

WARREGO ENERGY LIMITED (ASX: WGO)
ACTIVITY REPORT FOR THE QUARTER ENDED 31 MARCH 2021

HIGHLIGHTS

Corporate and Financial

- Consolidated cash at 31 March 2021 was \$23,977,000. The Company is sufficiently funded for the WE-4 and WE-5 wells as per the joint venture agreed budget.
- Warrego is in advanced discussions with a number of domestic and international banks to secure a project finance facility of up to \$75 million to fund its 50% share of the Phase 1 development of the West Erregulla field. It is expected that a banking “club” will be formed by the end of May 2021.

EP469 West Erregulla Field Appraisal

- WE-4 spudded in January 2021 and encountered formations on prognosis. Drilling performance improved substantially on a time and cost basis compared to WE-2 and WE-3.
- The top of the high-quality section of the primary target, the Kingia Porous Sandstone, was intersected at 4,971m MDRT. A 45m core was obtained from the Kingia, with gas shows observed during coring operations.
- Material results from WE-4 include a thicker 155m Kingia interval, reservoir pressure of 6,821 psia at 4,898m MDRT, and a deepening of the lowest known gas increasing the areal extent of the West Erregulla field.
- WE-4 reached TD at 5,069m MDRT in April and, after successful logging and coring operations across both the Kingia and High Cliff sandstones, the well has been cased and completed for future production. The rig is now being moved to the WE-5 site.
- A full well testing program will be undertaken at WE-4 in early May to test well deliverability and productivity.

EP469 West Erregulla Field Development

- The Australian Gas Infrastructure Group (‘AGIG’) is nearing finalisation of a supplemental FEED study to address the revised 80 TJ/d gas plant scope and the Joint Venture (‘JV’) is in advanced negotiations with AGIG for the provision of gas processing services utilising the proposed gas processing facility.
- The JV partners are nearing finalisation of FEED for the gathering system and upstream gathering compound which will transport gas from the West Erregulla wells to the AGIG gas processing plant.
- The JV will integrate the results of the WE-4 well into its reservoir modelling for the West Erregulla Field and will undertake an updated independent reserves assessment.

STP-EPA-0127 Northern Perth Basin exploration

- Warrego, as Operator, is preparing a conventional work program for the exploration phase. Proposed exploration activities will target multiple similar conventional Permian sequences to those encountered at West Erregulla and Waitsia, as well as investigating the full potential of deeper and older hydrocarbon prospectivity.

WESTERN AUSTRALIA

EP469 (50%) West Erregulla Gas Fields

Exploration Permit located onshore North Perth Basin, Western Australia, targeting conventional gas reservoirs

