



Indago Energy Limited

ABN 75 117 387 354

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2017**

**INDAGO ENERGY LIMITED ABN 75 117 387 354
AND CONTROLLED ENTITIES**

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**INDAGO ENERGY LIMITED ABN 75 117 387 354
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Directors' Report

In accordance with a resolution of the directors, the directors present their Report together with the Financial Report of Indago Energy Limited ("Indago" or "the Company") and its subsidiaries (together referred to as the "Consolidated Entity" or the "Group") for the half year ended 30 June 2017 (Period) and the Independent Auditor's Review Report thereon:

Directors

The Directors of Indago at any time during or since the end of the half year ended 30 June 2017 are:

Executive Directors

Mr Stephen Mitchell	Chairman (Executive Chairman)
Mr Nicholas Castellano	(Appointed 6 April 2017)
Mr Allan Ritchie	(Appointed 6 April 2017)

Non-Executive Directors

Mr Donald Beard
Mr Ray Shorrocks

Review of Operations

Total comprehensive loss for the Group for the period was \$2,390,174 (2016 loss: \$618,491). Total comprehensive loss includes a loss of \$53,958 (2016: gain of \$71,898) arising on translation of foreign operations.

For the half year ended 30 June 2017, the Group has recorded negative cash flows from operations of \$1,283,311 (2016: negative \$1,389,039).

The functional currency for the Company is US Dollars. The presentation currency for the Group's accounts is Australian Dollars. All figures quoted in this report are Australian Dollars unless otherwise specified.

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 Multiflow™ 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

Indago shareholders approved the acquisition of Hong Kong based HCDI Holdings and associated Intellectual Property on April 3rd 2017. As a result of the acquisition Indago 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

Indago 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 Company to develop its own production and reserves. As a result of this work, Indago 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 Company is targeting projects that would have small capital outlays, modest work obligations and substantial upside.

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Indago executives recently visited over a dozen oil and gas producers in both Canada and the US. Based on these initial meetings Indago has proposed several trials and demonstrations of its key products. Indago executives also met independent laboratories to discuss independent testing of HCD products to assist in sales efforts. The Company 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

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

South America

Indago 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 Company 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

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

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

No new developments during the half year. As previously reported, approximately 31% of Indago's leases expire during the current quarter with a further 33% due to expire in the December quarter. The remainder of the leases expire during the last quarter of 2018. At this stage the Company only intends to renew leases if they can be renewed at very 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 30 June 2017
Newkirk	Kay and Noble Counties, Oklahoma	-	4,049 acres	100%

Glossary

\$	Australian Dollars	BOE	Barrels of oil equivalent
US\$	United States Dollars	Mcf	Thousand cubic feet (of natural gas)
Bbls/day	Barrels (of oil) per day	Mcfd	Thousand cubic feet (of natural gas) per day
MBO	Thousand barrels of oil	MMcf	Million cubic feet of natural gas
MBOE	Thousand barrels of oil equivalent	NRI	Net revenue interest
BOE/day	Barrels of oil equivalent per day	WI	Working interest

Glossary



PITCHER PARTNERS

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

Auditor's Independence Declaration

As lead auditor for the review of Indago Energy Limited for the half-year ended 30 June 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 review; 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
13 September 2017

**INDAGO ENERGY LIMITED ABN 75 117 387 354
AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2017**

		Consolidated Entity	
	Note	30 June 2017	30 June 2016
		\$	\$
Revenue	2	10,480	12,711
		<u>10,480</u>	<u>12,711</u>
Audit and accounting fees		(103,793)	(75,085)
Depreciation and impairments		(929,354)	-
Directors' remuneration	3	(505,268)	(98,209)
Professional consulting fees	3	(192,252)	(144,095)
Employee benefits expense		-	(96,468)
Legal and secretarial fees		(100,037)	(67,279)
Royalties	3	(63,567)	-
Share registry and listing fees		(37,774)	(27,506)
Travel expenses		(102,142)	(7,911)
Finance costs		(1,306)	(808)
Administration expenses		(115,394)	(114,813)
Business acquisition costs		(98,165)	-
Foreign exchange gain (loss)		(97,644)	(98,902)
Profit / (loss) before income tax		(2,336,216)	(718,365)
Income tax expense		-	-
Profit / (loss) from continuing operations		(2,336,216)	(718,365)
Profit / (loss) attributable to discontinued operations	9	-	27,976
Profit / (loss) for the period		(2,336,216)	(690,389)
Other comprehensive Income			
Items that may be reclassified to profit or loss			
Net gain /(loss) on foreign currency translation reserve		(53,958)	71,898
Total Comprehensive Income/(Loss)		(2,390,174)	(618,491)
Profit/(loss) for the period from continuing operations attributable to ordinary equity owners of the company		(2,336,216)	(718,365)
Profit/(loss) for the period attributable to ordinary equity owners of the company		(2,336,216)	(690,389)
Total comprehensive Income/(Loss) attributable to ordinary equity owners of the company		(2,390,174)	(618,491)
Basic earnings per share from continuing operations		(2.0) cents	(0.1) cents
Diluted earnings per share from continuing operations		(2.0) cents	(0.1) cents
Basic earnings per share		(2.0) cents	(0.1) cents
Diluted earnings per share		(2.0) cents	(0.1) cents

