



warrego
energy

ACN 125 394 667

Interim Financial Report
For the Half Year ended 31 December 2021

Half Year Financial Report

31 December 2021

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Directors' Report

The Directors of Warrego Energy Limited ("WGO") present the consolidated interim financial report for the half year ended 31 December 2021. 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
Michael Atkins	Non-executive Director (appointed 31 December 2021)
David Biggs	Executive Director – CEO Australia (resigned 31 December 2021)

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 \$2,423,498 (2020: \$3,284,429). There was no impairment expense for the six months to 31 December 2021 (2020: nil).

FINANCIAL POSITION

The net assets increased by \$45,018,673 in the period up to 31 December 2021 made up of an increase in total assets of \$39,312,531 and a decrease in total liabilities of \$5,706,142. The company raised a net cash amount of \$46,321,213 during the half-year from a share placement.

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

West Erregulla Gas Project Development

Warrego is nearing finalisation of key agreements with Australian Gas Infrastructure Group ("AGIG") and Strike Energy Limited ("Strike", the "Operator") for the construction and operation of a gas processing facility for Phase 1 of the West Erregulla Gas Project (the "Project").

In July 2021 AGIG commenced procurement of Long Lead Items (LLI) for the construction of the gas plant and trunk line. The JV is continuing to instruct AGIG to procure Long Lead Items ("LLI") to enable the Project to remain on track for first gas in the second half of 2023. These LLI commitments are being funded by each of the EP469 Joint Venture partners and will effectively be repaid from the proposed project finance facilities.

Directors' Report

Western Australia's Environmental Protection Authority ("EPA") continues to assess the upstream (gas gathering system) and midstream (gas processing plant) submissions. The Operator and AGIG provided additional information to the EPA in December for review. Subject to satisfying all requests for supplementary information and meeting regulatory requirements, the Operator and AGIG anticipate the EPA to approve and issue the environmental permits during CY 2022 after which construction can commence.

The Operator lodged an application to convert EP469 to a Production Licence (PL) at the end of January 2022 which is expected to be assessed once the EPA approval process is complete. In addition to the wells already drilled and completed, the Joint Venture has agreed to drill an additional production well, WE-6, prior to first gas which will provide redundancy and additional flexibility.

Work to secure project finance is well underway. Preparation of project financing due diligence packages has commenced with various experts appointed to prepare preliminary reports. Once the final banking group is mandated, these reports will underpin key aspects of the legal and commercial due diligence. It is anticipated that Warrego's financing will be underpinned by the substantial 155 PJ long-term gas sales contract the Company secured with Alcoa in 2020. Funding secured via project debt financing would become available to Warrego once the project receives EPA permit approval.

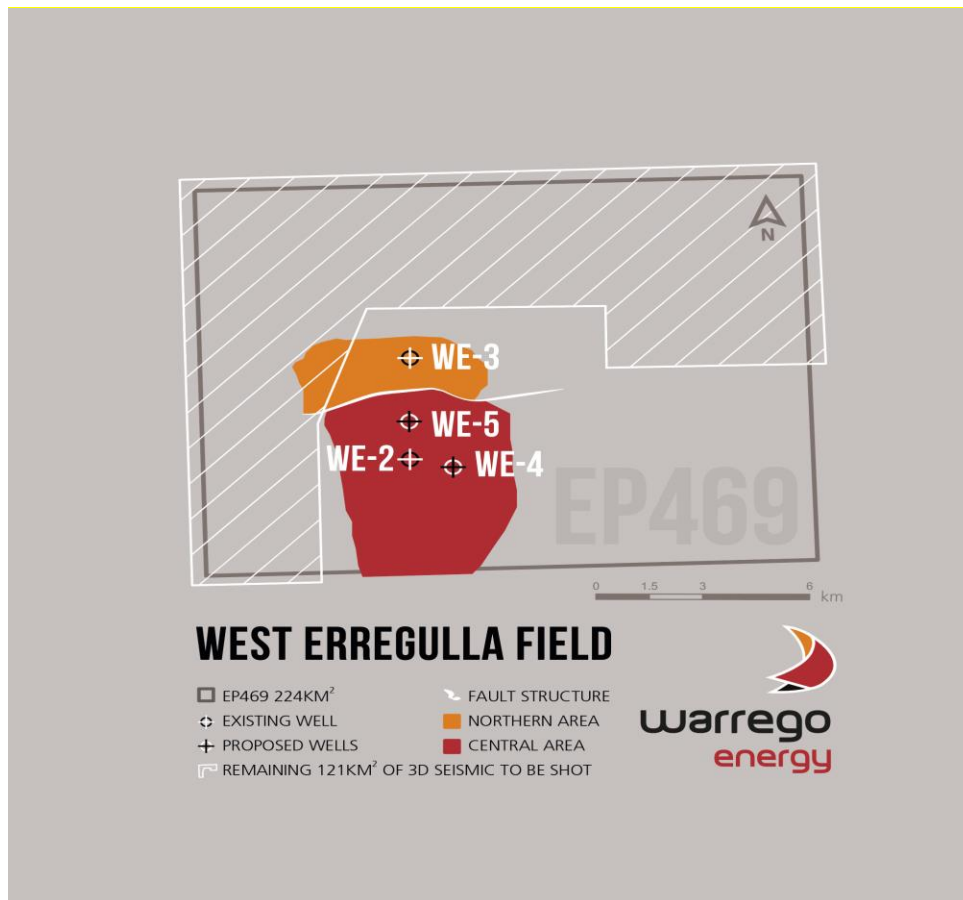
Warrego has committed to offset 60% of all Scope 1 and Scope 2 greenhouse gas emissions from production of first gas at West Erregulla with a trajectory to net zero by 2050 in accordance with the rigorous targets set in AGIG's proposed Greenhouse Gas Management Plan.

