$20,000/ month) to Director Mr Nicholas Castellano up to a cumulative total of US$19.5 million.

Projects

HCD Acquisition
The Group's shareholders approved the acquisition of Hong Kong based HCDI Holdings and associated Intellectual Property on April 3rd 2017. As a result of the acquisition the Group now owns an exceptional new oil technology and business that allows for the swift, clean and cost effective treatment of heavy, asphaltenic and paraffinic oils.

The acquired technology can be applied to improve oil flow rates by the liquification of naturally occurring paraffin and asphaltenes that are deposited on the walls of oil well tubulars and oil pipelines, and can also be used to recover saleable oil from sludge in storage facilities. The product has proved its effectiveness in a large-scale commercial oil well and pipeline in Malaysia and on a smaller scale in North America.

North America

The Group is concentrating significant effort on the identification and assessment of several oil accumulations, particularly in North America, where HCD technologies present an opportunity for the Group to develop its own production and reserves. As a result of this work, the group has approached the Mineral Rights owners of several projects that host large oil deposits and presented them with proposals to purchase the rights to assess and develop the heavy oil in place. Initially the Group is targeting projects that would have small capital outlays, modest work obligations and substantial upside.

The Group's executives recently visited over a dozen oil and gas producers in both Canada and the US. Based on these initial meetings the Group has proposed several trials and demonstrations of its key products. The Group's executives also met independent laboratories to discuss independent testing of HCD products to assist in sales efforts. The Group has been invited to test its product in a field trial in Alberta which, if successful, could lead to the deployment of the product across the entire field.

Middle East

The Group's executives visited Abu Dhabi and Oman to discuss substantial opportunities in Tank Cleaning and Enhanced Oil Recovery down-hole applications. The Group has been invited, as part of a consortium, to make a proposal for tank cleaning operations on a trial basis in Abu Dhabi. The Group has also been asked to submit a proposal to trial Multi-Flow downhole in a large heavy oilfield. In August the Group entered into a distribution agreement for the Middle East with a local Group that may lead to a local manufacturing and marketing agreement for the region.

South America

The Group has identified several opportunities in South America for the sale of its key products Multi-Flow and Tank Clean. During August the HCD Multi-Flow inventor visited Brazil to oversee trials of Multi-Flow for a local oil producer. The Group also entered into a sales and marketing agreement with a local company that will see the product promoted to several companies in the Caribbean and Columbia.

China

The Group's executives have also visited several large oil and gas producers in China to discuss opportunities in pipeline and Enhanced Oil Recovery downhole applications.

Illinois project, Kentucky *(100% WI)*

The Group acquired 1,450 acres in the Illinois Basin in western Kentucky targeting the oil sands in the Upper Mississippian Big Clifty Sandstone. The Group has targeted the Big Clifty Sandstone due to its well documented substantial heavy oil resources as well as secondary objectives including five other sandstones which have proven to be hydrocarbon bearing.
The Group will also design a single well programme for early 2018 in order to determine whether its key product, MultiFlow, will be able to maintain the oil in a liquid state from the reservoir to the well head and thus enable the oil to be pumped using conventional equipment.

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

Approximately 31% of Indago's leases were due to expired during the reporting period. The Group renewed only those lease that could be renewed at low prices.

OIL AND GAS TENEMENTS

Project	Location	Interest acquired or disposed (net to Indago)	Total acres owned (net to Indago)	Working Interest held as at 31 December 2017
Newkirk	Kay and Noble Counties, Oklahoma	-	3,149 acres	100%
Kentucky	Illinois, Kentucky	1,450 acres	1,450 acres	100%

5. 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.

6. Likely Developments

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

7. Environmental Regulations and Performance

The Group has various permits and licenses to operate in the United States of America. There have been no significant known breaches of the Group's licence or permit conditions. Furthermore, no government agency has notified the Group of any environmental breaches during the period ended 31 December 2017.

8. Dividends

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

9. Options and Rights

Unissued Shares Under Option

	Date of Issue	Held at 1 Jan 2017	Granted	Expired	Vested during the year	Held at 31 Dec 2017	Vested and exercisable as at 31 Dec 2017
Director Options[2]	1.6.2016	5,000,000	-	-	5,000,000	5,000,000	5,000,000
HCD Acquisition Options[1]	6.4.2017	-	33,200,000	-	-	33,200,000	-
Management Incentive Options[2]	18.5.2017	-	1,750,000	-	-	1,750,000	-
Incentive Options[2]	22.9.2017	-	750,000	-	-	750,000	-

1. Refer to Note 28.
2. Refer to Note 18(b) and 25

Performance Milestones
On 6 April 2017 Performance Milestone Rights were issued to HCD vendors as part of the HCD purchase consideration.

	Date of Issue	Held at 1 Jan 2017	Granted	Expired	Vested during the year	Held at 31 Dec 2017	Vested and exercisable as at 31 December 2017
Performance Milestone[3] (Tranche 1)	6.4.2017	-	30,000,000	-	-	30,000,000	-
Performance Milestone[3] (Tranche 2)	6.4.2017	-	50,000,000	-	-	50,000,000	-

1. Refer to Note 28.

10. Directors' Meetings

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

	Board Of Directors		Audit Committee (#)		Remuneration& Nomination Committee	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Stephen Mitchell	13	13	-	-	-	-
Donald Beard	13	13	5	5	4	4
Ray Shorrocks	13	13	5	5	4	4
Allan Ritchie	9	8	4	4	-	-
Nicholas Castellano	9	8	-	-	3	2

11. Directors' Interests

Particulars of directors' interests in securities as at 31 December 2017 are as follows:

