STREET ADDRESS
Unit 17, Level 2
100 Railway Road
Subiaco, Western
Australia 6008

POSTAL ADDRESS
PO Box 8129
Subiaco East 6008

CONTACT DETAILS
Tel: +61 (0)8 9380 9920
Fax: +61 (0)8 9381 5064
info@indusenergy.com.au
www.indusenergy.com.au

Share Price: $0.02
Shares: 157,453,599
Market Cap: $3.15m

BOARD & MANAGEMENT

Mr John (Gus) Simpson
Non-Executive Chairman

Mr Anthony Milewski
Managing Director

Mr Marcus Gracey
Non-Executive Director

Mr Ken Bull
Chief Operating Officer

Mr Jonathan Whyte
Company Secretary

ABN
22 009 171 046

ASX CODE
IND

Indus Energy NL

ASX Announcement

31 DECEMBER 2014 QUARTERLY ACTIVITIES REPORT

30 January 2015

Highlights

Projects

- **Indus enters Joint Venture on Large, Drill Ready Alberta Oil Sands Project**
- **Strategic Review of Indonesian operations being conducted**

Corporate

- **Completion of Share Consolidation**
- **Change of Company Name and Code**
- **Cash and Cash Equivalents as at 31 December 2014 $2.28m**

Projects

Indus enters Joint Venture on Large, Drill Ready Alberta Oil Sands Project

In November 2014, the Company executed a binding Term Sheet with First Nations Exploration Company, Keyano Pimee Exploration Company Limited **(KPECL)**, to farm in to 82,290 acres of Cold Lake oil sands in Alberta, Canada **(Project Area)**. KPECL is a company owned by the indigenous Saddle Lake and the Whitefish Lake Cree Nations and is currently involved in long standing gas production in the Cold Lake region, 200 kilometres north-east of Edmonton in Alberta, Canada. The KPECL lands are currently producing approximately 2mmcf of gas per day from 23 existing wells. KPECL plans to transition from a gas royalty company to an active oil producer through the proposed joint arrangement with Indus.

The joint venture presents Indus with an exclusive opportunity to partner with a Cree First Nations oil exploration and gas production company holding a large scale, multi target, drill-ready land position in a significant oil and gas producing location in Canada's first ranking oil production province.

Given that the oil and gas rights are owned by the First Nations people who in turn own KPECL, approvals and consents for the proposed activities are assured including access to significant infrastructure across the Project Area. In addition, as KPECL controls the Project Area and mineral rights, the proposed partnership arrangement will not be subject to short term lease constraints and pressures that are normally associated with North American onshore oil & gas exploration and development projects, allowing the parties to focus on a long term mutually beneficial partnership and plan operations in line with favourable market conditions.

Since the signing of the Term Sheet, Indus has held several meetings with KPECL and associated Cree Nations Chiefs in Alberta and negotiations have now advanced towards finalising and executing the Joint Operating Agreement **(JOA)**. Once the JOA is executed, Indus can commence Phase 1 of the work program which will consist of low cost re-entries of four historic wells within the Project Area where oil occurrences have been encountered during gas exploration and production activities.

Both JV parties agree that the approach going forward will be to judiciously confirm prospectivity through the low cost re-entry wells of the Phase 1 program whilst at the same time taking advantage of the current market condition which is seeing debt forced divestiture of land positions in the Cold Lake Area of Interest **(AOI)**. Significant acreage covering known heavy oil sands occurrences has already been freed up and this trend is expected to continue, providing Indus and KPECL with the opportunity to add significantly, and at low cost, to their existing and planned joint land positions.

Project Execution and Work Programs

In Phase 1, Indus has committed to an initial four well re-entry program in areas where oil occurrences have been encountered during gas exploration and production activities on the KPECL lands. The combined all-in cost of these four re-entries is estimated at $700,000. On successful completion of the Phase 1 program, Indus will earn a 50% interest in the four wells and four corresponding 640 acre sections of project land and the right to proceed with Phase 2 of the farm-in.