West Erregulla Appraisal Campaign Update

The EP469 JV continued to progress appraisal of the West Erregulla gas field during the first half of FY22.

The WE-4 well, a step out appraisal well drilled down-dip on the south-eastern flank of the Central Area of the West Erregulla gas field, commenced flow testing operations in May 2021 over a 75m perforation between 4,847m and 4,962m MDRT. Clean-up of the well was paused due to the presence of sand in the production stream which was successfully controlled. On 10 July, after a 46-hour flow period, WE-4 achieved a sustained gas flow rate of 35 MMscfd through a 76/64" choke at ~1,770 psig FWHP and produced low salinity water at a rate of 1,365 bbl/d (water entry was observed at 4,630m TVDSS). This is an excellent flow test result for a flank well and strongly correlates with the WE-2 discovery well located on the crest of the Central Area. The WE-4 well has been completed for future production.

Directors' Report



The WE-5 well, located to the north of the Central Area between WE-2 and the fault that divides the Central from the Northern Area of the field, commenced flow testing operations in July 2021. The well was perforated in two separate zones over a combined 31m interval in the Kingia Sandstone between 4,840m and 4,874m MDRT (4,613m and 4,647m TVDSS). After an extended clean-up period and prolonged flow test, it was determined that the reservoir was unable to overcome a production barrier thought to be well bore skin caused by filtrate from drilling mud invasion and cement resulting from sub-optimal cement placement around the well bore casing.

The primary flow period was conducted over 77 hours. An instantaneous flow rate of 13.1 MMscf/d was achieved while a sustained rate of 5.1 MMscf/d was measured through a 64/64" choke with 260 psig FWHP. Associated water was produced at less than 5.9 bbls/MMscf on average. Gas flows were measured down to 4,670m TVDSS although, due to the compromised flow test, there was no conclusive evidence as to the source of the produced water. The JV is continuing to evaluate technical options for WE-5 and it is anticipated that recompletion and retesting will be carried out prior to first gas.

The joint venture is preparing to recommence operations at WE-3, located in the Northern Area of the field and separated from the Central Area by a fault. WE-3 was temporarily suspended on 4 January 2021 at 4,294m MDRT in the Carynginia formation after encountering high pressure readings that were close to the design limits of the well. Following a comprehensive review of WE-3 operations and data by both JV partners and external consultants, the JV has agreed that the well can be safely re-entered. The Joint Venture has finalised the well design for the re-entry into WE-3 (WE-3 ST2) and approved long lead item expenditure for drilling operations. It is anticipated that the Ensign 970 rig will mobilise to the WE-3 well location in H1 2022.

Directors' Report

Independent Reserves Certification

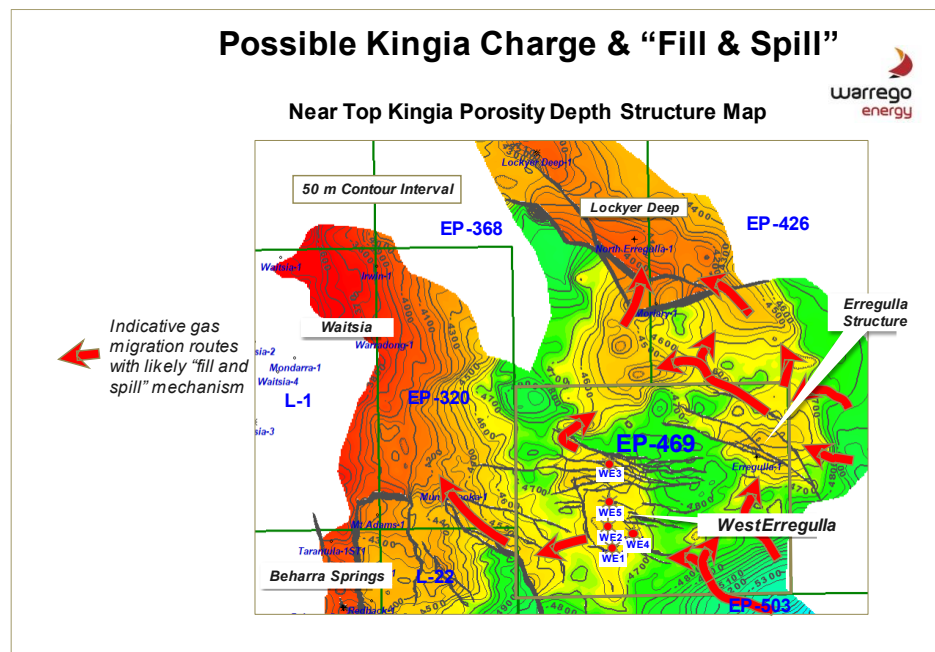
In October 2021 Netherland, Sewell & Associates, Inc. (NSAI) completed its certification of West Erregulla Reserves, Contingent and Prospective Resources on behalf of the EP469 JV¹. The independent Reserves certification by NSAI strongly correlates with the initial Resources certification that RISC Advisory completed for Warrego in May 2020² and supports the ability of the West Erregulla Gas Field to satisfy foundation Gas Sales Agreements.

