



## Indago Energy Limited

27th July 2016

### July 2016 Quarterly Activity and Cashflow Report

#### Significant Developments

- Cash position at June 30<sup>th</sup> of A\$4.9m
- Shareholder approval at AGM given for company restructure
- Company name changed to Indago Energy Limited
- Board completes review of the Newkirk asset in Oklahoma
- Board continues to assess new opportunities

#### Financial

At June 30<sup>th</sup>, Indago Energy had cash resources of \$4.9 million compared with cash reserves of \$5.05 million at the end of March. The small reduction in cash from the previous quarter was predominantly the result of favourable exchange rate movements as the Company moved some of the proceeds from the sale of the Capitola Project from US\$ into A\$. Currently 75% of the Company's cash reserves are held in A\$.

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

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



## Indago Energy Limited

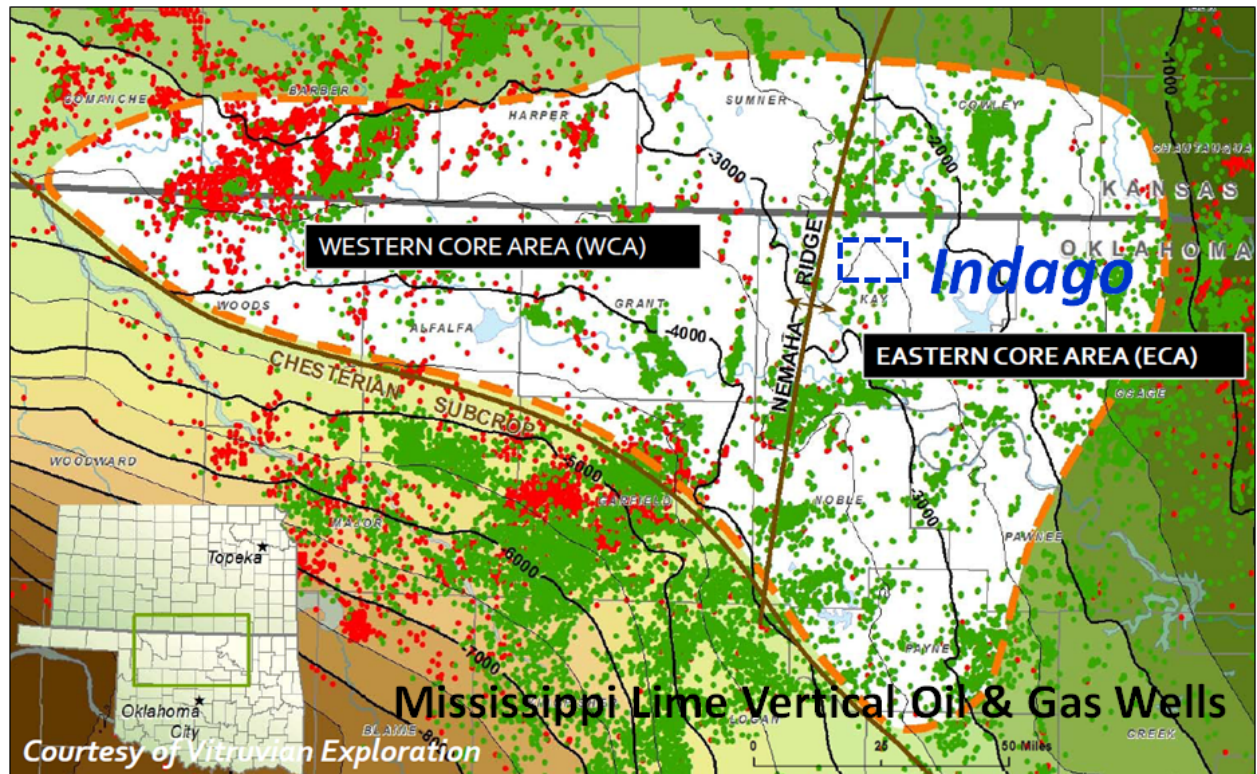


Figure 1: Location.

During the Quarter the board completed a detailed review of the Newkirk Project. A summary of the project and of the review follows:

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

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

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

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## Indago Energy Limited

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

Vertical well recoverable reserves are expected to average ~30 Mstb oil and 200 MMscf gas. Estimated vertical well drill and completion cost is US\$0.5m and for SWD wells is expected to be US\$0.75m. One SWD well is required for every 10-12 vertical oil producers. Indicative economics indicate robust returns (>40%) when oil price is in excess of US\$60/bbl. A summary of the indicative economics at Newkirk, should it prove similar to nearby projects, is summarised below:

Oil price (Year 2 onwards)						
US\$	\$30	\$40	\$50	\$60	\$70	\$80
NPV (A\$M)	(10.8)	2.9	16.7	28.2	38.8	49.2
IRR	(0.9%)	13%	28%	44%	62%	83%
NPV/boe	(2.9)	0.8	4.5	7.6	10.5	13.3

The prospectivity review concludes that Indago's leases are prospective for oil and gas but given the paucity of modern wells in the immediate vicinity of Newkirk, the project should be appraised with 2-4 wells prior to development. Should the appraisal programme confirm typical play production and recovery characteristics, the project would present an attractive development when US domestic oil prices approach US\$60/bbl.