Director	Ordinary Shares	$0.10 Unlisted options Expiry 1 April 2019	$0.25 Unlisted options Expiry 1 March 2020	Performance shares (Tranche 1)	Performance shares (Tranche 2)
Stephen Mitchell	8,153,001	2,000,000	-	-	-
Ray Shorrocks	2,258,233	1,500,000	-	-	-
Don Beard	451,214	1,500,000	-	-	-
Allan Ritchie	2,495,250	-	1,342,628	1,871,437	3,119,062
Nicholas Castellano	5,571,281	-	3,853,527	5,371,281	8,952,135

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

12. Remuneration Report

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

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

Summary of Key Contract Terms
The key terms of remuneration in respect of key personnel as at 31 December 2017 are set out below:

Name / Position	Contract	Terms Per Annum	Total Remuneration Per Annum
Stephen Mitchell Executive Chairman	Yes	Executive Director $320,000 plus super (contract expires 1 April 2018 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.	$353,939
Donald Beard Non-Executive Director	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 (Executive from 6 April 2017 to 29 September 2017)	Yes	Non-executive Director $36,000. Executive Director/Contractor $54,000.	$90,000
Nicholas Castellano Executive Director	Yes	Executive Director US$180,000 (Contract expires 6 April 2020). No termination notice or benefit terms.	US$180,000
Douglas Hamilton Business Development Manager	Yes	Business Development Manager $300,000	$300,000

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

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

Fees
Non-executive director fees are determined within an aggregate directors' fee pool limit, which will be periodically approved by shareholders at a general meeting. The current limit is $300,000. During the year ended 31 December 2017 $129,000 (2016: $186,667) of the fee pool was used.

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

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

Executive Remuneration
The Group's Executive Remuneration may consist of several components:

- Total Remuneration (TR) = Fixed Remuneration (FR) + Short Term Incentive (STI) + Long Term Incentive (LTI)
- STI and LTI are the 'at risk' portions of remuneration.
- STI may be paid in cash or shares and reflects the achievement of a number of short term goals established on an annual basis.
- LTI may be delivered in an equity award(s) which is granted upon the satisfaction of performance conditions/key performance drivers which underpin long term sustainable growth for the Group.
- The Board may also determine to pay a bonus in cash or shares in circumstances of outstanding performance not otherwise appropriately rewarded.
- The Remuneration Committee will review the delivery and structure of at risk remuneration from time to time and report to the Board. Such a review may include, but not be limited to, changing the proportion of Total Remuneration which is at risk, the payment of Short Term and Long Term Incentives and the proportion of the at risk remuneration between Short Term and Long Term Incentive.

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

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

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

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

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

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

Anti-Hedging Policy – Personnel
The Group's personnel are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under the Group's equity-based remuneration scheme.
As part of the Group's due diligence undertaken at the time of half-year and full-year results, the Group's equity plan participants are required to confirm that they have not entered into any such prohibited transactions.

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

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

REMUNERATION SUMMARY

	YEAR	SHORT TERM BENEFIT			LONG TERM BENEFIT	POST EMPLOYMENT	EQUITY BASED PAYMENTS	TOTAL	PERFOR-MANCE RELATED
		CASH, SALARY & FEES	RELATED PARTY FEES[2]	BONUS		SUPER-ANNUATION	OPTIONS		
		$	$	$	$	$	$	$	%
NON-EXECUTIVE DIRECTORS									
Donald Beard	2017	43,836	72,000	-	-	4,164	31,574	**151,574**	21
	2016	42,618	69,000	-	-	4,049	36,838	**152,505**	24
Ray Shorrocks	2017	-	48,000	-	-	-	31,574	**79,574**	40
	2016	-	68,000	-	-	-	36,838	**104,838**	35
Allan Ritchie	2017	-	67,500[1]	-	-	-	-	**67,500**	-
	2016	-	-	-	-	-	-	**-**	-
EXECUTIVES									
Stephen Mitchell	2017	312,501	6,000	80,000	847	25,541	42,099	**466,988**	9
	2016	138,509	35,000	-	-	13,158	49,118	**235,785**	21
Nicholas Castellano[3]	2017	-	176,256	-	-	-	-	**176,256**	-
	2016	-	-	-	-	-	-	**-**	-
OTHER KEY MANAGEMENT									
Douglas Hamilton	2017	-	298,180	-	-	-	40,833	**332,013**	12
	2016	-	-	-	-	-	-	**-**	-
TOTAL	**2017**	**356,337**	**660,936**	**80,000**	**847**	**29,705**	**146,080**	**1,273,905**	
TOTAL	**2016**	**181,127**	**172,000**	**-**	**-**	**17,207**	**122,794**	**493,128**	

1. Allan Ritchie was an executive Director from 6 April 2017 to 29 September 2017.
2. Remuneration paid via Director related entities. Refer to Note 24.
3. Refer to Note 9 for related party receivable.

Particulars of directors' interests in securities as at 31 December 2017 are as follows:

Key Management Personnel	Ordinary Shares	$0.10 Unlisted options Expiry 1 April 2019	$0.25 Unlisted options Expiry 1 March 2020	$0.14 Unlisted options Expiry 1 March 2020	Performance shares (Tranche 1)	Performance shares (Tranche 2)
Stephen Mitchell	8,153,001	2,000,000	-	-	-	-
Ray Shorrocks	2,258,233	1,500,000	-	-	-	-
Don Beard	451,214	1,500,000	-	-	-	-
Allan Ritchie	2,495,250	-	1,342,628	-	1,871,437	3,119,062
Nicholas Castellano	5,571,281	-	3,853,527	-	5,371,281	8,952,135
Douglas Hamilton	500,000	-	-	1,750,000	-	-

End of Audited Remuneration Report.