NSAI attributed 2P Reserves (proved plus probable) of 300 PJ of gas (gross) to the Kingia reservoir, with 3P upside of 372 PJ (gross). In addition, 2C Contingent Resources of 128 PJ of gas (gross) were assigned to the Kingia and High Cliff reservoirs with a further 198 PJ of gas (gross) in 2U Prospective Resources from the Kingia, High Cliff, Dongara and Wagina reservoirs. There remains potential to grow West Erregulla Reserves and Resources through further exploration and appraisal in EP469³.

Further Exploration Potential

The EP469 JV will undertake a 3D seismic survey over the remaining permit areas of interest that are unmapped to provide better definition and enhanced subsurface data over a number of undrilled prospects with potential for tie-in to the West Erregulla Gas Project at some stage in the future. Only 1/3 of the block has been currently covered by 3D seismic.

The primary prospects lie to the north and east, up dip from West Erregulla, in Permian structures similar to Waitsia and West Erregulla. Recent success at Lockyer Deep-1 (located to the north of EP469 and drilled by Norwest Energy) augurs well for WE-3 appraisal, future exploration of the undrilled prospects, and potential reserves growth. Scheduling for the survey is yet to be confirmed and is subject to securing appropriate approvals.



¹ Issued by Warrego via the ASX on 11 October 2021, "West Erregulla Independent Reserves Certification"

² Issued by Warrego via the ASX on 18 May 2020, "Certification confirms West Erregulla 2C of 513 Bscf gross"

³ Issued by Warrego via the ASX on 29 September 2021, "Lockyer Deep-1 Discovery Supports EP469 Exploration"

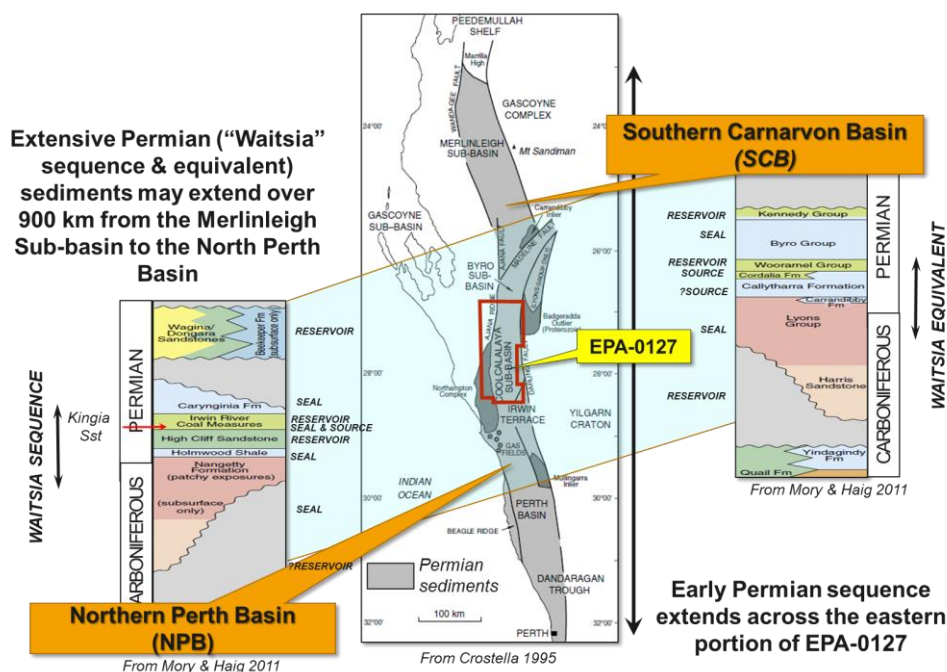
Directors' Report

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

STP-EPA-0127 covers a highly prospective onshore region of the Coolcalalaya Sub-Basin, linking the northern Perth Basin with the Carnarvon 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.

Exploration Potential and Permit Grant

At 2.2 million acres (8,700km²), EPA-0127 is the largest exploration permit located onshore Western Australia. The permit area is 130km north of the Waitsia and West Erregulla fields and is in the Coolcalalaya Sub-basin. Extensive analysis of available sub-surface data suggests that extensive Permian ("Waitsia" sequence and equivalent) may extend over 900 km from the Merlineigh Sub-basin to the North Perth Basin with an early Permian sequence that extends across the eastern portion of the permit area.



Surface geology and potential field modelling point to a deep, asymmetric structured basin with excellent exploration potential. Multiple West Erregulla-sized prospects and leads with potential for the conventional extraction of gas and liquid hydrocarbons have been identified.

Negotiations with Native Title groups are ongoing as the final step before the exploration permit can be issued by DMIRS in 2022.