Phase 2 involves Indus funding thirteen low cost vertical conventional wells (estimated to be $600,000 each) or additional re-entries (at a much lower cost) to test oil occurrences across thirteen separate 640 acre Project sections, earning the Company a 50% interest in the wells and the thirteen corresponding sections of land as well as the right to proceed to Phase 3 of the Project. Indus is also entitled to recover all of its Phase 1 and 2 costs from 80% of the associated production revenue.

The current short term oil price environment presents a significant opportunity to capitalise on divestitures of highly prospective land holdings in and around the Cold Lake area, the AOI, or in close proximity to both. It is the Board's belief that these opportunities can potentially be capitalised upon at very low acquisition and holding costs. This modified strategy would result in the further benefit of the phase 2 conventional vertical well program being scheduled over a larger geographical area with the aim of delineating significantly increased reserves for similar expenditure.

Phase 3 consists of drilling vertical and horizontal wells on a 50:50 working interest basis with KPECL across the remaining Project Area. During Phase 3, KPECL and Indus will jointly fund an ongoing program where each successful vertical well will serve as the pad for the drilling of up to twelve horizontal production wells per section to recover oil from various oil sand horizon(s) using the in-situ cold oil production with sand **(CHOPS)** method.

The parties will work together to ensure that timing of the above phases is consistent with favourable market economics including commodity pricing and ongoing access to required capital.

Extensive due diligence has already been completed by the Company's project advisors, Alberta based Apex Energy Consultants **(Apex),** including the evaluation of over 1,000 production wells and associated data within or in close proximity to the Project Area and AOI. Upon the signing of the JOA the Company expects to move rapidly forward with Phase 1 and possible additional land acquisition programs.

In the current market of low oil prices, Indus, KPECL and Apex believe there will be significant short to medium term value accretion opportunities through expanding the current strategy to include acquiring prospective properties with low holding costs within the AOI surrounding the current projects and that this will create a platform for Indus to accelerate it plans to becoming a mid-tier North American oil producer.

