



warrego
energy

ACN 125 394 667

Interim Financial Report
For the Half Year ended 31 December 2020

Half Year Financial Report

31 December 2020

Contents

Directors' Report	1-6
Auditor's Independence Declaration	7
Directors' Declaration	8
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Cash Flows	11
Consolidated Statement of Changes in Equity	12
Notes to the Half Year Financial Report	13-19
Independent Auditor's Review Report to the Members	20-21

Directors' Report

The Directors of Warrego Energy Limited (“WGO”) present the consolidated interim financial report for the half year ended 31 December 2020. The consolidated entity consists of Warrego Energy Limited (the “Company” or “Parent Entity”) and the entities it controlled during the half year.

DIRECTORS

The Directors in office during the half year in its entirety and up to the date of this report are:

Greg Columbus	Non-executive Chairman
Dennis Donald	Managing Director, Group Chief Executive Officer
Mark Routh	Non-executive Director
David Biggs	Executive Director – CEO Australia (Non-executive Director prior to 1 August 2020)
Owain Franks	Executive Director – Finance, Strategy & Delivery (resigned 1 September 2020)

PRINCIPAL ACTIVITY

The principal activity of the Group during the year was the exploration for and development of oil and gas resources. Its objective is to generate shareholder wealth in a safe and responsible manner.

OPERATING RESULTS

The net loss of the consolidated entity for the period was \$3,284,429 (2019: \$2,499,300). There was no impairment expense for the six months to 31 December 2020 (2019: nil).

FINANCIAL POSITION

The net assets increased by \$30,807,278 in the period up to 31 December 2020 made up of an increase in total assets of \$33,907,695 and an increase in total liabilities of \$3,100,417. The company raised a net cash amount of \$33,285,719 during the half-year from a share placement and Share Purchase Plan.

REVIEW OF OPERATIONS

During the period the Group undertook the following activities:

Australia

Warrego’s Perth-based team is focused on the development of EP469 and onshore exploration opportunities including STA-EPA-0127 in the northern Perth Basin.

EP469 (50%) West Erregulla Gas Fields, onshore Perth Basin, Western Australia

The first half of FY21 was an important period in the development of the West Erregulla gas fields with Warrego playing a leading role in the delivery of major milestones. Warrego’s experienced Perth-based team successfully executed a strategy, built around three key initiatives, that provided the commercial underpinnings for field development:

- independent certification of West Erregulla’s gas resources (May 2020);
- securing a long-term gas sales contract with a tier 1 customer (September 2020); and
- ensuring the development concept was of sufficient scale to deliver optimal returns (October 2020).

Directors' Report

Warrego's significant contribution was recognised when the Joint Venture (JV) concluded a binding Heads of Agreement that better aligned both JV partners and outlined an agreed development pathway for West Erregulla gas.

Long Term Gas Sale Agreement

On 28 September 2020 Warrego announced it had signed a binding Gas Sales Agreement (GSA) with Alcoa of Australia Limited (Alcoa) for the long-term supply of a total of 155 petajoules (PJ) of natural gas from the West Erregulla gas field in EP469.

The GSA will commence on 1 January 2024, subject to a positive project Final Investment Decision (FID) by the Warrego board. The significant size and term of the foundation GSA with Alcoa underpins the development of the field and is such that Warrego does not need to secure additional GSAs to support a FID being made.

Warrego's success in capturing a gas sales agreement with Alcoa demonstrates not only its gas marketing capabilities in capturing the business on attractive terms as part of a competitive tender process, but also positions it as a serious emerging player in the Western Australian gas market.

West Erregulla Field Development

Warrego and Strike executed a binding Heads of Agreement (HoA) on 8 October 2020 to ensure both parties are aligned on the development of the West Erregulla gas field. The HoA provides an agreed pathway for the development of West Erregulla including:

- Gas processing and a Phase 1 capacity of 80 TJ/d delivered to the Dampier to Bunbury Natural Gas Pipeline (DBNGP);
- Gas balancing and gas sales arrangements to align the interests of both JV partners with respect to the difference in total contracted volumes and contract commencement dates for their respective foundation gas sales agreement; and
- Agreement to proceed to a Phase 2 development subject to market and the results of a feasibility study.

