



Indago Energy Limited

INDAGO TO ACQUIRE REVOLUTIONARY NEW PROVEN OIL TECHNOLOGY

Key Points

- Indago signs MOU to merge with advanced oil technology company
- Revolutionary new proven technology increases oil production and recovery rates as well as pipeline flow rates for 'heavy' oil.
- Non toxic 'green' product with worldwide applications
- Large existing customers with increasing revenues
- Acquisition price linked to EBITDA
- Tests being completed now for new customers in US and Canada

Indago Energy has signed a Memorandum of Understanding ("MOU") to acquire the Hong Kong based HCD Holdings Ltd, its related companies and associated Intellectual Property (collectively "the Companies"). Details of the Companies are contained at www.hydrocarbodynamics.com. Together the Companies own a revolutionary new oil technology and business that allows for the swift, clean and cost effective treatment of heavy asphaltenic and paraffinic oils.

The technology can be applied to improve oil flow rates by the re-liquification of oil deposition from oil wells and pipelines and can also be used to recover oil from storage facilities. The product has proved its effectiveness in large-scale commercial oil wells and pipelines in Malaysia and India.

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. Once disaggregated, these agglomerations are reabsorbed into the crude oil, reducing its pour point, viscosity and increasing API gravity thus providing outstanding flow assurance and transfer system efficiency. The HCD Multiflow™ molecule can also separate water and sediment from the crude oil and the product will have far-reaching applications in the productibility and transport of heavy/paraffinic crudes, as already evidenced by the product's use in a large offshore oil field and with many successful trials to its credit.

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Key product applications identified and substantiated by successful trials include:

- flow assurance in onshore/offshore pipeline and oil gathering lines that transport heavy or paraffinic crudes;
- flow assurance in the down-hole and near well bore reservoir interface in reservoirs that produce heavy or paraffinic crudes (supported by a companion product, a paraffin consuming facultative bacterial brew for treatment down hole);
- efficient clean-up, oil recovery and water and sediment separation of tank bottom sludge in oil tank batteries offshore/onshore;
- efficient clean-up, oil recovery and sediment separation in remediation of hydrocarbon contamination sites and potential application to hydrocarbon recovery in tar sands.

HCD Multiflow™ competes directly with and outperforms chemical polymers and toxic solvents (Benzene-Toluene-Xylene) currently utilised to combat paraffin/asphaltene deposition in pipelines, gathering lines and down-hole production tubulars. Key technical advantages that HCD Multiflow™ possesses over its competitors are:

- 1) efficacy over a much broader application range;
- 2) immunity to loss in the water phase of produced fluids;
- 3) much higher “flash point” than typical chemicals used in the industry;
- 4) advantage of not reducing the products effectiveness when transported through system pumps (Polymer chemistry typically shears when agitated by the pump impeller blades greatly reducing the effectiveness of the chemical product);
- 5) it is non-toxic making it environmentally friendly as well as much safer to handle;
- 6) HCD Multiflow™ is much less expensive than its competitors in a cost per barrel of oil comparison;
- 7) Direct Refinery Feed - no re-treatment of crude required before Refining stage.

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The technology is proven, however is at an early stage of application in the industry with current revenues of around A\$1.2m. HCD Multiflow™ is currently being used by Malaysia's national oil company, Petronas, on a major offshore platform and pipeline system as well as in India with excellent reproducible results. Indago will use its technical, financial and commercial resources to expand the technology rapidly. Indago will also look to acquire existing oil accumulations where the technology will be used to increase or commence oil production. Many of the world's oil provinces produce waxy or heavy crudes and experience associated production and transport problems and will represent early targets for the growth in both oil production and technology sales.

The parties will commence a period of due diligence while a comprehensive share purchase agreement, royalty agreement and other documentation are entered into. There are a range of conditions precedent in the MOU including, due diligence, respective shareholder approvals at both the Indago and HCD levels, definitive documentation and regulatory approval. Indago therefore cautions that there remains a risk that the transaction will not be completed.

In a staged transaction and subject to the various conditions, Indago will initially pay ~A\$1m in cash or assumed liabilities plus 50m fully paid shares and 33.2 million options (exercisable at \$0.25c for two years). Subject to certain EBITDA hurdles being met, Indago may issue up to a further 30m shares in April/May 2018 and 50m shares in April/May 2019. To secure ownership of the Intellectual Property Indago will also pay a royalty of 5% of net sales to inventor Nick Castellano until those payments total US\$20m. The royalty is also subject to a US\$20,000/month minimum. . Further details will, once finalised, be disclosed in more detail in due course.

In addition Indago has also agreed finance approximately US\$400,000 worth of product for HCD (prior to completion of the proposed transaction) to sell to existing customers to enable the Companies to finance product orders. Indago shareholders will however receive the sale proceeds from this product whether or not the merger completes.

Three representatives from HCD will, subject to shareholder approval, join the INK board and will include the founder and inventor of the technology, Nick Castellano, along with HCD's Managing Director Allan Ritchie. Both will fulfil Executive Director roles.



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Inventor Nick Castellano commented, “The merger with Indago gives our technology the best chance of rapid success by combining a proven product with seasoned energy industry professionals and strong financial resources”

Indago Chairman Stephen Mitchell stated that, “This merger gives Indago an exceptional opportunity to apply a proven and revolutionary oil technology across a global industry where demand for such a product is immense. The technology is expected to also give Indago a significant advantage in acquiring upstream oil accumulations for future development.”

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