

**WARREGO ENERGY LIMITED (ASX: WGO)  
ACTIVITIES REPORT  
FOR THE QUARTER ENDED 31 DECEMBER 2019**

**HIGHLIGHTS**

**Exceptional flow test results at West Erregulla-2**

- West Erregulla-2 well on test achieved a maximum flow rate of 69 million standard cubic feet of gas per day from the Kingia Sandstone through a 2 inch choke
- Flow test confirmed excellent conventional reservoir quality, well deliverability, and production potential

**West Erregulla Update**

- The Operator of EP469 has released a 2C Contingent Resource estimate (from its retained consultants) of 1,185BCF (gross) for the Kingia and High Cliff Sandstones at West Erregulla
- Appraisal planning underway

**Warrego acquired operational gas power project in Spain**

- Warrego acquired a minimum 50.1% interest in an operational gas power project in southern Spain with 3 producing wells and 13 prospects (conditional only upon Regulatory approval for the necessary transfers of title)
- Immediate production, revenue, reserves and resources
- Provides the elements of an operating structure in Spain
- The 13 prospects have gross contingent and unrisks prospective gas resources of 5 Bcf and 90 Bcf respectively

**Financial and Corporate**

- Consolidated cash at 31 December 2019 was \$9,111,000
- Warrego has appointed Cathy McKeagney as its General Manager - Commercial with specific responsibility for gas marketing and sales
- Group CEO and MD, Dennis Donald, relocating for a period from the UK to Australia to oversee the opening of a new office in Perth and the appointment of a new operations country manager

## WESTERN AUSTRALIA

### EP469 (50%) West Erregulla Gas Fields

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

#### Background

Exploration Permit 469 (“EP469”) is located approximately 300 km north of Perth in Western Australia’s onshore Perth Basin. The conventional gas fields are proximate to the Dampier to Bunbury and Parmelia Gas Pipelines, allowing a simple and cost-effective path to market for gas. EP469 is between 9 and 16 km from other major discoveries within the basin that include Waitsia, Beharra Springs and Beharra Springs Deep.

#### West Erregulla-2 exploration well

West Erregulla-2 (WE-2) was spudded in early June 2019 and was drilled to total depth of 5,100m yielding three material Permian gas discoveries across the basal Wagina, Kingia and High Cliff sandstones with the potential to deliver significant volumes of Reserves and Contingent Resources.

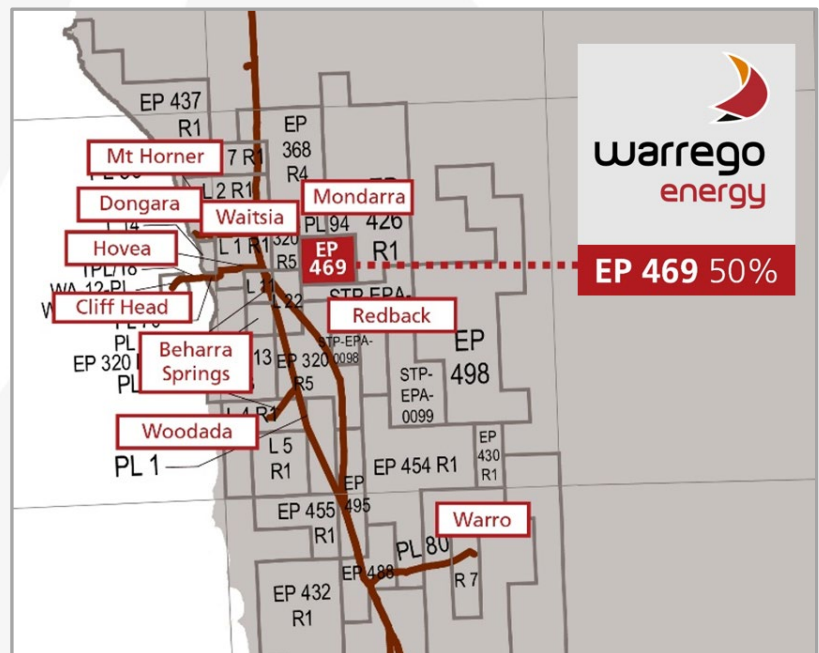
#### Basal Wagina sandstones

The top of the Wagina Sandstone was intersected at 4102m on 23 July 2019 with gas flows to surface coincident with clean porous sands between 4111m and 4117m. Once mud weights were adjusted to allow the drilling to continue safely, the well was progressed to a section Total Depth (TD) of 4229m.