13. 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 2017 or to the date of this Report.

14. Non-Audit Services

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

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

(b) any non-audit services provided during the financial year by Pitcher Partners as the external auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:
   i. Pitcher Partners services have not involved partners or staff acting in a managerial or decision making capacity within the Group or in the processing or originating of transactions; and
   ii. the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The auditor's independence declaration under section 307C of the Corporations Act set out in the Financial Report forms a part of the Annual Financial Report for the year ended 31 December 2017.

15. Proceedings on behalf of the Group

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

16. Corporate Governance

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

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

Stephen Mitchell
Chairman
Melbourne, Victoria
28 March 2018

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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Pitcher Partners is an association of independent firms
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

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 2017, 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 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated Group	
		2017	**2016**
		$	**$**
Revenue	3	96,182	50,408
Other income	3	229,117	342
Gain / (loss) on sale of assets		(5,581)	31,225
Accounting and audit fees		(191,240)	(136,495)
Depreciation and impairment expense	13, 14	(933,388)	-
Royalties	24	(166,544)	-
Director and employee related expenses		(941,882)	(356,282)
Professional consulting fees		(768,399)	(291,766)
Travel and accommodation expenses		(272,119)	(25,781)
Administration expenses		(393,330)	(542,364)
Business acquisition cost	28	(98,165)	-
Finance expenses		(2,488)	(2,694)
Profit / (loss) before income tax		**(3,447,837)**	**(1,273,407)**
Income tax expense	4	-	-
Profit / (loss) for the year from continuing operations		**(3,447,837)**	**(1,273,407)**
Profit / (loss) attributable to discontinued operations	3	-	27,976
Profit / (loss) for the year		**(3,447,837)**	**(1,245,431)**
Other comprehensive income			
Items that may be reclassified to profit or loss:		-	-
Net gain foreign currency translation reserve		(90,551)	99,911
Income tax related to components of other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**(3,538,388)**	**(1,145,520)**
Profit / (loss) from continuing operations attributable to ordinary equity owners of the company		**(3,447,837)**	**(1,273,407)**
Profit / (loss) for the year attributable to ordinary equity owners of the company		**(3,447,837)**	**(1,245,431)**
Total comprehensive income / (loss) attributable to ordinary equity owners of the company		**(3,538,388)**	**(1,145,520)**
Basic loss per share from continuing operations (cents)	7	(2.5)	(1.26)
Diluted loss per share from continuing operations (cents)	7	(2.5)	(1.26)
Basic earnings per share from discontinued operations (cents)	7	-	0.03
Diluted earnings per share from discontinued operations (cents)	7	-	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Consolidated Group	
		2017	2016
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	2,947,442	3,652,067
Trade and other receivables	9	127,987	57,944
Other current assets		60,619	25,435
Inventory	29	658,807	-
Loans	10	-	552,800
TOTAL CURRENT ASSETS		**3,794,855**	**4,288,246**
NON-CURRENT ASSETS			
Working Interest	13	549,335	1,474,813
Plant and Equipment	14	4,352	-
Intangible Assets	15	3,956,019	-
TOTAL NON-CURRENT ASSETS		**4,509,706**	**1,474,813**
TOTAL ASSETS		**8,304,561**	**5,763,059**
CURRENT LIABILITIES			
Trade and other payables	16	246,039	292,733
Provisions	17	14,296	-
TOTAL CURRENT LIABILITIES		**260,335**	**292,733**
NON-CURRENT LIABILITIES			
Provisions	17	847	-
TOTAL NON-CURRENT LIABILITIES		**847**	**-**
TOTAL LIABILITIES		**261,182**	**292,733**
NET ASSETS		**8,043,379**	**5,470,326**
EQUITY			
Issued capital	18	57,805,330	51,848,970
Reserves	19	(543,809)	(608,339)
Accumulated losses		(49,218,142)	(45,770,305)
TOTAL EQUITY		**8,043,379**	**5,470,326**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2017

	Note	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Options Reserve $	Total $
Consolidated Group						
Balance at 1 January 2016		**51,848,970**	**(44,905,176)**	**(831,044)**	**380,302**	**6,493,052**
Total Comprehensive Profit / (Loss) for the year ending 31 December 2016		**-**	**(1,245,431)**	**99,911**	**-**	**(1,145,520)**
Transactions with owners in the capacity as owners:						
Options issued during the year		-	-	-	122,794	122,794
Options expired during the year		-	380,302	-	(380,302)	-
Balance at 31 December 2016		**51,848,970**	**(45,770,305)**	**(731,133)**	**122,794**	**5,470,326**
Total Comprehensive Profit / (Loss) for the year ending 31 December 2017		**-**	**(3,447,837)**	**(90,551)**	**-**	**(3,538,388)**
Transactions with owners in the capacity as owners:						
Shares issued during the year		6,200,556	-	-	-	6,200,556
Share capital raising cost		(244,196)	-	-	-	(244,196)
Options issued during the year		-	-	-	155,081	155,081
Balance at 31 December 2017		**57,805,330**	**(49,218,142)**	**(821,684)**	**277,875**	**8,043,379**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated Group 2017 $	Consolidated Group 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		256,605	143,754
Payments to suppliers and employees		(2,713,543)	(2,140,976)
Interest received		18,675	48,012
Interest paid		(2,488)	(2,694)
Net cash provided by / (used in) operating activities	22(a)	**(2,440,751)**	**(1,951,904)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from discontinued operations		-	3,127,104
Loans to other entities		-	(552,800)
Payment for property, plant and equipment		(4,846)	-
Payment for working interest		(95,892)	(114,804)
Payment for intangible assets		(673,120)	-
Net cash provided by / (used in) investing activities		**(773,858)**	**2,459,500**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan by director		12,032	200,000
Repayment of borrowings		(231,680)	-
Proceeds from issue of shares		3,050,558	-
Share issue costs		(244,197)	-
Net cash acquired in acquisition		4,432	-
Net cash provided by / (used in) financing activities		**2,591,145**	**200,000**
Net increase / (decrease) in cash held		(623,464)	707,596
Cash at beginning of financial year		3,652,067	2,849,466
Effect of exchange rate movement		(81,161)	95,005
Cash at end of financial year	8	**2,947,442**	**3,652,067**

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

This financial report covers the consolidated financial statements and notes of Indago Energy Limited and 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.