Farm-out Agreement

On 29 December 2021, Warrego executed a farm-out agreement with Mitsui E&P Australia, a wholly owned subsidiary of Mitsui & Co. Ltd. Under the terms of the farm-in Mitsui will, in exchange for receiving a 50% working interest in the permit, carry 100% of Warrego's exploration costs in the first two years of the planned six-year conventional work program up to a cap of \$1.5 million. Mitsui also has the option to assume operatorship of the permit from year three. The agreement remains subject to grant of the exploration permit and approval of the work program by the Department of Mines, Industry Regulation and Safety.

Directors' Report

Mid West Blue Hydrogen and CCS Project, Perth Basin, Western Australia

On 4 November 2021, the Company announced it has joined a consortium with APA Group and Pilot Energy to undertake and jointly fund a feasibility study for the Mid West Blue Hydrogen and Carbon Capture and Storage (CCS) project.

The feasibility study is designed to assess potential Blue Hydrogen and CCS projects that can integrate with existing upstream, midstream and downstream assets to deliver competitive clean energy. It will identify and select potential development projects and will form the basis for future FEED studies, partnering and other corporate initiatives. Key outcomes of the study will include detailed description and assessment of development projects, levelised cost of hydrogen and CO₂ management services. The feasibility study is anticipated to complete in H1 2022.

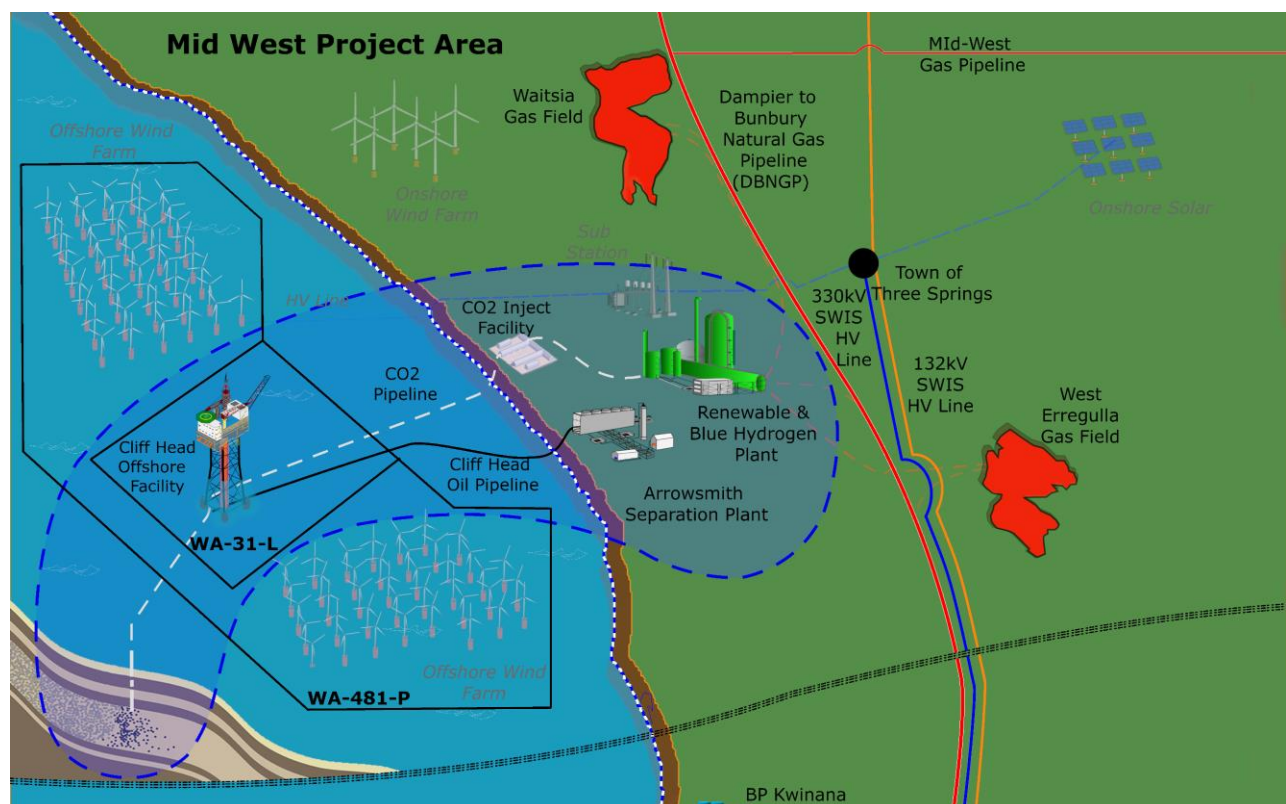


Figure 2. Mid West Blue Hydrogen + CCS project location and key elements

During the period Pilot engaged CO₂Tech to broaden the CCS experience available to undertake the assessment of the Mid West CCS opportunities. CO₂Tech is the commercial arm of the CO₂CRC, a world leader in carbon capture, utilisation and storage (CCUS) research.

The Mid West Blue Hydrogen study consultants have progressed assessments of the Cliff Head CCS capacity and the production of Blue hydrogen. To date the CCS assessment has indicated the Cliff Head area can support ~550,000 tpa CO₂ injection and ~ 6.5 million tpa (P50 estimate) of CO₂ storage, pending additional analysis of water production required to facilitate CO₂ injection.