At this time and in this low oil price environment, the Operator, Empire Energy Group (ASX:EEG) has no short-term plans to drill any wells. There is always a risk that leases will commence to expire prior to the establishment of a commercial play. Indago will therefore consider all options to create value from this asset including joint ventures, sale and possibly a modest drilling programme if energy prices improve.



## Indago Energy Limited

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

On 27 November 2015, Indago (then trading as Pryme) reported an updated Independent Reserve Report for the Project. The Reserves estimates are shown in the table below and are for 2P (Probable) Reserves only; 3P (Possible) Reserve and Contingent Resources have not been estimated.

Newkirk Project				
Reserve Category	# Wells	Net Remaining Reserves 1 November, 2015		
		Oil (MBBL)	Natural Gas (MMCF)	Oil Equivalent (MBOE)**
Probable (2P)	101	2,500	15,967	5,118
Total	101	2,500	15,967	5,118

The Reserves were reviewed by Keith Drennen and J.P. Dick of Pinnacle Energy Services LLC (Pinnacle), Registered Engineers in the state of Oklahoma in accordance with the Society of Petroleum Engineers, 2007 Petroleum Resources Management System.

### Corporate

At the Company's AGM on 18 May 2016, shareholders approved a name change from Pryme Energy Limited to Indago Energy Limited (ASX:INK) as well as a 1 for 10 share consolidation. As a result the company has 100,738,214 shares on issue and as of 25 July 2016, 5,000,000 options.

Indago Energy is in a legal dispute with its former CFO arising from the decision of the previous board to effect her redundancy. A claim was served for nearly \$264,000 in June and the Company intends to strongly defend the claim.

Subsequent to the end of the Quarter, 48,102,546 listed options expired.

Indago continued to review several new projects for acquisition and/or investment. At the time of this quarterly, several of these were under detailed review.



## Indago Energy Limited

### Oil and Gas Tenements

Project	Location	Interest acquired or disposed of during the quarter net to Indago	Total acres owned net to Indago	Working Interest held as at 30 June 2016
Newkirk	Kay and Noble Counties, Oklahoma	0	4,049 acres	100% in Acreage, 50% in JV

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**ASX Code: INK**

**OTCQX Code: POGLY**



## Indago Energy Limited

### Glossary

\$	Australian Dollars	Mcf	Thousand cubic feet (of natural gas)
US\$	United States Dollars	Mcfd	Thousand cubic feet (of natural gas) per
Bbls/day	Barrels (of oil) per day	day	
MBO	Thousand barrels of oil	MMcf	Million cubic feet of natural gas
MMBO	Millions barrels of oil	NRI	Net revenue interest
MBOE	Thousand barrels of oil	WI	Working interest
equivalent		TVD	Total vertical depth
MMBOE	Millions barrels of oil	TMD	Total measured depth
equivalent		MD	Measured depth
BOE	Barrels of oil equivalent	3.28 feet	Equals 1 metre
BOE/day	Barrels of oil equivalent per		
day			
EUR	Estimated Ultimate Recovery		

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# Appendix 5B

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

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10; 01/05/2013

Name of entity

Pryme Energy Limited

ABN

75 117 387 354

Quarter ended ("current quarter")

30 June 2016

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	144
1.2	Payments for (a) exploration & evaluation	-	(55)
	(b) development	-	-
	(c) production	-	(36)
	(d) administration	(360)	(1,399)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	1
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	3
<b>Net Operating Cash Flows</b>		<b>(361)</b>	<b>(1,343)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	3,060
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		<b>-</b>	<b>1,717</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(361)</b>	<b>1,717</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(361)	1,717
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	57	57
1.17	Repayment of borrowings	(23)	177
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	34	234
	<b>Net increase (decrease) in cash held</b>	(327)	1,951
1.20	Cash at beginning of quarter/year to date	5,047	2,849
1.21	Exchange rate adjustments to item 1.20	182	102
1.22	<b>Cash at end of quarter</b>	4,902	4,902

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	79
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- N/A
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- N/A

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	10
4.2 Development	-
4.3 Production	-
4.4 Administration	603*
<b>Total</b>	<b>613</b>

\* Note, this includes a provision for a disputed redundancy of \$264,000

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4,902	5,047
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,902</b>	<b>5,047</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-

**Appendix 5B**  
**Mining exploration entity quarterly report**

6.2	Interests in mining tenements acquired or increased	-	-	-	-
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**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference</b>	NA	NA	NA	NA
	<b>*securities</b> ( <i>description</i> )				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>*Ordinary securities</b>	100,738,214	100,738,214	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<b>*Convertible debt securities</b> ( <i>description</i> )	Nil	-	-	
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> ( <i>description and conversion factor</i> )	481,025,026		<i>Exercise price</i> \$0.20	<i>Expiry date</i> 23 July 2016
7.8	Issued during quarter	5,000,000	-	\$0.10	01 April 2019
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> ( <i>totals only</i> )	NA			

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )	NA	
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

  
 .....  
 (Company Secretary)

Date: 27 July 2016

Print name:

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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