The financial report of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

None of the new standards and amendments to standards that are mandatory for first time for the financial year beginning 1 January 2017 affected any of the amounts recognised in the current period or any prior period.

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

Going concern

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

During the year ended 31 December 2017, the Group incurred a loss of $3,538,388 and had a cash outflow from operating activities of $2,669,868. At 31 December 2017 the Group held cash of $2,947,422 and had net assets of $8,043,379. During the year ended 31 December 2017, the Group met its working capital requirements as a result of receipt from customers and capital raising.

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 order for the Group to enact its strategy to develop its Working Interest assets, commercialise its HCD product and fund its operations is dependent upon the effectiveness of ongoing liquidity management activities.

No adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

Should the Group be unsuccessful with the initiatives detailed above then, the Group may in the future not be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statement.

Accounting Policies

(a) Principles of Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

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

Joint Arrangements

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

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

The Group recognises its proportionate interest in the assets, liabilities, revenues and expenses of joint operations within each applicable line item of the financial statements. Details of the Group's joint operations are set out in Note 12.

(b) Income Tax

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

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

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

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

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

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

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

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

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(d) Property, Plant and Equipment

Each class of property, 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.

(e) Exploration, Evaluation and Development Expenditure

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

Accumulated costs in relation to an abandoned area are written off in full within the Statement of Comprehensive Income in the year in which the decision to abandon the area is made.

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

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

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining equipment and facilities, waste removal, and rehabilitation of the site in accordance with clauses of the petroleum permits.

(f) Financial Instruments

Recognition and Initial Measurement

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

Financial instruments are initially measured at fair value plus transactions costs. Financial instruments are classified and measured as set out below.

Derecognition

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

Classification and Subsequent Measurement

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

ii. *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.

(g) Impairment of Assets

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

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

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

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

(i) Employee Benefits

Short term obligations

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

Long term obligations

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

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.

(j) Provisions

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

(k) Business Combinations

A business combination is a transaction in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed. If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss.
Acquisition related costs are expensed as incurred.

(l) Intangibles

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) 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.

(n) Revenue and Other Income

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

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

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

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

(o) 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.

(p) Comparative Figures

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

(q) EPS

(i) 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.

(ii) Diluted earnings per share

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

(r) 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.

(s) Trade Receivables

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

(t) Trade Payables

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

(u) Contributed Equity

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

Critical Accounting Estimates and Assumptions

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

Impairment

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

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

NOTE 2 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 *Financial Instruments* (effective 1 January 2018)

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

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

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer with the notion of control replacing the existing notion of risks and rewards. An analysis has been performed and revenue will continue to be recognised when risk and rewards transfer.

AASB 16: Leases (effective 1 January 2019)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The directors anticipate that the adoption of AASB 16 will not have a material impact the Group's financial statements.

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

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

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

NOTE 3: REVENUE, EXPENDITURE AND DISCONTINUED OPERATIONS

	Consolidated Group	
	2017	2016
	$	$
The following revenue items are relevant in explaining the financial performance for the year:		
Revenue	74,581	-
Interest	21,601	50,408
Other Income	229,117	342
Total Revenue continuing operations	**325,299**	**50,750**
Oil and Gas revenue – discontinued operations	-	10,513
Total Revenue for the year	325,299	**61,263**

DISCONTINUED OPERATIONS

Four Rivers/Capitola

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

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

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

	Consolidated Group	
	2017	2016
	$	$
Revenue	-	10,513
Production expenses	-	13,709
Gain on asset sales	-	3,754
Profit / (Loss) attributable to discontinued operations	-	**27,976**
Income tax expense	-	-
Profit / (Loss) after income tax	-	**27,976**
Net cash inflow / (outflow) from operations	-	18,819
Net cash inflow / (outflow) from investing	-	3,127,104
Net increase / (decrease) in cash	-	**3,145,923**
Consideration received	-	3,127,104
Carrying amount of net assets sold	-	**(3,123,350)**
	-	**3,754**

NOTE 4 INCOME TAX EXPENSE

		Consolidated Group	
		2017 $	2016 $
a.	The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)		
	— Consolidated group	(1,034,351)	(373,629)
	Add:		
	— Non-allowable items	(35,043)	(27,897)
	— Share options expensed during year	(46,524)	36,838
	Less:		
	— Tax deductible equity raising costs	56,219	(42,481)
	— Other deductible amounts	3,231	162,314
		(1,056,468)	(244,855)
	Current year tax losses not recognised	1,056,468	244,855
	Income tax expense	-	-
	The applicable weighted average effective tax rates are as follows:	0%	0%
b.	Net deferred tax assets not brought to account:		
	Unused tax losses for which no deferred tax asset has been recognised	27,120,194	26,757,651
	Potential tax benefit @ 30%	8,136,058	8,027,295