SPAIN

Warrego's UK team continues to examine ways to maximise value from its Spanish exploration prospects and power generation assets. The northern hemisphere energy crisis has focused attention on the considerable revenue generating potential of these assets which has extended the range of options available to the Company for consideration, including:

Directors' Report

- Divestment of all or part of the assets;
- Assessing new opportunities for partnering and further corporate deals;
- Evaluating complementary development opportunities and new technologies including renewables;
- Connection of power generation assets to the gas grid to boost production pending drilling further wells; and
- Gas storage opportunities.

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

The Tesorillo Project in the Cadiz Province of Southern Spain covers 94,000 acres and comprises two petroleum exploration licences, the Tesorillo and Ruedalabola Permits, and a conventional gas discovery at the El Almarchal-1 well. Tesorillo is estimated to contain 830 Bcf gross unrisked prospective resources on a best estimate basis and has excellent proximity to existing pipeline infrastructure. There are no financial or drilling commitments attached to the permits.

The energy crisis in the northern hemisphere has highlighted the critical need for reliable local supplies of natural gas across Europe. Against this backdrop, with the freeing of COVID restrictions Warrego's UK team has increased its efforts with various government agencies to progress drilling approvals. Warrego is targeting conventional onshore sandstone reservoirs. An application for progression to a production permit for Tesorillo was submitted to the Ministry along with a field development plan for approval in Q4 FY21. Discussions with the Ministry have made good progress and, subject to requests for further information, Warrego anticipates a response in the first half of 2022

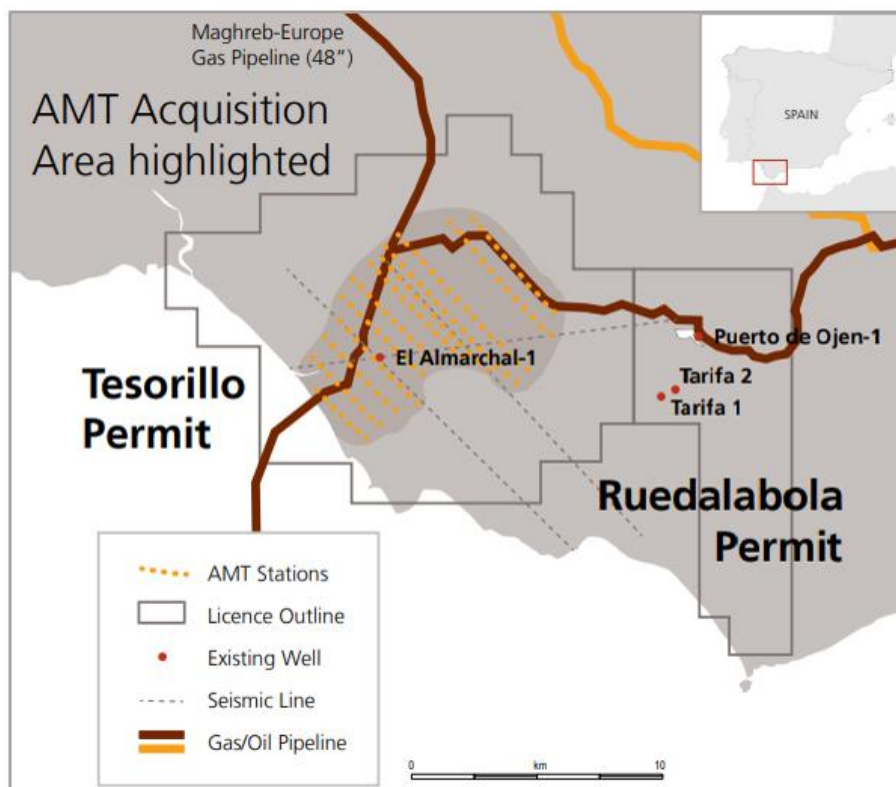


Figure 3. Location of Tesorillo Project, including the El Almarchal-1 discovery well

Directors' Report

El Romeral Project, onshore Seville Region (50.1% interest in Operator)

El Romeral is an integrated gas production and power station operation located on 76,600 acres 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. El Romeral is one of only four producing gas-fired electricity generating assets in Spain and has operated since March 2021 with no HSE or lost time.

During the first half of the year, the cost-effective well intervention operations enhancement program was implemented to increase gas and electricity production to capitalise on strong electricity demand in Spain. The system optimisation project is expected to boost income from power generation by up to 65% by achieving 24-hour operations.

Electricity prices have continued at unprecedentedly high levels increasing income from power generation significantly in the period. Pressure on gas prices generally continues, leading to sustained high electricity prices. Power generated from El Romeral is not hedged into offtake arrangements and is able to take advantage of the prevailing high prices in the spot market.

An application to extend the Romeral production licences was submitted to the regulator in Q4 FY21 and plans are being explored with our joint venture partner Prospex Energy Limited to capitalise on the unprecedented electricity prices.

During the December quarter, A\$234,000 was repaid to Warrego by its Spanish subsidiary representing cash generated from profitable power generation activities. Warrego's Spanish activities and current business plan are being met through cash flow being generated by its El Romeral operation.

The transition to a new governance and management structure has been successfully completed with particular focus on health and safety at the El Romeral facility. A technical committee has been established to manage and coordinate local Spanish operations and key management activities.