The Australian Gas Infrastructure Group (AGIG) remains the preferred proponent to build, own and operate the facility and is expected to complete a supplementary FEED study for an 80 TJ/d plant during Q1 2021. During the December Quarter, the JV made significant progress on the agreements for the construction of the gas plant and associated gas processing agreement. Work on the requirements for JV funded infrastructure also progressed.

The JV partners plan to seek financing for the construction of the Phase 1 development on a co-ordinated basis with the expectation of generating superior financing outcomes by following this process.

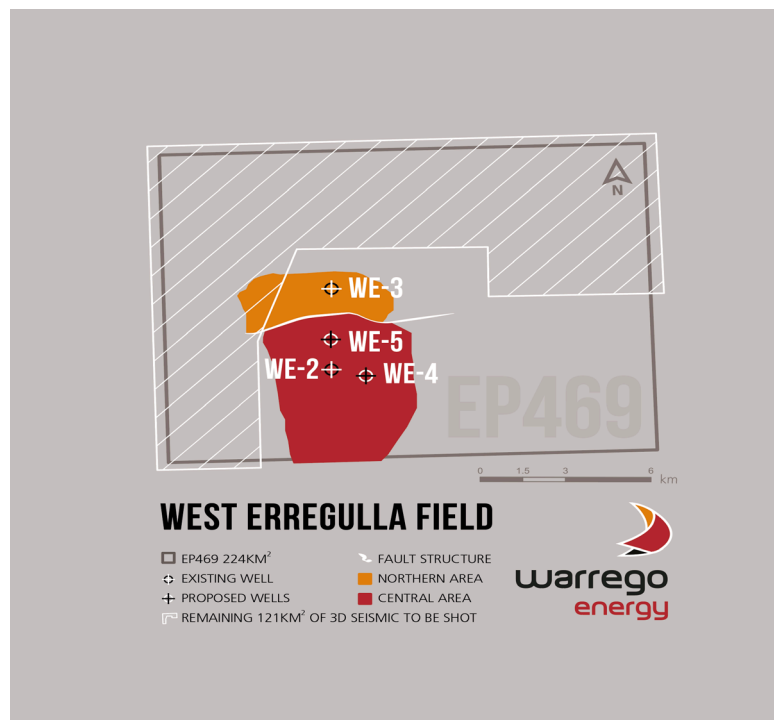
The timing of a FID decision will be subject to results from the current appraisal drilling campaign and progress with project financing and permitting of the midstream processing plant. Warrego anticipates first gas production from West Erregulla in late 2022/early 2023. Although additional gas sales are not required to support FID, the JV continues to market the remaining gas and capacity to optimise the development.

Alignment of operations between the EP 469 JV partners has allowed Warrego to provide value added input as a non-operator across all key operating areas including addressing issues during the current appraisal drilling campaign.

Directors' Report

West Erregulla Field Appraisal Campaign Update

In April 2020, the EP-469 JV approved the drilling of West Erregulla-3 (WE-3) and West Erregulla-4 (WE-4) appraisal wells. West Erregulla-5 (WE-5) was added to the program in October 2020. The first well of the three-well campaign, WE-3, was spudded on 22 September 2020 after a successful and safe mobilisation of Ensign Rig 970. During the period, the Operator progressed appraisal drilling operations at WE-3. As a result of bottom hole assembly losses and fishing operations, subsequent side-tracking operations and an issue with a slip and sealing assembly, the WE-3 well experienced delays early in the program. Warrego's experienced Perth based team worked closely with the Operator to identify ways of remedying well issues and improving operational performance.



The well encountered geological formations on prognosis and consistent hydrocarbon shows were observed throughout the Dongara and upper Wagina sandstones as expected. Whilst drilling through the upper section of the Carynginia shale in December, significantly over pressured gas was encountered at 4,292 metres.

The JV took the view that the unexpected presence of the Carynginia over-pressure had the potential to exceed the design limits of the well. In order to safely drill ahead to the target reservoirs, the JV considered that further geological assessment to determine the source of the overpressure and additional well engineering, materials procurement and equipment would be required. Subsequent to the end of the half year, in January 2021 the JV decided to temporarily suspend WE-3 and move the rig to the already prepared site at WE-4 to maximise efficiencies whilst the necessary technical work is completed in order to assess the options to safely re-enter and subsequently resume drilling at WE-3. Given the technical work required in respect of a WE-3 re-entry, it appears likely that WE-5 will be drilled after WE-4 before returning to WE-3.