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

Components of Key Management Personnel Compensation

	Consolidated Group	
	2017 $	2016 $
Short-term benefits	1,097,273	353,127
Long-term benefits	847	-
Post-employment benefits	29,705	17,207
Equity based payments - options	146,080	122,794
	1,196,405	493,128

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

NOTE 6 AUDITORS' REMUNERATION

	Consolidated Group	
	2017	**2016**
	$	**$**
Remuneration of the auditor of the Group for:		
Pitcher Partners		
— auditing and reviewing the financial reports	50,000	-
	50,000	-
PriceWaterhouseCoopers		
— auditing and reviewing the financial reports	-	58,697
	-	58,697

There were no non-audit services during the financial year (2016: Nil)

NOTE 7 EARNINGS PER SHARE

		Consolidated Group	
		2017	**2016**
		$	**$**
a.	Reconciliation of earnings to profit or loss		
	Loss for the year from continuing operations	(3,447,837)	(1,273,407)
	Earnings used to calculate basic EPS	(3,447,837)	(1,273,407)
	Profit/(loss) for the year from discontinued operations	-	27,976
	Earnings used to calculate basic EPS	-	27,976
		No.	**No.**
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	137,952,273	100,738,040
	Weighted average number of options outstanding	30,867,260	30,246,777
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	168,819,533	130,984,817

2016 figures have been adjusted for ten for one share consolidation on 23 May 2016 as explained in note 18.

NOTE 8 CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2017	**2016**
	$	**$**
Cash at bank and in hand	1,447,442	2,152,067
Short-term bank deposits	1,500,000	1,500,000
	2,947,442	3,652,067

The effective interest rate on short-term bank deposits was 2.32% (2016: 1.27%).

NOTE 9 TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2017	**2016**
	$	**$**
CURRENT		
Trade and other receivables:		
- Trade receivables	47,093	-
- GST receivable	22,851	28,771
- Operating bond/deposits	24,799	26,769
- Interest receivable	5,332	2,404
- Related party receivable	27,034	-
- Other	878	-
	127,987	57,944

Related party receivable relates to an amount owed by director Nicholas Castellano and is repayable from July 2017 in instalments of $2,000 per month, non interest bearing. This receivable relates to advances paid to Nicholas Castellano to produce the inventory for Hydrocarbon Dynamics. As not all the funds were used the balance is repayable to the Group.

NOTE 10 LOANS

	Consolidated Group	
	2017	**2016**
	$	**$**
Loan to HCDI Holdings Ltd	-	552,800
	-	552,800

Prior to acquiring HCDI Holdings Ltd ('HCDI'), the Group agreed to finance approximately US$300,000 worth of product for HCDI (prior to completion of the proposed transaction) to sell to existing customers to enable HCDI to finance product orders and US$100,000 in working capital.

NOTE 11 CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%)*	
		2017	**2016**
Subsidiaries of Indago Energy Limited:			
HCD Brazil Pty Ltd	Australia	100%	-
Hydrocarbon Dynamics Australia Pty Ltd	Australia	100%	-
HCD Canada Ltd	Canada	100%	-
HCDI Holdings Ltd	Hong Kong	100%	-
Hydrocarbon Dynamics Ltd	Hong Kong	100%	-
HCD offshore	Malaysia	100%	-
HCD Blending LLC	USA	100%	-
Indago Oil and Gas Inc	USA	100%	100%
Pryme Energy LLC (Closed February 2018)	USA	100%	100%
Trident Minerals LLC (Closed February 2018)	USA	100%	100%
Pryme Royalty Holdings LLC	USA	100%	100%
Pryme Mineral Holdings LLC	USA	100%	100%
Pryme Oil and Gas LLC	USA	100%	100%
TOC LLC	USA	100%	100%
Trimissco LLC	USA	100%	100%

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

NOTE 12 INTERESTS IN JOINT ARRANGEMENTS

Set out below are the jointly controlled arrangements of the Group as at 31 December 2017 for the purpose of oil and gas exploration and production. The arrangements are classified as a joint operations, under the relevant join operating agreements, the Group has a direct right to it's proportionate share of the jointly held assets, liabilities, revenues and expenses as described in note 1(b).

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

Name of Project	Place of Business	Working Interest (%)	
		2017	**2016**
Newkirk	US	100%	100%

The Group acquired its working interest in the Newkirk project under an agreement entered into effective 1 July 2015. Refer to Note 13 for further disclosure on working interest assets held.

NOTE 13 WORKING INTEREST

	Note	Consolidated Group 2017 $	2016 $
Exploration Expenditure Capitalised:			
- Exploration and evaluation phases		1,474,813	1,380,625
- Foreign currency adjustment		(100,600)	-
- Less impairment Newkirk		(930,186)	-
- Add Newkirk project		95,892	94,188
Total Working Interest		549,335	1,474,813

Effective 1 July 2015 the Group acquired an interest in the Newkirk project from ASX-listed Xped Limited (ASX:XPE). Initial consideration for the acreage acquired comprised of 100 million fully paid shares (prior to the 1:10 share consolidation) and A$250,000 cash. In addition, further conditional consideration of A$175,000 will be payable in respect of each of the first two wells in the event that gross 1P reserves from each well is certified, within 6 months, after the commencement of production from the second well to be equal to or greater than 31 thousand barrels of oil and 200 cubic feet of natural gas (MMcf).