#### Kingia sandstones

The first of two primary targets, the Kingia Sandstone, was intersected in early September 2019, close to prognosis at 4,753m Measured Depth Below Rotary Table (MDRT). The formation was substantially thicker than anticipated, extending to a depth of 4,870 m MDRT. A 97m gas column was identified which includes a 67m section comprising several high-quality large units of clean sand with thick blocky porosity development and high gas saturation. Net pay is estimated at 58m with average porosity of 14.3% and peaks up to 19%. The net pay of 58m is significantly thicker than analogues in the Waitsia field and underlines the potential of West Erregulla and EP469 to become an important future source of gas production in Western Australia.

The Kingia reservoir was tested using down hole tools and gas samples were collected to surface. The reservoir was recorded as having pressures between 6,814 psia to 6,828 psia. These pressures suggest a gross column height of 220 metres, in line with the company’s modelling of the areal extent of the field.



Permeability was measured at 102mD which is an exceptional result. Gas samples were recovered at surface and compositional analysis with primary components were 92% methane and 5.8% CO<sup>2</sup>. This result is considered to be supportive of a competitive gas development and augurs well for further additional discoveries at depth within the Permit. Sidewall cores were cut in the Kingia sandstone and retrieved to surface. These samples have been analysed to refine key reservoir characteristics.

### ***High Cliff sandstones***

The second primary target, the High Cliff Sandstones (HCSS), was intersected, in late September 2019, close to prognosis at 4,918m MDRT and generally in line with pre-drill expectations and Waitsia analogues. A gross gas column of 22m was encountered with well-developed porosity throughout. The entire 22m section is gas saturated with a net pay of 10m, an average porosity of 10.3% and sections of up to 16%.

TD of 5,100m was achieved in the Holmwood Shale. The well did not encounter a gas water contact, consistent with the seismic amplitude modelling which supports the proposed field boundaries.

### ***WE-2 Flow test***

The flow testing program was designed to determine well deliverability from the Kingia Sandstone reservoir at the West Erregulla field, and to collect additional well data and gas samples for compositional analysis to feed into reserve certification calculations and gas marketing conversations.

During October 2019, three intervals totalling 48 metres, from 4,799 metres to 4,851 metres MDRT, were perforated and flowed. After well clean-up operations on 24 October 2019, the well flowed at a maximum rate of 69 million standard cubic feet of gas per day (MMscf/d) on a 2-inch choke at ~ 700 psig well head pressure over a one hour period. The flow test confirms excellent conventional reservoir quality, well deliverability, and production potential.

### ***West Erregulla Resource Update***

On 11 November 2019, the Operator of EP469, released to ASX its initial 2C Contingent Resources estimate of 1,185BCF for the Kingia and High Cliff Sandstones and updated its Prospective Resource estimate for the Wagina Sandstones at West Erregulla from work undertaken by its own geological advisers.

### ***West Erregulla Appraisal***

The Joint Venture has approved the work program and budget for the drilling of a further well (West Erregulla-3) in the northern section of the West Erregulla structure with planning and well design currently underway.

The Operator has commenced detailed work on the Appraisal Plan for EP469 which must be provided to Warrego by June 2020.

### ***Commercial***

Warrego has appointed Cathy McKeagney as its General Manager – Commercial based in Perth. Cathy's role will be pivotal in developing Warrego's gas marketing strategy and overseeing commercial matters associated with the West Erregulla development. She will also act as the focal point to coordinate the services and contracts to supply Warrego's gas to the market from wellhead to end-user. Cathy has extensive gas marketing experience in Western Australia, and comes with a successful career of over 20 years in the commercial and technical arenas, most recently with Mitsui, AWE and BHP.

