ASX/MEDIA RELEASE
17 December 2019

Warrego acquires operational gas power project in Spain

- **Warrego acquires a minimum 50.1% interest in an operational gas power project in southern Spain with 3 producing wells and 13 prospects**
- **Immediate production, revenue, reserves and resources**
- **The 13 prospects have gross contingent and unrisked prospective gas resources of 5 Bcf and 90 Bcf respectively**

Warrego Energy Limited ("Warrego", ASX: WGO) today announced that it has agreed to acquire a minimum 50.1% indirect interest in El Romeral, an integrated gas production and power station operation located in the Guadalquivir basin in southern Spain.

El Romeral comprises three production licences, a 100%-owned 8.1 MW power station supplied by three producing wells, 13 prospects and multiple low-cost development opportunities with the potential to significantly increase gas production, electricity generation and revenue.

Group CEO and Managing Director Mr Dennis Donald, said, "The acquisition of an onshore producing asset such as El Romeral represents a low risk strategy to add reserves to our balance sheet and at the same time generate near-term cash flows to support future growth and complement the company's exploration and appraisal activities at Tesorillo. The acquisition is part of Warrego's strategy of being a strong upstream player focusing on Australia and Spain and we are excited about the opportunities this acquisition will demonstrate to the market both in Europe and Australia."

"Our Board and management team have considerable previous experience of these types of operation and we expect the knowledge gained from operating El Romeral will also provide substantial benefits as we progress appraisal and development planning and gas marketing for the West Erregulla fields, in Western Australia," he concluded.

El Romeral asset overview

- Eleven wells drilled since 1950s including seven post-1983 which discovered gas
    - Three wells currently producing 150 mscfd net
    - Two shut-in gas wells with low cost workover potential
- Two discoveries and 13 nearfield prospects identified on c. 550 km of 2D seismic supported by AVO analysis
    - Two undeveloped discoveries with a best estimate of 5 Bcf of gross contingent resources[1]
    - Eleven prospects with 90 Bcf gross best estimate unrisked prospective resources[1]
- Profitable El Romeral power station operating 16h/d provides immediate revenues and low-cost route to commercialisation for future gas discoveries, generates monthly and cash-flow positive revenues via sales to the Spanish electricity grid.

Note 1 - Information taken from 2019 independent reserves and resources report from Netherland Sewell and Associates to Tarba Energia SL as the actual acquiring company.

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Acquisition arrangements

The El Romeral asset will be acquired by Warrego's 85% owned Joint Venture vehicle, Tarba Energia SL ("Tarba"). Prospex Oil and Gas Plc owns the remaining 15% of Tarba.

- Tarba has agreed to acquire El Romeral for an initial consideration of €750,000 from Petroleum Oil and Gas España S.A ('Petroleum'), a subsidiary of Naturgy Energy Group S.A. ('Naturgy')
- Tarba's two shareholders, Warrego and Prospex, have entered into an acquisition funding agreement whereby Warrego will fund the initial consideration and Prospex will have 90 days to elect to take up to a 49.9% interest in the Project. Warrego will then take the balance. Warrego's share of the funding of the acquisition will be provided from existing cash reserves.
- Prospex is Warrego's partner via Tarba in the Tesorillo gas project in Spain. Both partners believe El Romeral will be highly complementary to the Tesorillo project

Drilling and development opportunities

There is a low cost and rapid route to commercialisation via tie-ins to the Project-owned power station in the later part of 2020 and in 2021. Planning for this with Prospex will commence in the new year.

Further information on the El Romeral project and acquisition details are contained in the Appendix to this announcement.

The Joint Venture Partners in El Romeral are:

Warrego Energy Limited (ASX: WGO) (via subsidiaries)	50.1%[2]
Prospex Oil & Gas Plc (via subsidiaries)	49.9%[2]

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About Warrego Energy Limited

Warrego was founded by Dennis Donald and Duncan MacNiven in 2007. In 2008 the company secured 100% of EP469 located onshore Perth Basin, Western Australia. In 2018 Warrego farmed out 50% of the block and operatorship 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.

Note 2: The final ownership percentages have not yet been determined. Warrego's percentage will not be less than 50.1% - see description of funding arrangements.

CAUTIONARY STATEMENT RE PROSPECTIVE RESOURCES AND FORWARD LOOKING STATEMENTS

The reserves and resources information in this announcement is based on a report to Tarba Energia SL by Netherlands Sewell and Associates Inc and should be read in conjunction with the information and cautionary statements in Appendix 3.