NOTE 14 PLANT AND EQUIPMENT

	Consolidated Group 2017 $	2016 $
Plant and Equipment – at cost	22,916	-
Accumulated depreciation	(18,562)	-
	4,352	-
Balance at beginning of year	-	-
Additions	25,626	-
Disposal	(18,070)	-
Depreciation	(3,204)	-
Balance at end of the year	**4,352**	**-**

NOTE 15 INTANGIBLE ASSETS

	Consolidated Group 2017 $	2016 $
Goodwill	3,282,899	-
Patent	9,902	-
Intellectual Property	663,218	-
	3,956,019	**-**

Refer to the Business Combination Note 28.

NOTE 16 TRADE AND OTHER PAYABLES

	Consolidated Group	
	2017 $	2016 $
Trade Payables	41,995	281,963
Accruals	88,000	10,770
Other payables	116,044	-
	246,039	**292,733**

NOTE 17 PROVISIONS

Current		
Employee benefits	**14,296**	**-**
Non-current		
Employee Benefits	**847**	**-**

NOTE 18 ISSUED CAPITAL

	Consolidated Group	
	2017 $	2016 $
174,318,106 (2016: 100,738,214) fully paid ordinary shares	61,376,397	55,175,841
Capital raising costs	(3,571,067)	(3,326,871)
	(57,805,330)	**51,848,970**

a. **Ordinary shares**	**No. of Shares**	**No. of Shares**
At the beginning of reporting year	100,738,214	1,007,380,397
Shares issued during the year		
- HCD Acquisition shares (i)	30,000,000	-
- Entitlement offer (ii)	43,579,892	-
- Consolidation on 10 for 1 basis on 23 May 2016	-	(916,642,183)
At reporting date	174,318,106	100,738,214

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

(i) 30,000,000 shares issued on 6 April 2017 as part of the consideration for 100% of the issued shares in Hydocarbon Dynamics. 21,265,731 of these shares are subject to voluntary escrow for a 12 month period.

(ii) 16,408,597 shares issued to eligible shareholders and 27,171,295 shares issued to the underwriter an issue price of 7 cents as per the entitlement offer announced 31 July 2017.

NOTE 18 ISSUED CAPITAL (continued)

b. Options

	Consolidated Group	
	No. of Options 2017	**No. of Options 2016**
Listed Options		
At the beginning of the year		481,025,026
- Consolidation on 10 for 1 basis on 23 May 2016	-	(432,922,523)
- Expiry of options on 26 July 2016	-	(48,102,503)
	-	-
Unlisted Options		
At the beginning of the year	5,000,000	-
- HCD Acquisition options (i)	33,200,000	-
- Management incentive options (ii)	1,750,000	-
- Incentive options (iii)	750,000	-
- Director options (iv)	-	5,000,000
	40,700,000	5,000,000

(i) 33,200,000 options issued on 6 April 2017 as part of the consideration for 100% of the issued shares in Hydocarbon Dynamics, exercisable at 25 cents expiring 5 April 2019.
(ii) 1,750,000 options issued to Business Development Manager on 16 May 2017, exercisable at 14 cents, vesting on 1 March 2018 and expiring 1 March 2020.
(iii) 750,000 options issued to board advisor on 22 September 2017, exercisable at 14 cents, vesting on 22 September 2018 and expiring 1 March 2020.
(iv) 10 cent options granted to Directors on 1 June 2016, expiring 1 April 2019.

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

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

NOTE 19 RESERVES

a. Foreign currency translation reserve

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

b. Option reserve

The option reserve recognises the value of options issued as described in Note 18 (b) which have not been exercised.

	Consolidated Group	
	2017	**2016**
	$	**$**
Foreign currency translation reserve	(821,684)	(731,133)
Option reserve	277,875	122,794
	(543,809)	(608,339)

NOTE 20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at 31 December 2017 (2016: Nil).

NOTE 21 SEGMENT REPORTING

Operating Segments — Geographical Segments

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

- operations comprising the exploration, development and production of oil and gas projects in the US;
- operations comprising clean oil technology and business 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
2017	**$**	**$**	**$**	**$**	**$**
Income					
Interest	21,601	-	-	-	21,601
Other income	-	229,117	74,581	-	303,698
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)**	**(1,337,621)**	**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

NOTE 21 SEGMENT REPORTING (CONTINUED)

	Australia	USA	Eliminations	Total
2016	**$**	**$**	**$**	**$**
Income				
Interest	49,743	665	-	50,408
Other	342	-	-	342
Expenditure				
Director and employee expenses	(356,282)	-	-	(356,282)
Other	(758,784)	335,242	(544,333)	(967,875)
Segment result	**(1,064,981)**	**335,907**	**(544,333)**	**(1,273,407)**
Profit/(Loss) attributable to discontinued operations	-	27,976	-	27,976
Profit/(Loss) for the period	**(1,064,981)**	**(363,883)**	**(544,444)**	**(1,245,431)**
Assets as at 31 December 2016	6,088,613	1,494,672	(1,820,226)	5,763,059
Liabilities as at 31 December 2016	137,295	46,605,926	(46,450,488)	292,733

NOTE 22 CASH FLOW INFORMATION

	Consolidated Group	
	2017 **$**	**2016** **$**
a. Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax		
Profit/(Loss) after income tax	(3,447,837)	(1,245,431)
Non-cash flows in profit		
Depreciation, depletion and amortisation	3,204	-
(Gain)/Loss on sale of assets	5,582	(34,979)
Employee share options	49,833	-
Foreign exchange (Gain)/Loss - Parent	81,654	68,223
Director share options	105,248	122,794
Impairment & project costs expensed	930,186	(13,465)
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	(33,030)	(6,431)
(Increase)/decrease in inventories	(33,516)	-
(Increase)/decrease in other assets	(28,876)	12,441
(Increase)/decrease in accrued interest	(2,927)	(2,405)
Increase/(decrease) in trade payables and accruals	(70,272)	(852,651)
Cashflow from (used in) operations	**(2,440,751)**	**(1,951,904)**

b. Credit Standby Arrangements with Banks

There are no credit or standby arrangements with financiers as at 31 December 2017 (2016: Nil).