CORPORATE

Share Placements

On 2 July 2021, Tranche One of the \$50 million two-tranche placement was completed, raising a total of \$32,357,037 (147,077,439 fully paid ordinary shares). On 17 August 2021, Tranche Two was completed, with a total of \$17,642,963 raised (80,195,289 fully paid ordinary shares to be issued).

Proceeds from the Placement will be used to fund Warrego's 50% share of commitments for Phase 1 of the West Erregulla gas project including LLIs for the 87 TJ/d gas processing plant and the upstream gathering system; unbudgeted costs associated with the re-entry, drilling, testing and completion of the currently suspended WE-3 well; 3D seismic over the balance of the EP469 permit; early-stage exploration activity of EPA-0127; and general working capital.

The Company held an Extraordinary General Meeting as a virtual meeting on 10 August 2021 with all resolutions passed by an overwhelming majority including the approval of Tranche 2 of the share placement and the approval of the Long-Term Incentive (LTI) Plan including approval to issue performance rights under the LTI plan.

Directors' Report

Annual General Meeting

The Company held its Annual General Meeting as a virtual meeting on 24 November 2021 with all resolutions passed.

Reorganisation and Other Corporate Matters

Executive Director, Mr David Biggs, resigned from the Board and his management position as CEO Australia on 31 December 2021, but remains available to the Company to facilitate the smooth transition of responsibilities.

The Company made changes to its management structure in Europe, including Mr Duncan MacNiven retiring from the business and Mr Owain Franks stepping away from his management role. Both Mr MacNiven and Mr Franks remain significant shareholders.

Mr Dennis Donald remains as sole Managing Director and Group CEO and will oversee the Spanish and the Australian operations. Mr Donald resides in the UK and will have management oversight of the Spanish operations. The Company's strong Western Australian based management team will continue working under Mr Donald's direction.

Mr Michael Atkins, B. Comm (WA) FAICD, was appointed as a non-executive Director of Warrego Energy Limited on 31 December 2021. Based in Perth, Michael has a successful history as an executive and non-executive chairman and director of over 20 publicly listed companies.

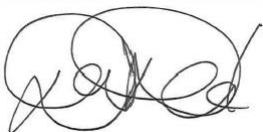
SUBSEQUENT EVENTS

No matter has arisen in the interval since 31 December 2021 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.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is set out on page 9 for the half year ended 31 December 2021.

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



Dennis Donald
Managing Director and Group Chief Executive Officer
9 March 2022

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 2021, 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, 9 March 2022

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 2021 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
9 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Half Year ended 31 December 2021

	Note	Half year 31 December 2021 (Consolidated) \$	Half year 31 December 2020 (Consolidated) \$
Revenue		2,012,019	-
Cost of sales		(1,201,161)	-
Gross Profit		810,858	-
Interest income		3,488	3,882
Other income		61,097	-
Expenses			
Directors' fees		(91,594)	(86,211)
Employee benefit expenses		(875,215)	(421,061)
Superannuation		(148,446)	(61,775)
Accounting, audit and tax services		(134,654)	(399,039)
Professional services		(738,007)	(566,591)
Share-based payments		(125,095)	(630,327)
Exploration and evaluation expenditure		(158,129)	(138,899)
Business development costs		(242,025)	(203,104)
Depreciation and amortisation		(63,105)	(61,824)
Finance expenses		(57,348)	(26,383)
Foreign exchange losses		(3,657)	(21,935)
General and administrative expenses		(661,666)	(671,252)
Total expenses		(3,298,941)	(3,288,311)
Loss before income tax		(2,423,498)	(3,284,429)
Income tax expense		-	-
Loss after tax attributable to members of Warrego Energy Limited		(2,423,498)	(3,284,429)
Other comprehensive (loss)/income - Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(42,202)	(11,210)
Other comprehensive (loss)/income for the period, net of tax		(42,202)	(11,210)
Total comprehensive loss for the period, net of tax		(2,465,700)	(3,295,639)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Half Year ended 31 December 2021

	Note	Half Year 31 December 2021 (Consolidated) \$	Half Year 31 December 2020 (Consolidated) \$
Loss for the period is attributable to:			
Non-controlling interests		143,823	(73,802)
Owners of Warrego Energy Limited		(2,567,321)	(3,210,627)
		<u>(2,423,498)</u>	<u>(3,284,429)</u>
Total comprehensive loss for the period attributable to:			
Non-controlling interests		143,823	(73,802)
Owners of Warrego Energy Limited		(2,609,523)	(3,221,837)
		<u>(2,465,700)</u>	<u>(3,295,639)</u>
Loss per share from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share (cents per share)		(0.06)	(0.09)
Diluted loss per share (cents per share)		(0.06)	(0.09)