The accompanying notes form part of these consolidated financial statements

**INDAGO ENERGY LIMITED ABN 75 117 387 354
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF YEAR ENDED 30 JUNE 2017**

		Consolidated Entity	
	Note	30 June 2017	31 December 2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,484,858	3,652,067
Trade and other receivables	5	102,105	57,944
Loans		-	552,800
Other current assets		55,983	25,435
TOTAL CURRENT ASSETS		1,642,946	4,288,246
NON-CURRENT ASSETS			
Exploration and evaluation asset	6	463,322	1,474,813
Inventory		625,291	-
Property, plant and equipment		10,427	-
Intangible assets	7	3,951,363	-
TOTAL NON-CURRENT ASSETS		5,050,403	1,474,813
TOTAL ASSETS		6,693,349	5,763,059
CURRENT LIABILITIES			
Trade and other payables		326,354	292,733
Borrowings		32,800	-
TOTAL CURRENT LIABILITIES		359,154	292,733
TOTAL LIABILITIES		359,154	292,733
NET ASSETS		6,334,195	5,470,326
EQUITY			
Contributed equity	8	54,998,970	51,848,970
Reserves		(558,254)	(608,339)
Accumulated losses		(48,106,521)	(45,770,305)
TOTAL EQUITY		6,334,195	5,470,326

The accompanying notes form part of these consolidated financial statements

**INDAGO ENERGY LIMITED ABN 75 117 387 354
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Contributed equity	Accumulated losses	Foreign currency translation reserve	Options reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2016	51,848,970	(44,905,176)	(831,044)	380,302	6,493,052
Options issued during the period	-	-	-	17,542	17,542
Total comprehensive loss for the period	-	(690,389)	71,898	-	(618,491)
Balance at 30 June 2016	51,848,970	(45,595,565)	(759,146)	397,844	5,892,103
Balance at 1 January 2017	51,848,970	(45,770,305)	(731,133)	122,794	5,470,326
Options issued during the period	-	-	-	104,043	104,043
Shares issued during the period	3,150,000	-	-	-	3,150,000
Total comprehensive loss for the period	-	(2,336,216)	(53,958)	-	(2,390,174)
Balance at 30 June 2017	54,998,970	(48,106,521)	(785,091)	226,837	6,334,195

The accompanying notes form part of these consolidated financial statements

**INDAGO ENERGY LIMITED ABN 75 117 387 354
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Consolidated Entity	
	30 June 2017	30 June 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	32,716	-
Payments to suppliers and employees	(1,327,605)	(1,390,278)
Interest received	12,884	2,047
Interest paid	(1,306)	(808)
Net cash (used in)/provided by operating activities	(1,283,311)	(1,389,039)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from discontinued operations	-	3,127,104
Payment for property, plant and equipment	(4,846)	-
Payment for intangible assets	(668,464)	-
Subsidiary net cash acquired on acquisition	4,432	-
Receipts from working interest	-	143,754
Payments for working interest	-	(124,935)
Net cash (used in)/provided by investing activities	(668,878)	3,145,923
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	56,701
Repayment of borrowings	(198,880)	(22,926)
(Payment)/Repayment of loan to director	-	200,000
Net cash provided/(used in) by financing activities	(198,880)	233,775
Net (decrease)/increase in cash held	(2,151,069)	1,990,659
Cash at beginning of period	3,652,067	2,849,466
Effect of exchange rate movement	(16,140)	63,722
Cash at end of period	1,484,858	4,903,847
Non cash financing and investing activities	8	104,043
		17,542

The accompanying notes form part of these consolidated financial statements

**INDAGO ENERGY LIMITED ABN 75 117 387 354
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

NOTE 1: BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2016 and any public announcements made by Indago Energy Limited ("Indago" or "the Company") and its controlled entities ("Consolidated Entity" or the "Group") during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those in the annual financial report for the year ended 31 December 2016. The Group has adopted a number of Australian Accounting Standards and Interpretations that are mandatory for reporting periods beginning on or after 1 January 2017. The adoption of these standards did not have any impact on the current period or any previous period and is not likely to affect future periods.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 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 for annual reporting periods beginning on or after 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition 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.