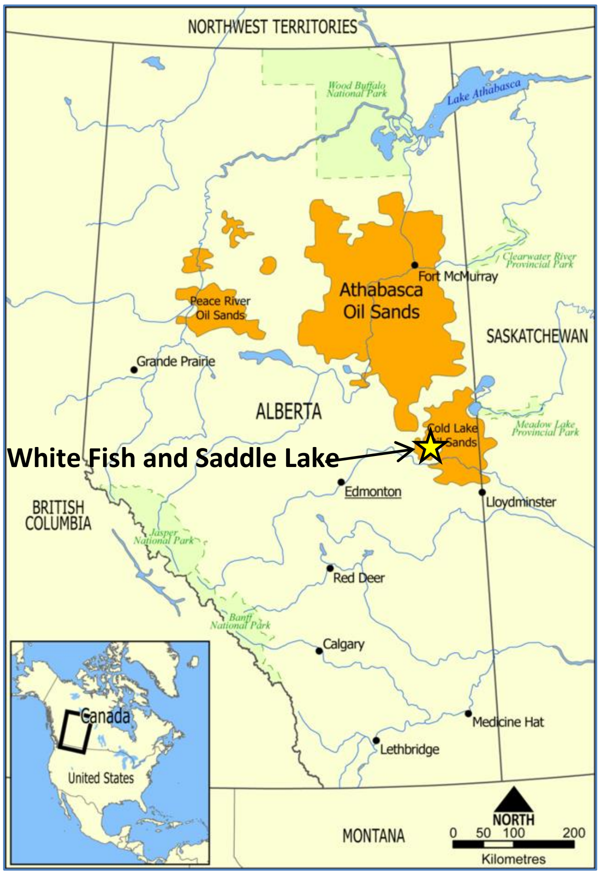

Figure 1: KPECL Project Location

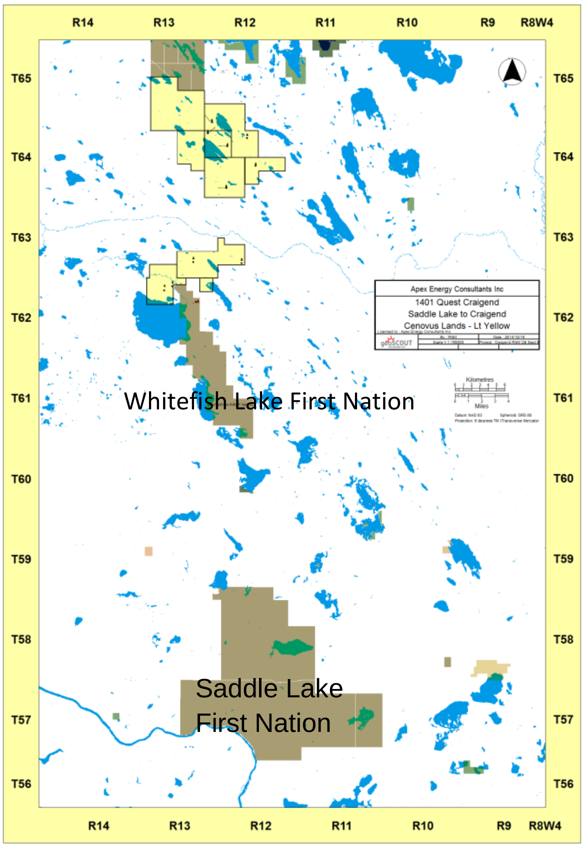

Figure: 2 Regional Project Location Map

Apex has overseen the process of selecting the four re-entry wells for the Phase 1 program and is preparing for mobilisation on execution of the JOA. Apex will be responsible for the overall project development through Phases 2 and 3. The Phase 2 sections have been identified and the drill locations for the thirteen vertical wells have been generated.

The planned work programs, dependent on the success of the preceding phase, will be staged as follows:

Phase 1

- Indus re-enters four historic gas wells which intersected oil horizons and recovered 19 API oil
- Re-entry well costs estimated at $183,000 per well (~$700,000 for four well program)
- Indus carries 100% of upfront costs to earn 50% of the wells and corresponding 640 acre section with a 100% cost reimbursement from 80% of production revenue
- Re-entry program completion is estimated at six-eight weeks duration given no complications or unforseen technical problems
- Indus will be the Operator
- On completion Indus will hold 1,280 net acres and the right to proceed to Phase 2 of the farm-in