**STP-EPA-0127 (100%, Operator)**

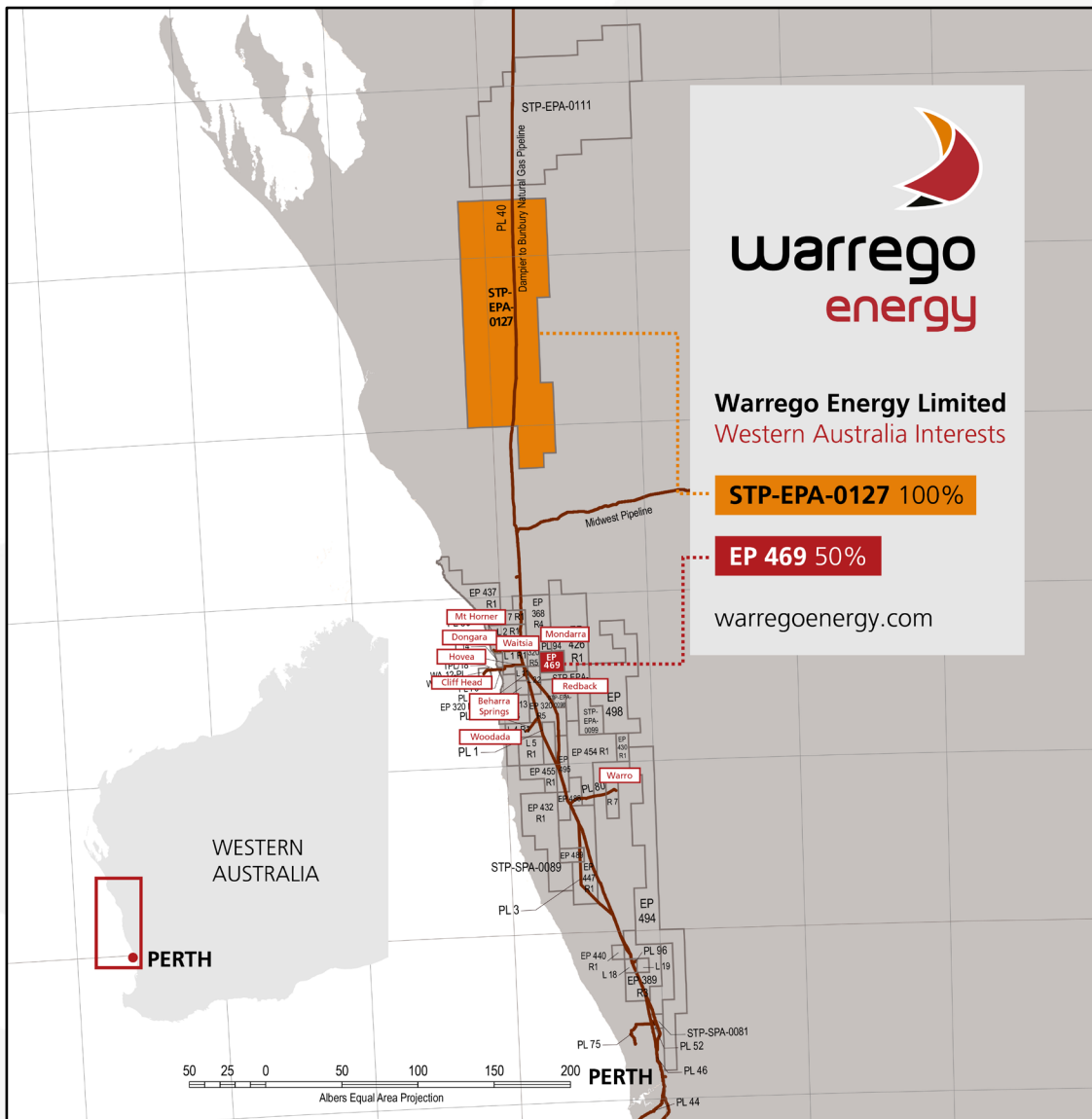
A 2.2 million acre permit application located onshore Coolcalalaya Perth Basin, Western Australia, targeting conventional gas reservoirs

**Background**

The STP-EPA-0127 Application was acquired in March 2019 after exercising a call option which had been held by the Company since April 2016. On final grant, at 2.2million acres (8,700 km<sup>2</sup>) this will be the largest exploration permit in the onshore Perth Basin. It is 130 km north of the Waitsia play, and while very under-explored at this stage, is targeting similar conventional Permian sequences to Waitsia, as well as having potential deeper Devonian prospectivity.