The presence of gas in the Dongara, Wagina and Carynginia is a positive indicator and the JV continues to consider the implications of the geological data acquired at WE-3.

Production Licence

Work in preparation for conversion of EP469 to a Production Licence (PL) progressed and the JV partners have agreed to lodge the Production Licence application once FID is taken for the development of the field.

Directors' Report

STP-EPA-0127 (100%, Operator), onshore Perth Basin, Western Australia

STP-EPA-0127 covers a highly prospective region of the northern onshore Perth Basin. The Exploration Permit Application was acquired in March 2019 and upon final grant it will cover 2.2 million acres (8,700 km²) making it the largest exploration permit in the Basin.

Warrego's Perth-based sub-surface experts have undertaken a detailed evaluation of the block and identified and prioritised multiple high-quality gas and liquid hydrocarbon prospects. Warrego is now preparing a revised conventional exploration work program, including 2D seismic, that could be approved and implemented once the application is granted.

Native Title negotiations are progressing with the relevant claim groups and native title holders. Native Title agreements are required before the Exploration Permit can be issued by the West Australian Department of Mines, Industry Regulation and Safety.

As the Operator with a 100% interest in STP-EPA-0127, Warrego is also preparing to farm out a minority interest once Native Title is secured and the Exploration Permit is granted.

Spain

Operations in Spain continued to be hampered by COVID-19 and delays to permitting and approvals. Warrego's UK based team is currently evaluating a number of strategic options to accelerate the process and unlock shareholder value from these projects, both of which include gas discoveries and are close to excellent infrastructure and markets with high demand for gas and power.

El Romeral (50.1% interest in Operator), onshore Guadalquivir Basin, Seville Province

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. Warrego holds a 50.1% interest in El Romeral, via its subsidiary and Operator Tarba Energía SL ("Tarba").

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. 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.

During the first half of FY21, national government approval for the transfer of licences was received. Subsequent to the end of the half year, formal approval from the Andalucian Regional Administration was received and the transaction completed in late February 2021.

Tesorillo (85% ownership of Operator and permits), onshore Cadiz Province

The Tesorillo Project in the Cadiz province of Southern Spain continues to maintain an active program of stakeholder engagement. The Project comprises two petroleum exploration licences, the Tesorillo and Ruedalabola Permits, which cover 94,000 acres and includes a known gas discovery.

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

Subject to further COVID-19 related delays and regulatory approvals, Warrego anticipates that permitting will be approved in CY 2021. Once approvals and permits are received, Warrego and its Joint Venture partners will finalise the work program.

Directors' Report

Corporate

Placements and Share Purchase Plan

On 17 July 2020, Tranche Two of the May 2020 fundraising was completed with \$2,665,242 raised (20,501,865 fully paid ordinary shares) following shareholder approval at the 16 July 2020 online EGM. Tranche Two was part of the May 2020 \$15,000,000 institutional share placement over two tranches of the Company's shares at an issue price of A\$0.13 per share. These funds were used to drill the WE-3 exploration/appraisal well and secure long lead items for WE-4.

On 14 October 2020, Warrego announced it would raise \$32,000,000 in order to fund the drilling of the WE-4 and WE-5 appraisal wells, 3D seismic over the remainder of EP469 and general working capital. The capital raising was conducted via a two tranche placement to institutional and sophisticated investors with a SPP offered to shareholders at the same price as the placement at A\$0.21 per share.

Tranche One of the placement was completed on 21 October 2020, raising a total of \$26,038,685 (123,993,739 fully paid ordinary shares). Tranche 2 was completed on 1 December 2020 raising a total of \$6,000,000 (28,571,428 fully paid ordinary shares). The SPP closed on 11 November 2020 raising a total of \$780,008 (3,714,322 fully paid ordinary shares).

Recent capital raisings have rebalanced the register by increasing liquidity and bringing onto the register a number of high quality local and international institutions.