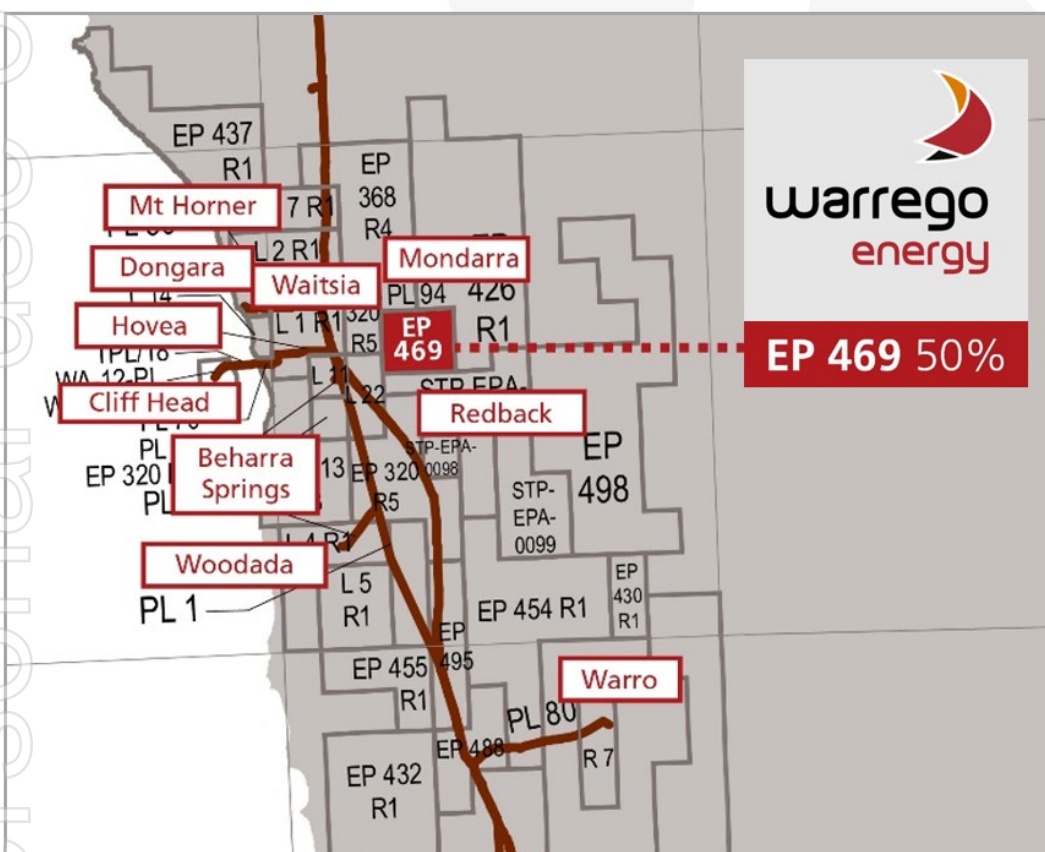


Figure 1. EP469 location in the context of neighbouring permits and fields including Waitsia and Beharra Springs.

West Erregulla Field Appraisal Campaign Update

WE-3 Well Operations

The WE-3 well encountered geological formations on prognosis and consistent hydrocarbon shows were observed throughout the Dongara and upper Waqina sandstones as expected.

Whilst drilling through the upper section of the Carynginia shale over pressured gas was encountered. Given that this over-pressured gas had the potential to exceed the design limits of the well the Joint Venture considered that additional well engineering, materials procurement and equipment would be required in order to safely drill ahead. The Joint Venture therefore decided to suspend the WE-3 well and move the rig to WE-4.

The Joint Venture is currently undertaking further technical analysis on WE-3 to assess re-entry options for this well.

WE-4 Well Operations

Drilling operations commenced at WE-4 on 24 January 2021. Drilling progressed efficiently and on budget. The secondary targets of the Dongara and Wagina sandstones were encountered on prognosis and wireline logging undertaken over the combined Dongara and Wagina intervals revealed lower overall permeability than the analogous WE-2 well. Whilst Warrego's preliminary view is that these secondary reservoirs are 'tight' as was the case with the WE-2 well, the Joint Venture is continuing to review the data.

Drilling operations continued through to the Primary Target of the Permian Kingia Porous Sandstone which was intersected at 4,871m MDRT with gas shows throughout the entire sandstone interval of 155m. Coring of a target 45m interval of the Kingia Sandstone was then completed with gas shows observed during coring operations.

Subsequent to quarter end after drilling through the Kingia Sandstone, the Bit Basher Shale and the High Cliff Sandstone, the well reached TD at 5,069m MDRT in the Holmwood Shale. Logging, coring and casing operations in both the Kingia and the High Cliff were successfully completed.

The overall results of the well are promising given the down dip location of the WE-4 well on the West Erregulla structure. Reservoir pressure in the Kingia was recorded at approximately 6,821 psia at 4,898m MDRT. These pressure results lie on the same gas gradient as the results of the WE-2 well indicating connectivity within the field. This is interpreted to have deepened the lowest known gas for the Kingia and extends the areal extent of the West Erregulla field.

The High Cliff Sandstone appears to be thinner than what was observed at WE-2 although this is offset by the overall extension of the field. Coring of an 18m interval over the High Cliff Sandstone was undertaken with initial results expected later in April.

The WE-4 well drilling performance was significantly improved in both time and cost over the drilling performance of each of WE-2 and WE-3. Following the completion of drilling operations at WE-4, the rig will move to WE-5 whilst a well testing program is completed at WE-4.