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 2021

	Note	31 December 2021 (Consolidated) \$	30 June 2021 (Consolidated) \$
ASSETS			
Current Assets			
Cash and cash equivalents		40,186,295	13,720,858
Other current assets		1,028,655	876,462
Restricted cash	2	6,921,967	694,441
Total Current Assets		48,136,917	15,291,761
Non-Current Assets			
Exploration and evaluation expenditure	3	56,476,055	49,795,495
Oil and gas properties		2,493,024	2,620,015
Property, plant and equipment		415,369	456,839
Right-of-use assets		342,891	387,615
Goodwill		7,045,872	7,045,872
Total Non-Current Assets		66,773,211	60,305,836
Total Assets		114,910,128	75,597,597
LIABILITIES			
Current Liabilities			
Trade and other payables		1,540,368	6,512,285
Provisions	5	522,994	293,652
Lease liabilities		98,059	95,320
Other current liabilities		461	840,840
Total Current Liabilities		2,161,882	7,742,097
Non-Current Liabilities			
Provisions	5	2,571,610	2,513,048
Payable to associate		242,369	361,435
Lease liabilities		266,117	315,692
Other non-current liabilities		1,100,622	1,116,470
Total Non-Current Liabilities		4,180,718	4,306,645
Total Liabilities		6,342,600	12,048,742
Net Assets		108,567,528	63,548,855
EQUITY			
Contributed equity	6	185,843,120	138,483,843
Reverse acquisition reserve		(53,288,653)	(53,288,653)
Foreign currency translation reserve		(136,313)	(94,111)
Share based payments reserve	7	765,108	640,013
Accumulated losses		(25,096,225)	(22,528,905)
Equity attributable to owners of the Parent		108,087,037	63,212,187
Non-controlling interests		480,491	336,668
Total Equity		108,567,528	63,548,855

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 2021

	Note	Half year ended 31 December 2021 (Consolidated) \$	Half year ended 31 December 2020 (Consolidated) \$
Cash Flows from Operating Activities			
Receipts from customers and other (inclusive of goods and services tax)		1,949,353	-
Payments to suppliers and employees (inclusive of goods and services tax)		(4,115,922)	(1,597,194)
Payments for exploration and evaluation expenditure – expensed		(346,860)	-
Interest received		1,164	3,933
Net cash used in Operating Activities		(2,512,265)	(1,593,261)
Cash Flows from Investing Activities			
Payments for plant and equipment		(70,529)	(98,414)
Payments for exploration and evaluation expenditure (inclusive of goods and services tax)		(10,870,669)	(13,157,006)
Payments for security deposit		(6,226,136)	(88,808)
Payments for investment		-	-
Net cash used in Investing Activities		(17,167,334)	(13,344,228)
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of costs)		46,321,213	33,285,719
Proceeds from associates		113,910	81,762
Repayments to associates		(233,505)	-
Payments for lease liabilities		(50,753)	(16,722)
Net cash from Financing Activities		46,150,865	33,350,759
Net Decrease in Cash Held		26,471,266	18,413,270
Cash at the beginning of the Period		13,720,858	15,261,819
Net foreign exchange difference		(5,829)	(10,754)
Cash at the end of the Period		40,186,295	33,664,335

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 2021

	Issued Capital	Foreign Currency Translation Reserve	Share Based Payments 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
Exercise of options	-	-	-	-	-	-	-	-
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)
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 2021	138,483,843	(94,111)	640,013	(53,288,653)	(22,528,905)	63,212,187	336,668	63,548,855
Net loss for the period	-	-	-	-	(2,567,321)	(2,567,321)	143,823	(2,423,498)
Other comprehensive loss	-	(42,202)	-	-	-	(42,202)	-	(42,202)
Total comprehensive loss for the period	-	(42,202)	-	-	(2,567,321)	(2,609,523)	143,823	(2,465,700)
Transactions with owners in their capacity as owners								
Share-based payments	-	-	125,095	-	-	125,095	-	125,095
Issue of share capital	50,000,000	-	-	-	-	50,000,000	-	50,000,000
Transaction costs arising on share issue	(2,640,723)	-	-	-	-	(2,640,723)	-	(2,640,723)
Total transactions with owners in their capacity as owners	47,359,277	-	125,095	-	-	47,484,372	-	47,484,372
Balance at 31 December 2021	185,843,120	(136,313)	765,108	(53,288,653)	(25,096,226)	108,087,037	480,491	108,567,528

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 9 March 2022.

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 2021 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 2021.

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 total of \$50 million (227.3 million fully paid ordinary shares) from a Two Tranche share placement in the first quarter of FY22. The company is progressing to a final investment decision for the development of the EP469 Gas Field.

Notes to the Financial Statements

2. Restricted Cash

	31 December 2021 \$	30 June 2021 \$
Obligations under a bank corporate credit card facility with the Commonwealth Bank of Australia	50,000	50,000
Bankers' guarantee issued as security for the performance by the Company of its obligations under a lease of office premises at Level 6, 216 St George's Terrace, Perth	42,669	42,669
AGIG – Security Deposit (Long Lead Items)	6,720,206	494,070
Cash pledged as deposit for Spanish Ministry compliance programme	109,092	107,702
	6,921,967	694,441

The above are secured by a charge over term deposits lodged with bankers of a like amount except for AGIG – Security Deposit which is cash backed.

Warrego commenced payments to AGIG to enable the procurement of Long Lead Items for the construction of the 87 TJ/d gas processing facility.