Forward-looking statements, including projections, guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This Announcement contains such statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to the following risks: earnings, capital expenditure, cash flow and capital structure risks and general business risks. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Warrego Energy Limited). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.

APPENDIX 1. El Romeral acquisition details

Asset Purchase Agreement

Tarba Energía SL ("Tarba"), of which Warrego currently owns 85% of the ordinary shares, has entered into an Asset Purchase Agreement with Petroleum to acquire El Romeral for an initial consideration of €750,000.

Tarba will fund the acquisition with support from its two shareholders, Warrego Energy Ltd and PXOG Muirhill Limited, a wholly owned subsidiary of Prospex. Tarba will pay the initial consideration on or before 30 days from today's announcement and an application to the Government for approval of the transfer will be made shortly afterward. Warrego and Prospex have entered into an agreement whereby Warrego will fund the initial consideration and Prospex has 90 days to elect to take a proportion of up to 49.9% of the Project and fund Tarba accordingly. Further deferred consideration of €250,000 per well drilled will be due to Petroleum on drilling each of the next three wells. The parties have agreed an economic date commencing 5 months before the date of signing of this agreement. The acquisition will complete on the transfer of licences to Tarba which are subject to customary regulatory approval.

Warrego and Prospex Agreement

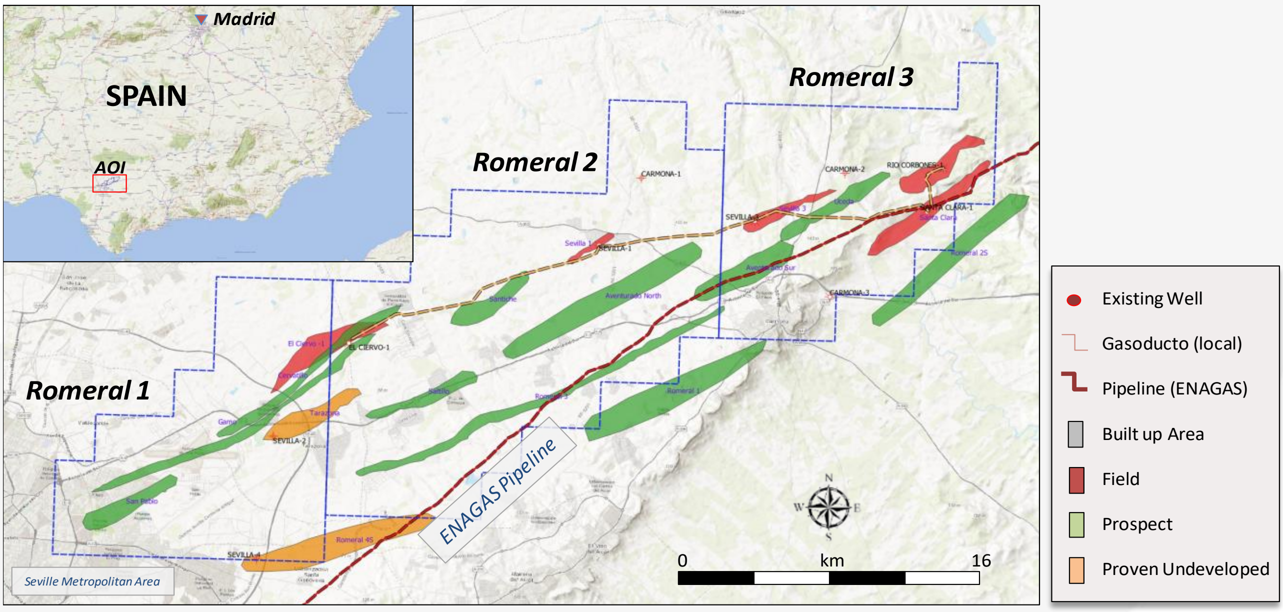
Warrego and Prospex have entered into a Supplemental Agreement to the existing Shareholders' Agreement ("SHA"). The SHA was originally entered into in December 2017 (announced 19 December 2017). As set out above it covers the financing of the El Romeral acquisition, whereby Prospex has up to 90 days to elect to take up to a 49.9% interest in the Project. It also stipulates that Tarba will introduce a second share class, B shares to be subscribed by Warrego and Prospex. The El Romeral Project will be for the benefit of the B shares and Tarba's existing Tesorillo project will be for the benefit of the ordinary shares. Under the original terms of the SHA the parties agreed to fund their share of the costs going forward in line with their respective proportional ownership. This principle of the original SHA will be maintained under the Supplemental Agreement with the partners funding both projects in line with their respective proportional ownership whether ordinary or B shares. The SHA contains usual industry standard provisions for sole risk, default and for day to day operations.