NOTE 23 EVENTS AFTER BALANCE SHEET DATE

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 24 RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2017 $	2016 $
Transactions with related parties:		
Key Management Personnel	583,436	172,000
Value of options issued to Key Management Personnel	146,080	122,794

During the year, the Group paid consulting fees of $72,000 to Aldena a business associated with Donald Beard. Consulting fees of $48,000 were paid to Spring Street Holdings Pty Ltd a company associated with Ray Shorrocks and consulting fees of $6,000 to MP Capital Pty Ltd a company associated with Stephen Mitchell. $67,500 was paid to True Success a company associated with Allan Ritchie and $176,256 to NC2 an entity associated with Nicholas Castellano. $291,180 was paid to Douglas Hamilton and 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 Summary in the Directors' Report.

In addition to the above amounts a royalty fee of $166,544 was paid to NC2 an entity associated with Nicholas Castellano, $20,782 of which related to January 2018. $120,808 was paid to Lowell Accounting Services for Accounting and secretarial services and rent, an entity of which Stephen Mitchell is a Director.

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

NOTE 25 SHARE BASED PAYMENTS

Set out below is a summary of options granted as share-based payments for services provided and incentives for directors and staff.

	Date of Issue	Expiry date	Exercise Price	Balance as at 31 December 2016	Lapsed during the year	Balance as at 31 December 2017	Vested and exercisable as at 31 Dec 2017
Director Options	1.6.2016	1.4.2019	$0.10	5,000,000	-	5,000,000	5,000,000
Management Incentive Options	18.5.2017	1.3.2020	$0.14	1,750,000	-	1,750,000	-
Incentive Options	22.9.2017	1.3.2020	$0.14	750,000	-	750,000	-

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 normally lapse.

NOTE 26 FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

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

i. Treasury Risk Management

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

ii. Financial Risk Exposures and Management

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

Interest Rate Risk

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

Foreign Currency Risk

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

Liquidity Risk

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

Credit Risk

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

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

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

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

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

NOTE 26 FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial Instruments composition and maturity analysis

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

	Average Interest Rate	Variable Interest Rate $	Non Interest Bearing Less than 90 Days $	Total $
2017 CONSOLIDATED				
Financial Assets:				
Cash and cash equivalents	1.73%	2,217,600	729,842	2,947,442
Receivables	-	-	188,606	188,606
Financial Liabilities:				
Trade and sundry payables	-	-	(261,182)	(261,182)
Total		**2,217,600**	**658,266**	**2,874,866**

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

c. Fair Values

The Group considers that the carrying amount of receivables, trade and sundry payables recorded in the financial statements approximates their fair values due to their short term nature.

NOTE 27 PARENT INFORMATION

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

STATEMENT OF COMPREHENSIVE INCOME

	Parent Entity	
	2017	**2016**
	$	**$**
Total Profit/(Loss)	(1,433,303)	(1,064,982)
Total Comprehensive Income	(1,433,303)	(1,064,982)

STATEMENT OF FINANCIAL POSITION

	2017	**2016**
	$	**$**
ASSETS		
Current Assets	2,946,792	3,715,587
Non-Current Assets	7,904,554	2,373,026
TOTAL ASSETS	10,851,346	6,088,613
LIABILITIES		
Current Liabilities	221,886	137,295
TOTAL LIABILITIES	221,886	137,295
EQUITY		
Issued capital	57,805,334	51,848,970
Reserves	277,875	122,794
Accumulated losses	(47,453,749)	(46,020,446)
TOTAL EQUITY	10,629,460	5,951,318

NOTE 28 BUSINESS COMBINATION

On 6 April 2017, Indago acquired 100% of the issued shares in Hydocarbon Dynamics ("HDC") a new clean oil techno that allows for the swift, clean and cost effective treatment of heavy, asphaltenic and paraffinic oils for consideratio ordinary shares and 33.2 million options (exercisable at $0.25 for two years) and will issue additional shares if certai EBITDA hurdles are met. Indago paid cash for the intellectual property and also pays a monthly royalty of 5% c Director Mr Nicholas Castellano up to a cumulative total of US$19.5 million. The royalty is US$20,000/month minimu targets have been achieved (pending achievement of sales targets payments are US$16,000/month).

NOTE 28 BUSINESS COMBINATION (CONTINUED)

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

Purchase consideration

(a) 30 million ordinary shares (of which 21,265,731 are subject to voluntary escrow for a 12 month period);
(b) 33.2 million options exercisable at 25 cents each with a 2 year expiry;
(c) 30 million Performance Milestone Tranche 1 Rights, based on HCD EBITDA performance benchmarks for the 12 month period ending 31 March 2018 being satisfied;
(d) 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
(e) 20 million potential Conditional Shares to be issued by Indago 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.

Purchase consideration transferred

	$
Issue of equity	3,150,000
Cash payment	663,218
Total purchase consideration	**3,813,218**
Assets:	
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**
Liabilities:	
Trade and other payables	(132,134)
Borrowings to related parties	(686,315)
Total liabilities	**(818,449)**
Total identifiable net assets at fair value	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 inflow	**(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

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

   (a) the Financial Statements and Notes as set out on pages 24 to 46 are in accordance with the Corporations Act 2001, including:

      i. complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and

      ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance as represented by the results of its operations and its cash flows for the year ended on that date; and

   (b) the remuneration disclosures that are included on pages 15 to 17 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 December 2017.