Annual General Meeting

The Company held its Annual General Meeting as a virtual meeting on 25 November 2020 with all resolutions passed by an overwhelming majority including the re-election of Mark Routh as a Non-executive Director.

Reorganisation and Other Corporate Matters

Warrego's Australian headquarters moved from Sydney to Perth in August 2020 in order to facilitate commercial, development and gas marketing activities for West Erregulla gas. This initiative, in conjunction with staffing changes, has seen the company transition to Australian-based operations management with highly experienced Western Australian based personnel. The transition of Warrego to an Australian based management team will also see a reduction in overhead costs once that transition is complete.

Mr David Biggs was appointed CEO Australia on 1 August 2020 to lead the Company's Perth-based Australian team focused on commercialising the West Erregulla gas field and developing complementary opportunities. Mr Biggs was previously the Managing Director and CEO of AWE Ltd, the discoverer of the deeper Perth Basin gas play.

In order to rebalance the board after the appointment of Mr David Biggs to an executive role Mr Owain Franks, a member of the Warrego Board since 2011, elected to step down as an Executive Director of the Company with effect from 1 September 2020. Mr Franks subsequently stepped down as Chief Financial Officer effective from 1 December 2020 and remains a senior executive of the Company focussing on the Group's European assets in his role as President-Europe.

Mr Jani Surjan, Perth-based Group Financial Controller, assumed the role of Chief Financial Officer from 1 December 2020.

On 1 September 2020 Mr Ian Kirkham stepped down as Company Secretary and resigned from the Company with Mr John Newman, Warrego's Perth-based General Counsel, being appointed to the role.

Directors' Report

As part of an internal restructure, shares held in Warrego Energy EP469 Pty Ltd were transferred from Warrego Energy UK Ltd (originally held) to Warrego Australia Holdings Pty Ltd on 24 December 2020. All entities are 100% wholly owned and controlled by the parent entity Warrego Energy Limited. The transfer was part of a Group review to ensure assets and entities are aligned within the operating segments of the Group.

In addition to the above, the Group applied for voluntary deregistration of the two dormant subsidiary companies Warrego Energy (Operations) Pty Ltd and Warrego Energy (Investments) Pty Ltd in order to simplify its corporate structure.

SUBSEQUENT EVENTS

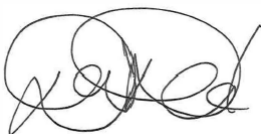
No matter has arisen in the interval since 31 December 2020 and up to the date of this report that in the opinion of the directors has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial periods other than the following:

- The Joint Venture decided to suspend WE-3 to allow time to undertake further engineering and procure the necessary materials and equipment to assess options to return later in the current drilling campaign and drill ahead to the target reservoir. To maximise efficiencies, the drilling rig has moved to the WE-4 location and commenced drilling operations.
- The El Romeral acquisition between Tarba and Petroleum Oil & Gas España, S.A. ("Petroleum") completed on 28 February 2021, with final regional government approvals received.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the half year ended 31 December 2020.

This report is signed in accordance with a resolution of the Board of Directors.



Dennis Donald
Managing Director and Group Chief Executive Officer
10 March 2021

DECLARATION OF INDEPENDENCE BY LEAH RUSSELL TO THE DIRECTORS OF WARREGO ENERGY LIMITED

As lead auditor for the review of Warrego Energy Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Warrego Energy Limited and the entities it controlled during the period.



Leah Russell
Director

BDO Audit Pty Ltd

Sydney, 10 March 2021

Directors' Declaration

The directors of Warrego Energy Limited declare that:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of directors made pursuant to section 303 (5) (a) of the Corporations Act 2001.