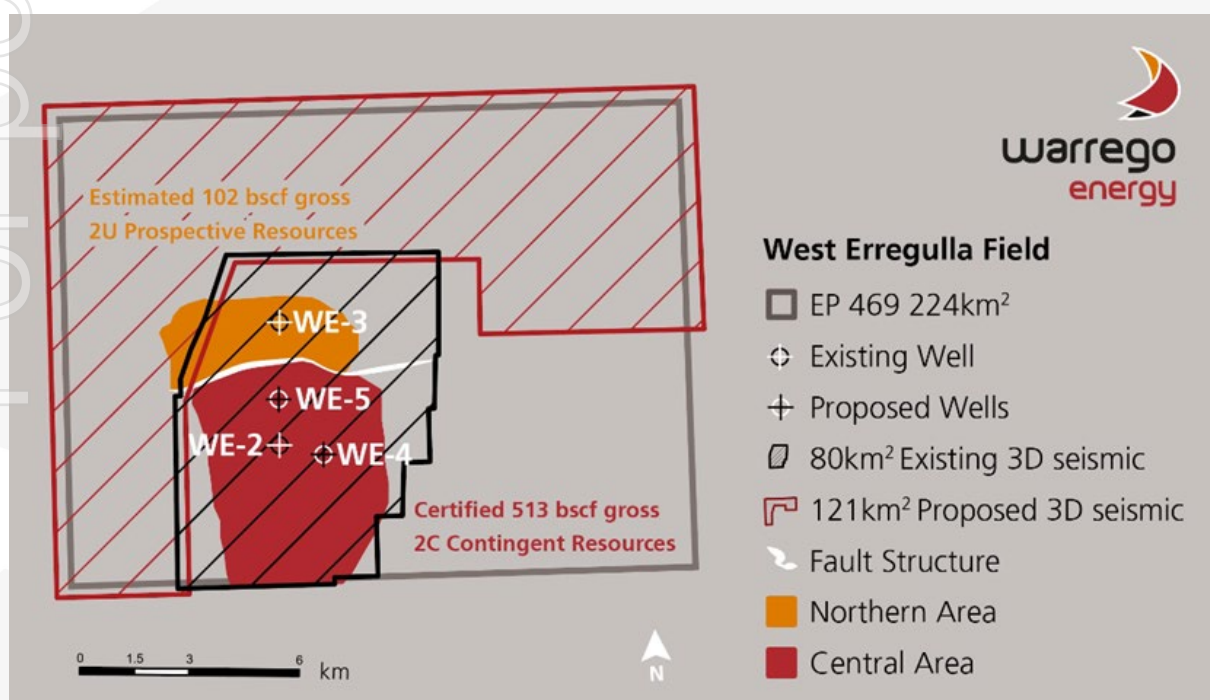


Figure 2. EP469 location of the already completed WE-2 well and the WE-3, WE-4 and WE-5 appraisal wells.

West Erregulla Field Development

Warrego is continuing to progress a joint venture aligned 80 TJ/d development of the West Erregulla Field with a Final Investment Decision expected in 2021.

Warrego is in advanced discussions with a number of domestic and international banks to secure a project financing facility of up to \$75 million to provide funding for its 50% share of the Phase 1 development of the West Erregulla field. Warrego's financing is to be underpinned by the substantial 155 PJ long term gas contract Warrego secured with Alcoa in 2020 and it is expected that a banking "club" will be formed by 30 May 2021.

AGIG is the preferred proponent to build, own and operate the facility and the FEED study for the revised 80 TJ/day gas plant is expected to be completed by AGIG in April 2021. Negotiations with AGIG to agree terms for the construction of the gas plant and for associated gas processing services are nearing completion.

Work on Joint Venture funded upstream infrastructure is also progressing and the Joint Venture is nearing finalisation of FEED for the gathering system and upstream gathering compound which will transport gas from the West Erregulla Field to the AGIG gas processing plant.