Revenue from Contracts with Customers (effective 1 January 2018)

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

AASB 16: Leases (effective 1 January 2019)

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

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

NOTE 2: REVENUE

	Consolidated Entity	
	30 June 2017	30 June 2016
	\$	\$
Other income – interest	10,480	12,711
Total revenue continuing operations	10,480	12,711

NOTE 3: KEY MANAGEMENT PERSONNEL

Total key management personnel remuneration of \$646,448 (2016: \$167,876) comprises:

- \$401,225 (2016: \$80,667) directors fees, paid in cash or cash equivalents to directors of the Company or their related parties
- \$104,043 (2016: \$17,542) value of options issued to key management personnel or their related parties
- \$141,180 (2016: \$69,667) paid in cash or cash equivalents for consulting services to entities in which key management personnel hold beneficial entitlements.
- Royalties of \$63,567 (2016: \$Nil) paid in cash to entities in which a director of the Company hold beneficial entitlements.

Royalties of \$63,567 (2016: \$Nil) paid in cash to entities in which a director of the Company hold beneficial entitlements.

NOTE 4: DIVIDENDS

There were no ordinary dividends declared or paid during the period under review (2016: \$Nil).

NOTE 5: OTHER RECEIVABLES

	Consolidated Entity	
	30 June 2017	31 December 2016
	\$	\$
CURRENT		
GST receivable	35,650	28,771
Operating bond/deposits	25,228	26,769
Related party receivable (a)	41,227	-
Interest receivable	-	2,404
	102,105	57,944

Related party receivable relates to an amount owed by director Mr Nicholas Castellano and is repayable from July 2017. This receivable relates to advances paid to Mr Castellano to produce the inventory for Hydrocarbon Dynamics. As not all the funds were used the balance is repayable to the company.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

NOTE 6: EXPLORATION & EVALUATION ASSET

	Consolidated Entity	
	30 June 2017	31 December 2016
	\$	\$
Exploration and evaluation expenditure capitalised	463,322	1,380,625
Newkirk project	-	94,188
Total Exploration & Evaluation Expenditure Capitalised	463,322	1,474,813

	Consolidated Entity	
	30 June 2017	31 December 2016
	\$	\$
Opening Balance	1,474,813	1,418,479
Add capitalised	-	-
Foreign currency adjustment	(84,848)	56,334
Less impairment	(926,643)	-
Closing Balance	463,322	1,474,813

NOTE 7: INTANGIBLE ASSETS

	Consolidated Entity	
	30 June 2017	31 December 2016
	\$	\$
Goodwill	3,282,899	-
Patent	5,246	-
Intellectual Property	663,218	-
	3,951,363	-

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

NOTE 8: CONTRIBUTED EQUITY

	Consolidated Entity	
	30 June 2017	31 December 2016
	\$	\$
130,738,214 (2016: 100,738,214) fully paid ordinary shares	58,325,841	55,175,841
Capital raising costs	(3,326,871)	(3,326,871)
	54,998,970	51,848,970

Ordinary shares	30 June 2017		31 December 2016	
	No. of Shares	\$	No. of Shares	\$
At the beginning of the period	100,738,214	55,175,841	100,738,214	55,175,841
Shares issued on 6 April 2017	30,000,000	3,150,000	-	-
At reporting date	130,738,214	58,325,841	100,738,214	55,175,841

The net non-cash investing and financing amount of \$104,043 (30 June 2016: 17,542) shown on the Consolidated Statement of Cashflows for the half year ended 30 June 2017 relates to the company's issuance of 1,750,000 director incentive options with an exercise price of \$0.14, vesting 1 March 2018 and exercisable on or before 1 March 2020. In the prior period the company issued 5,000,000 director incentive options on the 1 June 2016 for an exercise price of \$0.10, expiring 1 April 2019.