On behalf of the directors



Dennis Donald
Managing Director and Group Chief Executive Officer
10 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Half Year ended 31 December 2020

	Note	Half year 31 December 2020 (Consolidated) \$	Half year 31 December 2019 (Consolidated) \$
Interest income		3,882	5,188
Foreign exchange gains		-	22,762
Total income		3,882	27,950
Directors' fees		(86,211)	(137,246)
Employee benefit expenses		(482,836)	(1,331,151)
Professional services		(965,630)	(256,373)
Share-based payments		(630,237)	-
Exploration and evaluation expenditure		(138,899)	-
Business development costs		(203,104)	-
Depreciation and amortisation		(61,824)	(58,563)
Finance expenses		(26,383)	(136,899)
Foreign exchange losses		(21,935)	-
General and administrative expenses		(671,252)	(607,018)
Total expenses		(3,288,311)	(2,527,250)
Loss before income tax		(3,284,429)	(2,499,300)
Income tax expense		-	-
Loss after income tax		(3,284,429)	(2,499,300)
Other comprehensive loss - Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(11,210)	-
Other comprehensive loss for the period, net of tax		(11,210)	-
Total comprehensive loss for the period, net of tax		(3,295,639)	(2,499,300)
Loss for the period is attributable to:			
Non-controlling interests		(73,802)	-
Owners of Warrego Energy Limited		(3,210,627)	(2,499,300)
		(3,284,429)	(2,499,300)
Total comprehensive loss for the period attributable to:			
Non-controlling interests		(73,802)	-
Owners of Warrego Energy Limited		(3,221,837)	(2,499,300)
		(3,295,639)	(2,499,300)
Loss per share from continuing operations attributable to the ordinary equity holders of the company:			
Basic and diluted loss per share (cents per share)		(0.09)	(0.07)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



Consolidated Statement of Financial Position

as at 31 December 2020

	Note	31 December 2020 (Consolidated) \$	30 June 2020 (Consolidated) \$
ASSETS			
Current Assets			
Cash and cash equivalents		33,664,335	15,261,819
Other current assets		1,915,574	1,655,882
Restricted cash		226,250	139,533
Total Current Assets		35,806,159	17,057,234
Non-Current Assets			
Exploration and evaluation expenditure	2	28,004,038	13,400,589
Plant and equipment		88,442	15,468
Right-of-use assets		482,347	-
Goodwill		7,045,872	7,045,872
Total Non-Current Assets		35,620,699	20,461,929
Total Assets		71,426,858	37,519,163
LIABILITIES			
Current Liabilities			
Trade and other payables		4,095,636	2,132,721
Provisions	4	294,634	171,653
Lease liabilities		103,004	-
Total Current Liabilities		4,493,274	2,304,374
Non-Current Liabilities			
Provisions	4	863,939	435,275
Payable to associate		179,696	105,383
Lease liabilities		408,540	-
Total Non-Current Liabilities		1,452,175	540,658
Total Liabilities		5,945,449	2,845,032
Net Assets		65,481,409	34,674,131
EQUITY			
Contributed equity	5	137,246,776	103,774,096
Reverse acquisition reserve		(53,288,653)	(53,288,653)
Foreign currency translation reserve		(26,149)	(14,939)
Options reserve	6	743,786	113,549
Accumulated losses		(19,762,932)	(16,552,305)
Equity attributable to owners of the Parent		64,912,828	34,031,748
Non-controlling interests		568,581	642,383
Total Equity		65,481,409	34,674,131

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



Consolidated Statement of Cash Flow

for the Half Year ended 31 December 2020

	Note	Half year ended 31 December 2020 (Consolidated) \$	Half year ended 31 December 2019 (Consolidated) \$
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(1,597,194)	(2,043,450)
Interest received		3,933	5,561
Net cash used in Operating Activities		(1,593,261)	(2,037,889)
Cash Flows from Investing Activities			
Payments for plant and equipment		(98,414)	(2,581)
Payments for exploration and evaluation expenditure (inclusive of goods and services tax)		(13,157,006)	(8,111,222)
Payments for security deposit		(88,808)	-
Payments for investment		-	(140,450)
Net cash used in Investing Activities		(13,344,228)	(8,254,253)
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of costs)		33,285,719	12,048,107
Proceeds from borrowings		81,762	40,401
Payments for lease liabilities		(16,722)	(50,616)
Net cash from Financing Activities		33,350,759	12,037,892
Net increase in cash held		18,413,270	1,745,750
Cash at the beginning of the Period		15,261,819	7,342,791
Net foreign exchange difference		(10,754)	22,518
Cash at the end of the Period		33,664,335	9,111,059