In addition, under the agreement Warrego will pay Prospex £75,000 towards historic due diligence costs up to 13 June 2019. Costs in respect of the investment after this date will be borne equally and settled up within 30 days of this announcement.

APPENDIX 2. Further Information on the El Romeral Licence Area

The El Romeral licences are located in southern Spain, in the Guadalquivir basin, in the province of Seville. Comprised of the production permits El Romeral-1, 2 and 3 covering an area of approximately 310 km2. The El Romeral licences were awarded in 1994 and are valid until 2024, with an option to extend for a further two 10-year periods.

Modern era exploration over the area started in earnest in the 1980s when Chevron and Repsol acquired c. 550 km of high quality 2D seismic in successive campaigns. This data set and the AVO derived from it have generated 20 prospects. To date, seven have been drilled leading to seven gas discoveries in the area of which five were deemed commercial and put on production. In 2002, four wells were tied to production: El Ciervo-1, Sevilla-1, Sevilla-3, and Santa Clara-1, delivering gas to the El Romeral power station. In 2007, Rio Corbones-1 was drilled, and became the fifth well to be tied to production in 2008. Currently three wells are still on production, El Ciervo-1, Santa Clara-1 and Sevilla-1.



The area contains its own 25 km local gas pipeline connecting the well heads of production sites to the El Romeral power station. This will provide the infrastructure back bone for any future tie-ins, with the average, as the crow flies, less than 3.5km from infrastructure.

At the core of the power station are three Jenbacher gas engine generators. The power station operates today at c. 20% of nameplate capacity requiring only one engine at a time to be run. Of the three engines in place two are used regularly, the third would require some remedial work to return it to service.

Today the primary limitation on electricity production is the volume of gas from the three wells currently producing. The national gas pipeline (Maghreb-Europe) operated by ENAGAS crosses through the area and provides the option to create an interconnector between systems allowing the purchase from or the sale of gas to the grid, if deemed beneficial in the future.

The licence area has excellent prospectivity, with 11 prospects identified of 90 Bcf gross best estimate unrisked prospective resources and encompasses two undeveloped discoveries, Romeral-4S and Tarazona, with 5 Bcf gross 2C contingent resources. The El Romeral project includes the licences, the power station and local infrastructure.

When Petroleum was sold to Spanish natural gas and electrical utilities company Naturgy Energy Group S.A. ('Naturgy') in 2006, the previous seller agreed with Naturgy that it would receive 16% of future revenue derived from future successful exploration wells and production from the PUDs if put on production. These obligations will transfer to Tarba. For clarity, the previous sellers do not receive payments on current production, as these wells were already discovered and producing.

APPENDIX 3. Reserves and Resources

El Romeral, Spain	Contingent Resources BCF^			Unrisked Prospective Resource BCF*		
	1C	2C	3C	Low Estimate (1U)	Best Estimate (2U)	High Estimate (3U)
Gross	3.10	5.01	7.53	48.35	89.75	153.93
Net to Warrego (50.1%)	1.55	2.51	3.77	24.23	44.96	77.12

The estimates of net volumes provided in this statement were derived from estimates of gross contingent and prospective resources estimated as of 30 June 2019 in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). The resource estimates were prepared by Mr. Daniel Walker a Licensed Professional Geoscientist and Mr. Gregory Cohen a Licensed Professional Engineer who are full time employees of Netherland Sewell & Associates, Inc. Dallas Texas, USA and qualified persons under the ASX Listing Rule 5.41. Netherland Sewell & Associates, Inc. has consented to the inclusion of this information in the form and context in which it appears.

^ Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. The contingent resources presented herein were estimated using a combination of deterministic and probabilistic methods and have not been adjusted for development risk. As recommended in the PRMS, the 1C, 2C, and 3C resources have been aggregated beyond the field level by arithmetic summation; therefore, these totals do not include the portfolio effect that might result from statistical aggregation.

* Prospective resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. The prospective resources represent exploration opportunities and quantify the development potential in the event a petroleum discovery is made. A geologic risk assessment for the chance of discovery is not included herein. As recommended in the PRMS, the 1U, 2U, and 3U resources have been aggregated beyond the field level by arithmetic summation; therefore, these totals do not include the portfolio effect that might result from statistical aggregation.

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