**Operations**

Native Title negotiations are advancing toward conclusion which is the final step before the Exploration Permit can be issued by the Department of Mines, Industry Regulation and Safety.



## CADIZ REGION, SPAIN

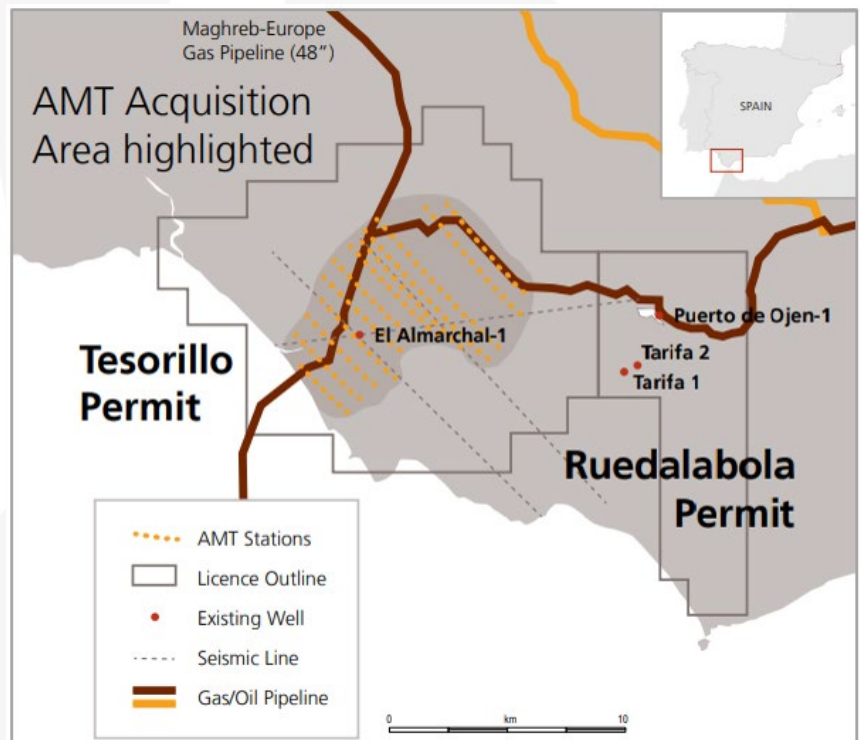
### TESORILLO PROJECT (85% ownership of Operator and permits)

Targeting conventional sandstone gas reservoirs in 94,000 acres in Southern Spain

#### Background

The Tesorillo Project in the Cadiz province of Southern Spain is owned and operated by Tarba Energia S.R.L. ("Tarba"). The project comprises two petroleum exploration licences, the Tesorillo and Ruedalabola Permits, which cover 94,000 acres in total. Tarba is a joint venture company owned 85% by Warrego and 15% by UK AIM listed Prospec Energy plc ("Prospec"). Subject to certain conditions precedent, including approval of a Tesorillo appraisal well, Prospec has the option to increase its overall interest to 49.9% by buying 34.9% of Tarba's shares for €1,725,000.

After two elections in 2019 (one inconclusive), the Sánchez II Government was formed in January 2020.



#### Operations

Tarba continues to maintain an active program of stakeholder engagement.

More substantive activity awaits the resolution of the open permitting issues with the Government. Now that a coalition Government has been sworn into place, Warrego anticipates that work on permitting will result in resolution in the first half of 2020.