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Consolidated Statement of Changes in Equity

for the Half Year ended 31 December 2020

	Issued Capital	Foreign Currency Translation Reserve	Options Reserve	Reverse Acquisition Reserve	Accumulated Losses	Total	Non- controlling Interests	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	103,774,096	(14,939)	113,549	(53,288,653)	(16,552,305)	34,031,748	642,383	34,674,131
Net loss for the period	-	-	-	-	(3,210,627)	(3,210,627)	(73,802)	(3,284,429)
Other comprehensive loss	-	(11,210)	-	-	-	(11,210)	-	(11,210)
Total comprehensive loss for the period	-	(11,210)	-	-	(3,210,627)	(3,221,837)	(73,802)	(3,295,639)
Transactions with owners in their capacity as owners								
Share-based payments	-	-	630,237	-	-	630,237	-	630,237
Issue of share capital	35,483,935	-	-	-	-	35,483,935	-	35,483,935
Transaction costs arising on share issue	(2,011,255)	-	-	-	-	(2,011,255)	-	(2,011,255)
Total transactions with owners in their capacity as owners	33,472,680	-	630,237	-	-	34,102,917	-	34,102,917
Balance at 31 December 2020	137,246,776	(26,149)	743,786	(53,288,653)	(19,762,932)	64,912,828	568,581	65,481,409
Balance at 1 July 2019	79,073,008	22,105	-	(53,288,653)	(12,182,781)	13,623,679	23,064	13,646,743
Net loss for the period	-	-	-	-	(2,499,300)	(2,499,300)	-	(2,499,300)
Total comprehensive loss for the period	-	-	-	-	(2,499,300)	(2,499,300)	-	(2,499,300)
Transactions with owners in their capacity as owners								
Share-based payments	-	-	108,000	-	-	108,000	-	108,000
Exercise of options	-	-	(4,227)	-	4,227	-	-	-
Issue of share capital	14,103,843	-	-	-	-	14,103,843	-	14,103,843
Transaction costs arising on share issue	(943,736)	-	-	-	-	(943,736)	-	(943,736)
Total transactions with owners in their capacity as owners	13,160,107	-	103,773	-	4,227	13,268,107	-	13,268,107
Balance at 31 December 2019	92,233,115	22,105	103,773	(53,288,653)	(14,677,854)	24,392,486	23,064	24,415,550

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Notes to the Financial Statements

1. Summary of significant accounting policies

The interim financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report covers Warrego Energy Limited as a consolidated entity consisting of Warrego Energy Limited and the entities it controlled and was authorised for issue in accordance with a resolution of Directors on 10 March 2021.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half year financial report should be read in conjunction with the annual financial report of Warrego Energy Limited as at 30 June 2020 and any public announcement made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Warrego Energy Limited is a public company, listed on the Australian Stock Exchange, incorporated and domiciled in Australia. The consolidated entity's operations comprise exploration for and development of oil and gas resources. The main interests of the consolidated entity are located in Western Australia and Spain.

a) Basis of preparation

The financial report has been prepared on the historical cost basis except as disclosed in the notes to the financial report. Cost is based on the fair value of the consideration given in the exchange for assets.

b) Significant accounting policies

The half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2020.

c) Going Concern

These financial statements have been prepared on the going concern basis which contemplates the consolidated entity's ability pay its debts as and when they become due and payable for a period of at least 12 months from the date of authorising the financial report for issue.

During the period, the company raised a net cash amount of \$33,285,719 from a share placement and Share Purchase Plan to fund the drilling of the WE-4 and WE-5 appraisal wells in EP469 and seismic over the remainder of EP469 and general working capital.

The Group had cash outflows from operations in the period ending 31 December 2020 of \$1,593,261 (2019: \$2,037,889). The Group recorded a net loss after tax of \$3,284,429 for the six-month period to 31 December 2020 (2019: \$2,499,300). The Group's net cash outflow from investing activities in the period ended 31 December 2020 was \$13,344,228 (2019: outflow \$8,254,253). The Group's net current assets as at 31 December 2020 were \$31,312,885 (30 June 2020: \$14,752,860).