NOTE 9: DISCONTINUED OPERATIONS

As at 31 December 2015, the Capitola and Four Rivers projects were held for sale and subsequently disposed of 2 March 2016 and 1 January 2016 respectively. Financial information relating to the discontinuing operations for these projects is set out below.

	Consolidated Entity	
	30 June 2017	30 June 2016
	\$	\$
Revenue	-	10,513
Reimbursements (Expenses)	-	13,709
Gain on asset sales	-	3,754
Profit / (Loss) before income tax	-	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)
Gain on sale	-	3,754

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

NOTE 10: 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	10,480	-	-	-	10,480
Expenditure					
Director related expenses	(422,843)	-	(82,425)	-	(505,268)
Other	(462,874)	(3,501,775)	(523,775)	2,646,996	(1,841,428)
Segment result	(875,237)	(3,501,775)	(606,200)	2,673,037	(2,336,216)
Profit/(Loss) attributable to discontinued operations	-	-	-	-	-
Profit/(Loss) for the period	(875,237)	(3,501,775)	(606,200)	2,673,037	(2,336,216)
Assets as at 30 June 2017	8,661,087	490,330	1,365,181	(1,744,130)	8,772,468
Liabilities as at 30 June 2017	(330,966)	(46,482,434)	(2,104,280)	46,479,406	(2,438,274)

	Australia	USA	Worldwide	Eliminations	Total
2016	\$	\$	\$	\$	\$
Income					
Interest	12,334	377	-	-	12,711
Expenditure					
Employee related expenses	(96,468)	-	-	-	(96,468)
Other	(484,326)	(816,658)	-	666,376	(634,608)
Segment result	(568,460)	(816,281)	-	666,376	(718,365)
Profit/(Loss) attributable to discontinued operations	-	27,976	-	-	27,976
Profit/(Loss) for the period	(568,460)	(788,305)	-	666,376	(690,389)
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

**INDAGO ENERGY LIMITED ABN 75 117 387 354
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

NOTE 11: CONTINGENT LIABILITIES & COMMITMENTS

There has been no change in contingent liabilities since the last annual reporting date 31 December 2016.

NOTE 12: BUSINESS COMBINATION

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

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

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

**INDAGO ENERGY LIMITED ABN 75 117 387 354
AND CONTROLLED ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

Net cash inflow or outflow arising from acquisition	\$
Cash Paid	(663,218)
Cash acquired	4,432
Net Cash inflow	(658,786)

The assets acquired and liabilities assumed have been accounted for on a provisional basis. The acquired business contributed revenues of \$nil and a net loss of \$606,200 to the group for the period from 1 April 2017 to 30 June 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. There were no acquisitions in the 6 months ending 30 June 2016.

NOTE 13: SUBSEQUENT EVENTS

On 28 August 2017, Indago successfully completed a rights issue raising \$3.05 million before costs.

In the opinion of the directors, there has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected, or may significantly affect the Consolidated Group's operations, results or the state of affairs in future financial years.

INDAGO ENERGY LIMITED ABN 75 117 387 354
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The consolidated financial statements and notes set out on pages 6 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *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 30 June 2017 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that Indago Energy Limited will be able to pay its debts as and when they become due and payable.

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



Ray Shorrock
Director

Melbourne

13 September 2017



PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Indago Energy Limited,

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Indago Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Indago Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Indago Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Pitcher Partners

PITCHER PARTNERS



N Batters
Partner

Brisbane, Queensland
13 September 2017

An Independent Queensland Partnership ABN 84 797 724 539
Liability limited by a scheme approved under Professional Standards Legislation
Independent member of Baker Tilly International

 an independent member of
BAKER TILLY
INTERNATIONAL

CORPORATE DIRECTORY

Directors

Mr Stephen Mitchell (Executive Chairman)
Mr Nicholas Castellano (Executive Director)
Mr Allan Ritchie (Executive Director)
Mr Donald Beard (Non-Executive Director)
Mr Ray Shorrocks (Non-Executive Director)

Company Secretary

Ms Julie Edwards

Registered and Principal Office

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Phone: +61 1300 554 474
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Auditors

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Phone: +617 3222 8444
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Stock Exchanges

Australian Securities Exchange Limited (ASX)
Code: INK

OTC Pink (United States)

Code: POGLY

Australian Company Number

117 387 354

Australian Business Number

75 117 387 354