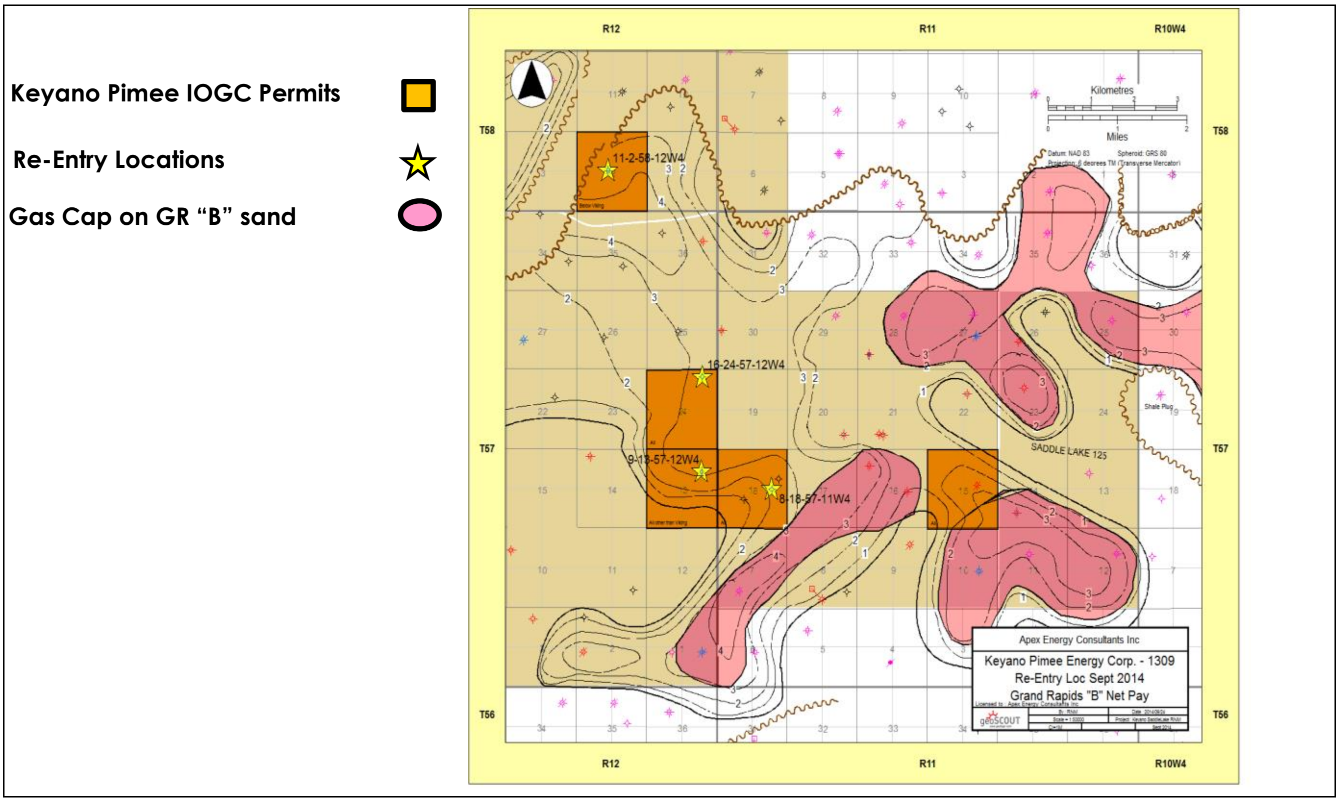

Figure 3 – Initial re-entry well locations

Phase 2

- Indus will drill thirteen conventional vertical wells
- Well costs estimated at $600,000 per well
- Indus carries 100% of up-front costs to earn 50% in each well and the corresponding 640 acre sections with a 100% cost recovery from 80% of production revenue
- Indus will be the Operator
- On completion, Indus will hold a cumulative total of 5,440 net acres and the right to proceed to Phase 3 of the farm-in

Phase 3

- Joint funding by KPECL and Indus on vertical and horizontal wells across the balance of KPECL Project Lands
- Vertical well program with 20 acre spacing
- Multiple horizontal wells from single pads
- Phase 3 will be managed jointly under a structure to be detailed in the JOA
- On completion, Indus will be able to hold up to approximately 41,000 net acres

About the Alberta Oil Sands Industry

Alberta's oil sands are the third-largest proven crude oil reserve in the world, next to Saudi Arabia and Venezuela.

Alberta ranks first in crude oil reserves and production in Canada. Canada has the second largest oil reserves in the world totalling 173 billion barrels of oil, 167 billion barrels are located in the Canadian oil sands.

Total investment by companies such as Baytex, CNRL, Devon, Husky International and others in new Alberta oil sands projects and re-investment (sustaining capital) in existing oil sands projects now exceeds C$514 billion (2013). Revenues from all existing and new projects now exceeds C$2,484 billion (2013)

Strategic Review

With the Company's attention on the KPECL joint venture and an associated shift in operational focus on low-cost near term production in Alberta, Indus is also currently conducting a strategic review of its operations in Indonesia. The Company will be in a position to provide further information when this review process is concluded which it anticipates completing in Q1/15.

Corporate

Completion of Share Consolidation

During the quarter the Company completed a consolidation of capital, as approved by Shareholders at the Annual General Meeting held on 28 November 2014. The consolidation was completed on the basis of every 20 shares being consolidated into 1 share and every 20 options being consolidated into 1 option. Following completion of the consolidation the Company had 157,453,599 ordinary fully paid shares on issue.

Change of Company Name and Code

Effective 15 December 2014, the name of the Company changed from Quest Petroleum NL to Indus Energy NL. The Company's new ASX issuer code became "**IND**".

Cash and Liquid Assets

At 31 December 2014 the Company held cash and equivalents of $2.28m.

On behalf of the Board of Directors

For further information contact:
Anthony Milewski
Managing Director

Phone: +61 8 9380 9920
Fax: +61 8 9381 5064
Email: info@indusenergy.com.au