The consolidated entity has prepared a cash flow forecast, which indicates that it will not have sufficient cash from operations to meet its ongoing planned expenditure. These conditions indicate the existence of a material uncertainty that may cast significant doubt over the consolidated entity's ability to continue as a going concern over the next 12 months and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are confident however, based on past performance that they will be successful in their plan to raise further funds from the issue of equity, or farm-out of core tenements or other corporate

Notes to the Financial Statements

activity designed to fund the Group's ongoing planned expenditure. As such, these financial statements have been presented on a going concern basis.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when the fall due.

2. Exploration and evaluation expenditure

	31 December 2020 \$	30 June 2020 \$
Movement during the period / year		
At beginning of period / year	13,400,589	1,768,865
Additions at cost period / year	14,191,657	11,185,715
Provision for well site restoration	428,605	434,841
Foreign currency translation	(16,813)	11,168
At end of period / year	28,004,038	13,400,589

3. Joint Operation

EP469 Project

Share of EP469 Venture - Financial Position

	31 December 2020 \$	30 June 2020 \$
Cash	1,056,047	2,601,682
Other current assets	297,700	169,425
Exploration and evaluation expenditure	22,139,461	9,904,935
Current liabilities	(3,120,650)	(1,478,798)
Net assets	20,372,558	11,197,244

Notes to the Financial Statements

4. Provisions

Current

Employee benefits	31 December 2020	30 June 2020
	\$	\$
Movement during the period / year		
At beginning of period / year	171,653	95,044
Charge to statement of profit or loss	122,981	76,609
At end of period / year	294,634	171,653

Non-current

	31 December 2020	30 June 2020
	\$	\$
Employee benefits	493	434
Well site restoration	863,446	434,841
	863,939	435,275

Employee benefits	31 December 2020	30 June 2020
	\$	\$
Movement during the period / year		
At beginning of period / year	434	23,205
Charge to statement of profit or loss	59	(22,771)
At end of period / year	493	434

Well site restoration	31 December 2020	30 June 2020
	\$	\$
Movement during the period / year		
At beginning of period / year	434,841	-
Capitalised in exploration and evaluation expenditure	428,605	434,841
At end of period / year	863,446	434,841

Notes to the Financial Statements

5. Contributed equity

(a) Share capital

	31 December 2020 Shares	30 June 2020 Shares	31 December 2020 \$	30 June 2020 \$
Ordinary shares (net of capital raising costs)	987,873,596	803,974,528	137,246,776	103,774,096

(b) Movements in equity

Date	Details	Number of Shares	Issue Price	\$
1 July 2020	Opening balance	803,974,528		103,774,096
	Less: opening unlisted shares			(553,322)
17 July 2020	Share placement	20,501,865	0.1300	2,665,242
17 July 2020	Shares issued to Warrego Energy UK Limited shareholders as reverse acquisition consideration in accordance with shareholder approval of Resolution 2 at Extraordinary General Meeting on 15 March 2019	7,117,714	0.0240	553,322
21 October 2020	Share placement	123,993,739	0.2100	26,038,685
11 November 2020	Share purchase plan	3,714,322	0.2100	780,008
01 December 2020	Share placement	28,571,428	0.2100	6,000,000
		987,873,596		139,258,031
	Less: Transaction costs arising on share issue			(2,011,255)
31 December 2020	Closing balance			137,246,776

6. Options reserve

	31 December 2020 \$	30 June 2020 \$
Movement during the period / year		
At beginning of period / year	113,549	-
Share-based payments	630,237	117,776
Expired / vested options	-	(4,227)
At end of period / year	743,786	113,549

Notes to the Financial Statements

7. Options

Unlisted

Date	Details	Number of Options	Expiry Date	Exercise Price \$
1 July 2020	Opening balance	6,726,000	31 May 2021	0.1235
21 July 2020	Issue of options to Non-executive Directors	9,999,999	21 July 2023	0.2800
31 December 2020	Closing balance	16,725,999		

8. Segment information

Identification of reportable segments

The Group has identified its operating segments based on the two geographical areas in which the Group operates its oil and gas properties, with the Group's corporate and unallocated costs identified separately. In Australia, the Group has a 50% interest in the West Erregulla exploration licence. In Cadiz Spain, the Group has an 85% interest in the Tesorillo and Ruedalabola gas exploration licences.