Warrego's gas sale to Alcoa will utilise almost 70% of the processing capacity of the gas plant. This production quantity is far in excess of Warrego's 50% participating interest share and necessitated the Joint Venture putting gas balancing arrangements in place to enable Warrego to overlift significantly to meet its sales commitments to Alcoa. The gas balancing arrangements will also enable Warrego's joint venture partner to overlift in the short period prior to Warrego's foundation GSA commencing in January 2024. The Joint Venture is also continuing to pursue smaller gas sale opportunities for the residual volumes available for the Phase 1 development.

The Joint Venture will also integrate the results of the WE-4 well into its reservoir modelling for the West Erregulla Field and will undertake an updated independent reserves assessment.

STP-EPA-0127 (100%, Operator) North Perth Basin
A 2.2 million acre permit application located onshore Coolcalalaya Perth Basin, Western Australia, targeting conventional gas reservoirs.

Native Title negotiations and Permit Grant progressing

At 2.2 million acres (8,700 km²), EPA-0127 is the largest exploration permit located onshore Western Australia. The permit area is 130 km north of the Waitsia and West Erregulla fields and is in the Coolcalalaya Sub-basin. Pre-permit grant technical assessment undertaken this quarter has been encouraging regarding preliminary identification of geological features favourable for potential hydrocarbon capture.

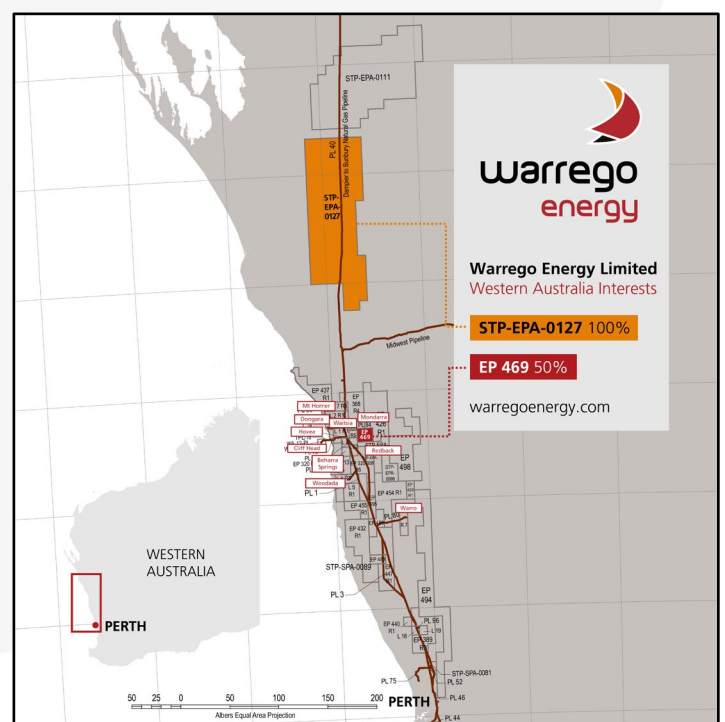


Figure 3. STP-EPA-0127 location in relation to EP469 and neighbouring fields.