Signed in accordance with a Resolution of the Directors:

Stephen Mitchell
Chairman
Melbourne, Victoria.
28 March 2018

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Independent Auditor's Report to the Members 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 2017, the consolidated statement of 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 2017 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 Company, 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">Acquisition of HCDI Holdings Limited
Refer to Note 28: Business Combination</td></tr>
<tr><td>During the year the Group acquired HCDI Holdings Limited ('HCD') for gross purchase consideration of $3,813,218, This was considered a significant purchase for the Group.

AASB 3 Business Combination determines the acquisition accounting which requires management's judgement to be exercised in determining the fair value of the acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets such as intellectual property.

At 31 December 2017 the Group's consolidated statement of financial position includes goodwill ($3,282,899) and intellectual property ($663,218).</td><td>Our procedures included, amongst others:
▪ Reviewing the sale and purchase agreement to understand key terms and conditions;
▪ Agreeing the purchase consideration to supporting documentation and evaluating the assumptions used by management in determining purchase consideration based on agreed performance conditions;
▪ Agreeing the fair value of the acquired assets and liabilities to the purchase agreement;
▪ Recalculating the goodwill arising on acquisition; and
▪ Assessing the adequacy of the Group's disclosures in respect of business combinations.</td></tr>
<tr><td colspan="2">Working Interest - Impairment
Refer to Note 13: Working Interest</td></tr>
<tr><td>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) and Kentucky (the Illinois project).

Working Interest assets totalling $549,335 as disclosed in Note 13 represent a significant balance recorded in the consolidated statement of financial position.

AASB 6 Exploration for and Evaluation of Mineral Resources 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.

Management performed an impairment assessment at 31 December 2017 that require management to make key assumptions in determining whether impairment indicators exist, including:
▪ Number of wells;
▪ Oil price;
▪ Discount rate; and,
▪ Capital expenditure estimates.

An impairment expense of $930,186 was recognised during the year.</td><td>Our procedures included, amongst others:
▪ Testing a sample of additions to the Working Interest asset for the year ending 31 December 2017;
▪ 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 valuation model, including:
  ▪ Number of wells;
  ▪ Oil price;
  ▪ Discount rate; and,
  ▪ Capital expenditure estimates.</td></tr>
</table>

Key audit matter	How our audit addressed the matter
Goodwill & Intellectual Property - Impairment ***Refer to Note 15: Intangible assets***	
During the year the Group acquired HCDI Holdings Limited ('HCD') 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 2017 of $3,282,899 and $663,218 respectively. As these balances constitute 47% of the total assets of the consolidated group and the use of key estimates and judgments in assessment of any potential impairment, that this is a key area of audit focus.	Our procedures included, amongst others: ▪ We assessed management's determination of the Group's CGUs based on our understanding of the Group's business and internal reporting; ▪ We compared managements cash flow forecasts to the board approved forecast; ▪ We assessed the assumptions and methodology used for the impairment assessment; and ▪ We checked the mathematical accuracy of the cash flow forecast and agreed the relevant data to the latest forecasts.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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 15 to 17 of the directors' report for the year ended 31 December 2017. In our opinion, the Remuneration Report of Indago Energy Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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

PITCHER PARTNERS

N BATTERS

Partner
Brisbane, Queensland
28 March 2018

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 26 March 2018.

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	13,698,524	7.86
Equity Trustees Limited ACF Lowell Resources Fund	10,223,141	5.86
GXB Pty Ltd/G&J Super Fund Pty Ltd	10,000,000	5.74

2. Number of security holders and securities on issue

Indago has issued the following equity securities:

174,318,106 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	436	214,257	0.12
1,001 - 5,000	350	921,179	0.53
5,001 - 10,000	136	1,029,889	0.59
10,001 - 100,000	376	14,875,592	8.53
100,001 and over	213	157,277,189	90.23
Total	**1,511**	**174,318,106**	**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 800 with a combined total of 1,210,446 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>	13,698,524	7.86
2	Equity Trustees Limited <Lowell Resources Fund A/C>	10,223,141	5.86
3	Wheelbarrow Investments Pty Ltd <William Burrell Family A/C>	6,576,667	3.77
4	Titus Energy Limited	5,571,281	3.2
5	Buderim Panorama Pty Ltd	5,285,990	3.03
6	G & J Super Fund Pty Ltd <G & J Super Fund A/C>	5,000,000	2.87
7	GXB Pty Ltd	5,000,000	2.87
8	Mr Amin Talib Khan	4,788,141	2.75
9	Guy Hawksley <Hawksley Unit A/C>	3,381,682	1.94
10	Stephen Mitchell	3,365,368	1.93
11	Mr John Charles Holmes Clark & Mrs Rebecca Katrina Clark	2,723,883	1.56
12	Mr S Mitchell & Mrs S Mitchell <S P Mitchell Super Fund A/C>	2,620,966	1.5
13	HSBC Custody Nominees (Australia) Limited	2,537,177	1.23
14	Citicorp Nominees Pty Limited	2,532,677	1.45
15	RAAR Capital Group Pty Ltd	2,435,250	1.4
16	Salcan Pty Ltd <T & J Mahoney Superannuation A/C>	2,354,660	1.35
17	Morgan Stanley Aust. Securities (Nominees) Pty Ltd <No 1 Acct>	2,348,366	1.35
18	National Nominees Limited <DB A/C>	2,335,000	1.34
19	National Nominees Limited	2,296,314	1.32
20	Mawallok Pastoral Company Pty Ltd	2,166,667	1.24
	Total for Top 20	**87,241,754**	**49.82**

CORPORATE DIRECTORY

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Australian Business Number
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