Revenue and profit or loss information of consolidated entity's operating segments

Consolidated	Australia \$	Spain \$	Total \$
Six month ended 31 December 2020			
Revenue from external customers	-	-	-
Segment expenses	(1,684)	(147,914)	(149,598)
Corporate and unallocated expenses			(3,138,713)
Total operating expenses			(3,288,311)
Other income	46	13	59
Corporate and unallocated other income	-	-	3,823
Segment loss before income tax	(1,638)	(147,901)	(149,539)
Corporate and unallocated loss before tax			(3,134,890)
Total loss before tax			(3,284,429)

Consolidated	Australia \$	Spain \$	Total \$
Six month ended 31 December 2019			
Revenue from external customers	-	-	-
Segment expenses	(138,838)	-	(138,838)
Corporate and unallocated expenses			(2,388,412)
Total operating expenses			(2,527,250)
Other income	443	-	443
Corporate and unallocated other income	-	-	27,507
Segment loss before income tax	(138,395)	-	(138,395)
Corporate and unallocated loss before tax			(2,360,905)
Total loss before tax			(2,499,300)

Notes to the Financial Statements

Assets and liabilities information of consolidated entity's operating segments

Consolidated	Australia \$	Spain \$	Total \$
31 December 2020			
Segment non-current assets	34,121,435	928,475	35,049,910
Corporate and unallocated			570,789
Total non-current assets			35,620,699
Segment assets	35,506,434	2,282,357	37,788,791
Corporate and unallocated			33,638,067
Total assets			71,426,858
Segment liabilities	4,051,262	232,402	4,283,664
Corporate and unallocated			1,661,785
Total liabilities			5,945,449
30 June 2020			
Segment non-current assets	19,305,807	1,140,654	20,446,461
Corporate and unallocated			15,468
Total non-current assets			20,461,929
Segment assets	22,108,816	2,523,124	24,631,940
Corporate and unallocated			12,887,223
Total assets			37,519,163
Segment liabilities	1,955,801	135,605	2,091,406
Corporate and unallocated			753,626
Total liabilities			2,845,032

9. Events occurring after the reporting date

The Directors are not aware of any matters or circumstances that have arisen since the end of the period that has significantly affected or may significantly affect the operations of the Company, the results of its operations or the state of its affairs, other than the following:

- The Joint Venture decided to suspend WE-3 to allow time to undertake further engineering and procure the necessary materials and equipment to return later in the current drilling campaign and drill ahead to the target reservoir. To maximise efficiencies, the drilling rig has moved to the WE-4 location and commenced drilling operations.
- The El Romeral acquisition between Tarba and Petroleum Oil & Gas España, S.A. ("Petroleum") completed on 28 February 2021, with final regional government approvals received. Refer to note 12 for further detail.

Notes to the Financial Statements

10. Dividends

No dividends were paid during or subsequent to the half-year ended 31 December 2020.

11. Commitments

The Group is required to meet minimum expenditure requirements of various government regulatory bodies and joint arrangements. These obligations may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

	31 December 2020	30 June 2020
	\$	\$
Permit commitments		
Less than one year	28,549,985	25,385,406
Between one and five years	1,355,158	3,480,491
Total	29,905,143	28,865,897

12. El Romeral acquisition

Tarba Energía SL (“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. 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. Prospex, which is the Company’s partner via Tarba in the Tesorillo gas project in Spain, has taken up a 49.9% interest and the Company has taken up the remaining 50.1% interest in the project.

During the half year, national government approval for transfer was received and completion of the transaction was subject to formal approval from the Andalusian Regional Administration, which was outstanding as at 31 December 2020. Subsequent to the half year, the transaction was approved and completed on 28 February 2021.

The acquisition has the features of a business combination in accordance with AASB 3 Business Combinations, primarily due to the El Romeral acquisition comprising three production licences providing gas to a 100%-owned 8.1 MW power station supplied by three producing wells. There are multiple prospects and low-cost development opportunities with the potential to increase gas production, electricity generation and revenue.

The initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue, primarily due to management being unable to obtain all the relevant information from the seller within the time frame. As a result, not all required disclosures, such as the acquisition-date fair value of each major class of assets acquired and liabilities assumed, could be made.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Warrego Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Warrego Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Yours sincerely

BDO Audit Pty Ltd

BDO


Leah Russell
Director

Sydney, 10 March 2021