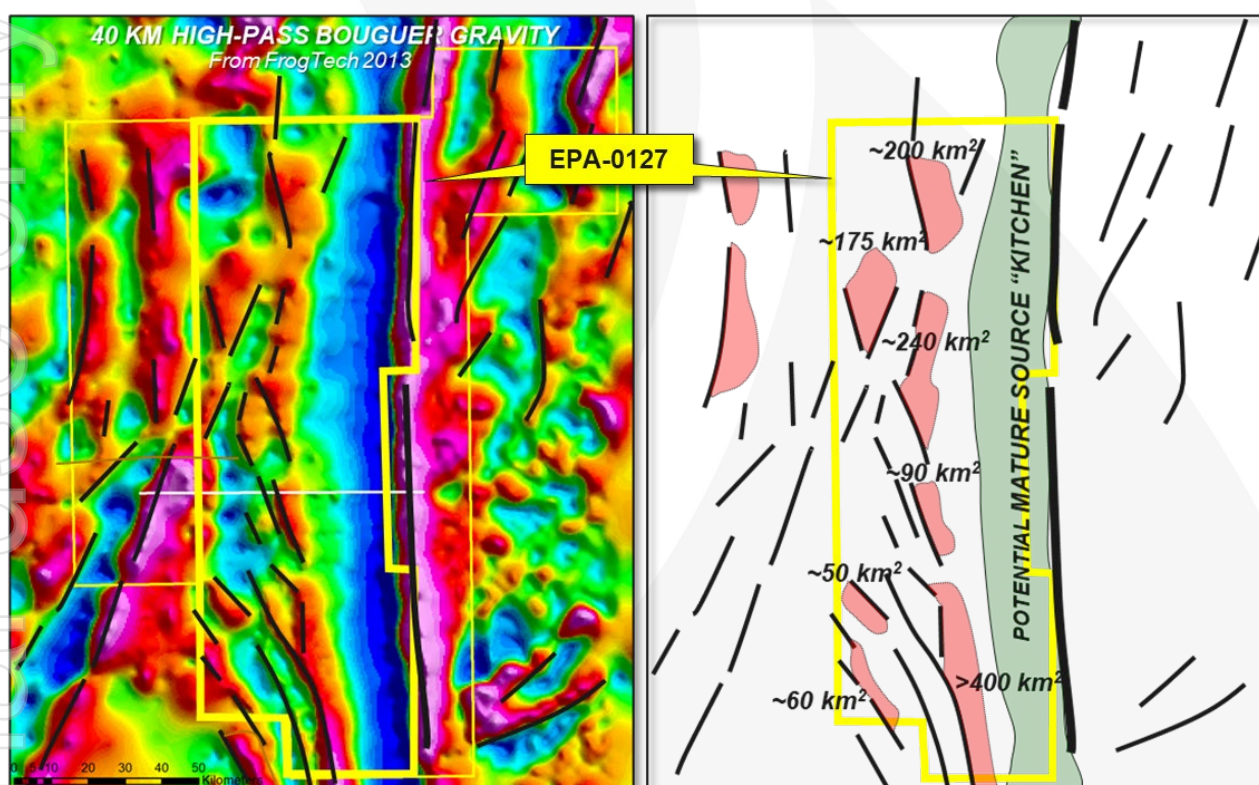


Figure 4. STP-EPA-0127 Basin Structure and large potential traps include Permian sequences similar to those encountered at West Erregulla and Waitsia.

A draft conventional work program for stakeholder engagement, environmental and heritage assessment and exploration activity is being developed for approval by DMIRS. The work program addresses technical studies and operational activities for a six-year exploration phase. The proposed exploration activities are planned to target similar conventional Permian sequences to those encountered at West Erregulla and Waitsia, as well as investigating the full potential of deeper and older hydrocarbon prospectivity. Stakeholder, environmental and heritage requirements are also being assessed and incorporated into the forward work program. Negotiations with Native Title groups are productively progressing as the final step before the exploration permit can be issued by DMIRS.

CADIZ REGION, SPAIN

TESORILLO PROJECT (85% ownership of Operator and permits)

Targeting conventional sandstone gas reservoirs in 94,000 acres in Southern Spain. Tesorillo is estimated to contain 830 BCF gross unrisked prospective resources on a best estimate basis¹.

Operations

During the quarter, Warrego's UK team continued to work with various government agencies to progress drilling approvals and permitting. There are no financial or drilling commitments attached to the permit.

¹ The Contingent and Prospective Resource estimates for the Tesorillo asset referred to were first released to the ASX by the Company on 7 May 2015.