## SEVILLE REGION, SPAIN

### EL ROMERAL PROJECT (acquiring a minimum of 50.1% indirect interest)

Integrated gas production and power station operation located in the Guadalquivir basin on 76,600 acres in southern Spain. Three producing wells, 13 prospects and multiple low-cost development opportunities

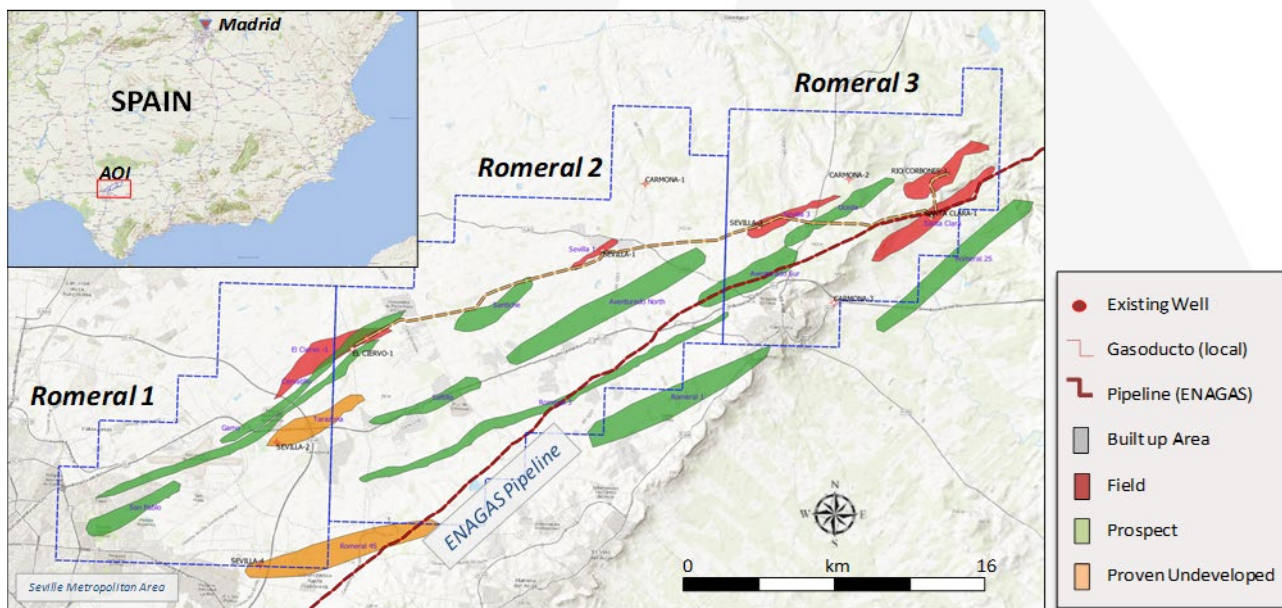
#### Background

El Romeral, is an integrated gas production and power station operation located in the Guadalquivir basin in southern Spain immediately east of Seville. 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.

Eleven wells have been drilled since the 1950s including seven post-1983 which discovered gas. Three wells are currently producing 150 mscfd net with two shut-in gas wells with low cost workover potential.

Two discoveries and 13 nearfield prospects have been mapped 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<sup>1</sup>
- Eleven prospects with 90 Bcf gross best estimate unrisked prospective resources<sup>1</sup>



The profitable El Romeral power station operating 16h/d provides immediate revenues and a low-cost route to commercialisation for future gas discoveries. The project generates monthly and cash-flow positive revenues via sales to the Spanish electricity grid.

El Romeral contains its own 25 km local gas pipeline connecting the well heads of production sites to the 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.

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. Full reserves and resources disclosures are provided in Warrego's 17 December 2019 ASX Announcement.

### ***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 has begun.

### ***Asset Purchase Agreement***

Tarba entered into an Asset Purchase Agreement ("APA") with Petroleum Oil & Gas España, S.A. ("Petroleum") in December 2019 to acquire El Romeral for an initial consideration of €750,000.

Tarba is funding the acquisition with support from its two shareholders, Warrego Energy Ltd and PXOG Muirhill Limited, a wholly owned subsidiary of Prospecx. Tarba paid the initial consideration on 28 January 2020 and an application to the Regulator for approval of the transfer is in progress. Warrego and Prospecx have entered into an agreement whereby Warrego funded the initial

consideration on 22 January 2020 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 July 2019. The acquisition will complete on the transfer of licences to Tarba which are subject to customary regulatory approval.