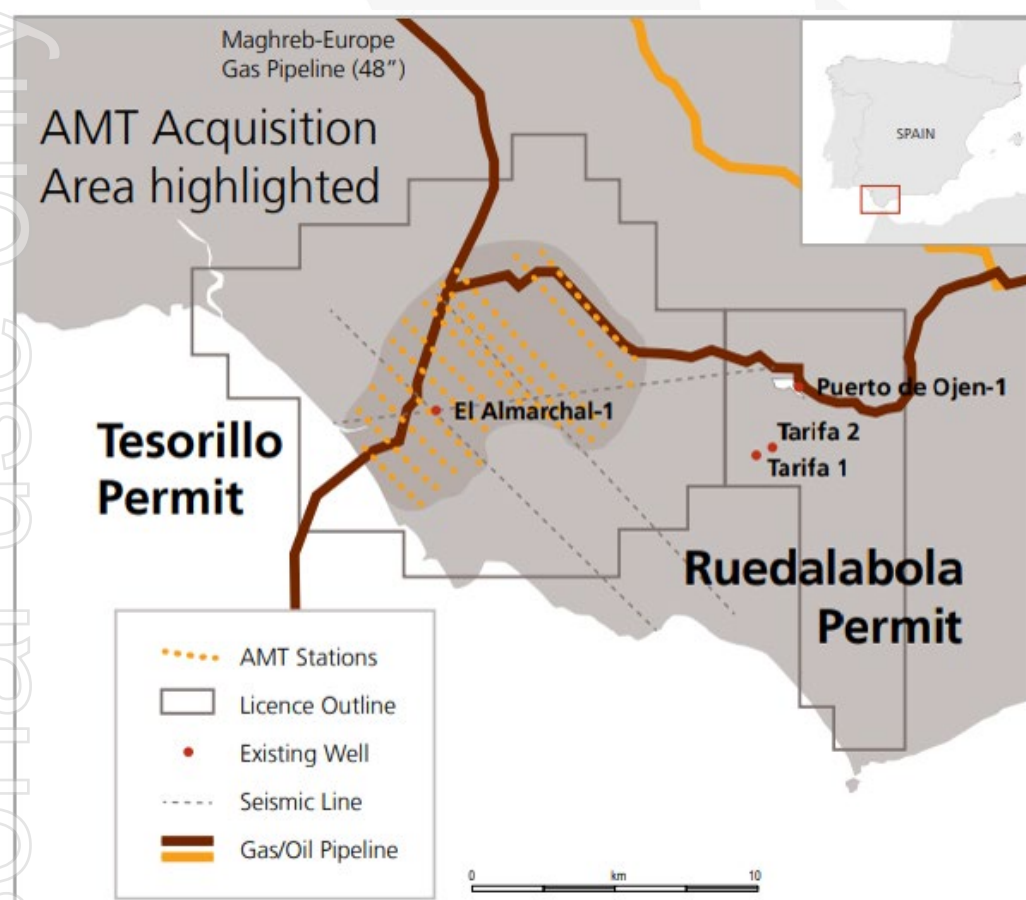


Figure 5. Location of Tesorillo Project, including the El Almarchal-1 discovery well

Subject to further COVID-19 related delays, Warrego anticipates that the open regulatory approvals will be obtained in the first half of 2021 and permitting can then also be approved in 2021. Once approvals and permits are received, Warrego and its Joint Venture partner will finalise the work program.

Warrego is looking at a number of strategic options to unlock shareholder value from both this highly prospective asset, which is close to excellent infrastructure and markets and El Romeral (see below).

SEVILLE REGION, SPAIN

EL ROMERAL PROJECT (50.1% ownership of Operator² and permits on approval of transfer)

Integrated gas production and power station operation on 76,600 acres in southern Spain. Three producing wells, 13 prospects and multiple low-cost development opportunities with the potential to significantly increase gas production, electricity generation and revenue.

Acquisition Completed

El Romeral is an integrated gas production and power station operation located immediately east of Seville in southern Spain. El Romeral provides Warrego with a low-cost entry into Spain's energy market and a platform to develop localised operating expertise under the supervision of Warrego's UK team.

During the quarter formal approval from the Andalusian Regional Administration was received and completion of the transaction occurred in March 2021.

² Warrego holds 50.1% of the shares in the Operator of the project, Tarba Energia (Tarba). AIM listed Prospex Energy PLC holds the remaining 49.9% of the shares.

Operations

The El Romeral power station has been run at a minimum level during the pandemic in order to protect employees. The current plan is to increase gas production and, in turn, electricity generation at the power plant towards its nameplate capacity.

CORPORATE AND FINANCIAL

Consolidated cash at 31 March 2021 was \$23,977,000. Principal outflows for the quarter were \$8,563,000 for West Erregulla exploration.

A summary of Warrego's cash flow for the Quarter and year to date is contained in the attached Appendix 5B statement.

About Warrego Energy Limited

Founded in 2007, Warrego secured 100% of EP469 located onshore Perth Basin, Western Australia, in 2008. Warrego farmed out 50% of the block and operatorship in 2018 to Strike Energy Limited. In March 2019, Warrego completed a reverse takeover of Petrel Energy Limited which was renamed Warrego Energy Limited, the ASX listing being retained. Warrego is now focused on the development of onshore assets in Western Australia and Spain. Warrego was added to the ASX All Ordinaries Index from 22 June 2020.

For further information contact:

United Kingdom
Dennis Donald
Managing Director & Group CEO
+44 7961 897 894
investors@warregoenergy.com

Australia
David Biggs
Executive Director & CEO Australia
+61 427 772 924
investors@warregoenergy.com

Matt Sullivan
Investor Relations
+61 412 157 276
investors@warregoenergy.com

TENEMENT LISTING

Tenement reference	Location	Nature of interest	Interest at 31 Mar. 2021		Interest at 31 Dec. 2020	
				<u>Gross Acres</u>		<u>Gross Acres</u>
EP469	North Perth Basin Western Australia	Direct JV interest	50.0%	56,000	50.0%	56,000
STP-EPA-0127 application	North Perth Basin Western Australia	Application	100.0%	2,200,000	100.0%	2,200,000
El Romeral 1 [#]	Guadalquivir Basin, Spain	} Via Tarba Energia S.L.	50.1%	} 76,600	50.1%	} 76,600
El Romeral 2 [#]	Guadalquivir Basin, Spain		50.1%		50.1%	
El Romeral 3 [#]	Guadalquivir Basin, Spain		50.1%		50.1%	
Tesorillo [^]	Cadiz, Spain	} Via Tarba	85.0%	68,800	85.0%	68,800
Ruedalabola [^]	Cadiz, Spain		85.0%	10,200	85.0%	10,200
<u>Legacy Assets</u>				<u>Gross Acres</u>		<u>Gross Acres</u>
Piedra Sola	Norte Basin, Uruguay	Via Schuepbach Energy International LLC	41.0%	2,525,000	41.0%	2,525,000
19-25-3W5M	Cardium, Alberta, Canada	Direct JV interest	40.0%	640	40.0%	640

[^] Warrego's 85% working interest in Tesorillo and Ruedalabola will reduce to 50.1% upon notification by Prospex Energy plc that they wish to proceed to the Final Closing of the Prospex Share Purchase Agreement and acquire an additional 34.9% interest.

[#] Government and Regional Administration approval for the Romeral transfer of title was received during the quarter.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

WARREGO ENERGY LIMITED

ABN

82 125 394 667

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(366)	(653)
	(b) development	-	-
	(c) production	(9)	(9)
	(d) staff costs	(343)	(918)
	(e) administration and corporate costs	(538)	(1,577)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	5
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	➤ Security deposit paid	-	(89)
1.9	Net cash from / (used in) operating activities	(1,255)	(3,241)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(4)	(102)
	(d) exploration & evaluation (if capitalised)	(8,563)	(21,433)
	(e) investments	(41)	(41)
	(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(8,608)	(21,576)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6	35,469
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options		-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(3)	(2,180)
3.5	Proceeds from borrowings		
	➤ Loan from associate - PXOG	174	256
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	177	33,545

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	33,664	15,262
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,255)	(3,241)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,608)	(21,576)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	177	33,545

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1)	(13)
4.6	Cash and cash equivalents at end of period	23,977	23,977

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,578	2,947
5.2	Call deposits	18,474	29,661
5.3	Bank overdrafts	-	-
5.4	Other – share of JV bank account	2,925	1,056
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	23,977	33,664

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1*
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2*

**Current quarter
\$A'000**

184

86

* Directors and MD/Chief Executive Officer salaries/fees

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 **Unused financing facilities available at quarter end**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities**\$A'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,255)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(8,563)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(9,818)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	23,977
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	23,977
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.44

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

21 April 2021

Date:

The Board of Directors

Authorised by:
 (Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.