## **CORPORATE**

Warrego is reorganising its Australian operations to ensure that the development phase for West Erregulla is fully supported and resourced. As part of that process, Group CEO and Managing Director, Dennis Donald, will relocate to Australia for a period from the UK in early 2020, and the company will open a Perth office in the first quarter of 2020 to facilitate commercial, development and gas marketing activities for West Erregulla gas during 2020.

Warrego has already announced the appointed Cathy McKeagney as its General Manager – Commercial based in Perth and is in the process of appointing a new operational country manager also based in Perth.

## **FINANCIAL**

Consolidated cash at 31 December 2019 was \$9,111,000. Principal outflows for the quarter were \$3,445,000 for drilling, completing and testing the WE-2 exploration well.

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

### **For further information contact:**

(AUS) Ian Kirkham CFO & Company Secretary +61 2 9254 9000

(UK) Dennis Donald Group CEO and Managing Director +44 (0)1224 974980

## TENEMENT LISTING

Tenement reference	Location	Nature of interest	Interest at 31 Dec. 2019		Interest at 30 Sept. 2019	
				Gross Acres		Gross Acres
EP469 STP-EPA-0127 application	North Perth Basin Western Australia	Direct JV interest	50.0%	56,000	50.0%	56,000
	North Perth Basin Western Australia	Application	100.0%	2,200,000	100.0%	2,200,000
El Romeral 1* El Romeral 2* El Romeral 3*	Guadalquivir Basin, Spain	} Via Tarba Energia SRL	50.1%	} 76,600	-	-
	Guadalquivir Basin, Spain		50.1%		-	-
	Guadalquivir Basin, Spain		50.1%		-	-
Tesorillo^ Ruedalabola^	Cadiz, Spain	} Via Tarba Energia SRL	85.0%	68,800	85.0%	68,800
	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

\* 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's 85% working interest will reduce to 51.1% upon completion of the Prospex Share Purchase Agreement. Proceeds of €2.05m (100%) will be used by Warrego to fund its share of an agreed Tesorillo work programme (estimated at €3.82m) which includes a magnetotelluric programme and if successful, a well to target the Almarchal-1 discovery drilled in 1956.



## 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, 01/05/13, 01/09/16

**Name of entity**

WARREGO ENERGY LIMITED

**ABN**

82 125 394 667

**Quarter ended ("current quarter")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(3,445)	(8,190)
(b) development	-	-
(c) production	-	-
(d) staff costs	(605)	(1,153)
(e) administration and corporate costs (incl. reverse takeover costs)	(214)	(885)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,262)</b>	<b>(10,223)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(3)
(b) tenements (see item 10)	-	-
(c) investments	(140)	(140)
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements	-	-
(c) investments	-	-
(d) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(143)</b>	<b>(143)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	34	12,854
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(37)	(805)
3.5 Proceeds from borrowings		
➤ Loan from associate - PXOG	21	40
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>18</b>	<b>12,089</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	13,476	7,343
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,262)	(10,223)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(143)	(143)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	18	12,089
4.5	Effect of movement in exchange rates on cash held	22	45
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>9,111</b>	<b>9,111</b>

<b>5. Reconciliation of cash and cash equivalents</b>		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts			
5.1	Bank balances	375	2,206
5.2	Call deposits	8,736	11,270
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,111</b>	<b>13,476</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	389
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Directors and MD/Chief Executive Officer salaries/fees	

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	1,500
9.2 Development	-
9.3 Production – El Romeral acquisition	610
9.4 Staff costs	625
9.5 Administration and corporate costs	220
9.6 Other	-
<b>9.7 Total estimated cash outflows</b>	<b>2,955</b>

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

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		See tenement listing above		
10.2	Interests in mining tenements and petroleum tenements acquired or increased		See tenement listing above		

**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.

Sign here:



(Director/Company secretary)

Date: 31 January 2020

Print name: Ian Kirkham

**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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.