3. Exploration and evaluation expenditure

	31 December 2021 \$	30 June 2021 \$
Movement during the period / year		
At beginning of period / year	49,795,495	13,400,589
Additions at cost period / year	6,668,967	35,146,511
Provision for well site restoration	25,621	1,273,248
Foreign currency translation	(14,028)	(24,853)
At end of period / year	56,476,055	49,795,495

Notes to the Financial Statements

4. Joint Operation

EP469 Project

Share of EP469 Joint Operation - Financial Position

	31 December 2021 \$	30 June 2021 \$
Cash	141,243	1,150,280
Other current assets	388,915	348,810
Exploration and evaluation expenditure	45,393,779	40,581,968
Current liabilities	(485,370)	(4,775,762)
Net assets	45,438,568	37,305,296

5. Provisions

Current

Provisions – Current	31 December 2021 \$	30 June 2021 \$
Employee benefits	203,446	226,534
Power generation tax and royalties	319,548	67,118
Total current provisions	522,994	293,652

Employee benefits	31 December 2021 \$	30 June 2021 \$
Movement during the period / year		
At beginning of period / year	226,534	171,653
Charge to statement of profit or loss	(23,088)	54,881
At end of period / year	203,446	226,534

Power generation tax and royalties	31 December 2021 \$	30 June 2021 \$
Movement during the period / year		
At beginning of period / year	67,118	-
Charge to statement of profit or loss	252,430	67,118
At end of period / year	319,548	67,118

Notes to the Financial Statements

Non-current

Provisions – Non-current	31 December 2021 \$	30 June 2021 \$
Employee benefits	2,539	1,324
Well site restoration	2,569,071	2,511,724
Total non-current provisions	2,571,610	2,513,048

Employee benefits	31 December 2021 \$	30 June 2021 \$
Movement during the period / year		
At beginning of period / year	1,324	434
Charge to statement of profit or loss	1,215	890
At end of period / year	2,539	1,324

Well site restoration	31 December 2021 \$	30 June 2021 \$
Movement during the period / year		
At beginning of period / year	2,511,724	434,841
Capitalised in exploration and evaluation expenditure	-	1,273,249
Capitalised in oil and gas properties	-	803,634
Charge to statement of profit or loss	43,873	-
Foreign currency translation	13,474	-
At end of period / year	2,569,071	2,511,724

Notes to the Financial Statements

6. Contributed equity

(a) Share capital

	31 December 2021 Shares Number	30 June 2021 Shares Number	31 December 2021 \$	30 June 2021 \$
Ordinary shares (net of capital raising costs)	1,223,872,324	996,599,596	185,843,120	138,483,843

(b) Movements in equity

Date	Details	Number of Shares	Issue Price	\$
1 July 2021	Opening balance	996,599,596		138,483,843
02 July 2021	Share placement	147,077,439	0.2200	32,357,037
17 August 2021	Share placement	80,195,289	0.2200	17,642,964
		1,223,872,324		188,483,844
	Less: Transaction costs arising on share issue			(2,640,724)
31 December 2021	Closing balance			185,843,120

(c) Options - unlisted

Date	Details	Number of Options	Expiry Date	Exercise Price \$
1 July 2021	Opening balance	9,999,999	16 July 2023	0.2800
31 December 2021	Closing balance	9,999,999		

(d) Performance rights

Date	Details	Number of Performance Rights	Expiry Date	Exercise Price \$
1 July 2021	Opening balance	-	-	-
10 August 2021	Issue of performance rights	5,762,960	08 June 2024	nil
31 December 2021	Performance Rights forfeited	(1,092,896)		
31 December 2021	Closing balance	4,670,064		

Notes to the Financial Statements

7. Share based payments reserve

	31 December 2021	30 June 2021
	\$	\$
Movement during the period / year		
At beginning of period / year	640,013	113,549
Share based payments expense – performance rights	125,095	
Unlisted options under Employee Incentive Plan issued to employees	-	630,237
Exercised options	-	(103,773)
At end of period / year	765,108	640,013

8. Oil and Gas properties

	31 December 2021	30 June 2021
	\$	\$
Cost	2,642,739	2,680,790
Accumulated depreciation, depletion and amortisation	(149,715)	(60,775)
Net book amount	2,493,024	2,620,015
 Reconciliation of movement in oil and gas properties:		
At beginning of period / year	2,620,015	-
El Romeral acquisition at fair value	-	2,619,584
Depreciation, depletion and amortisation	(113,234)	(60,775)
Foreign currency movement	(13,757)	61,206
At end of period / year	2,493,024	2,620,015

Notes to the Financial Statements

9. 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 2021			
Revenue from external customers	-	2,012,019	2,012,019
Segment expenses	(28,738)	(1,725,376)	(1,754,114)
Corporate and unallocated expenses			(2,745,988)
Total operating expenses			(4,500,102)
Segment other income	4	1,579	1,583
Corporate and unallocated other income			63,002
Total other income			64,585
Segment income/(loss) before income tax	(28,734)	288,222	259,488
Corporate and unallocated loss before tax			(2,682,986)
Total loss before tax			(2,423,498)

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)
Segment Other income	46	13	59
Corporate and unallocated other income			3,823
Total other income			3,882
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)

Notes to the Financial Statements

Assets and liabilities information of consolidated entity's operating segments

Consolidated	Australia \$	Spain \$	Total \$
31 December 2021			
Segment non-current assets	62,547,786	3,822,975	66,370,761
Corporate and unallocated			402,450
Total non-current assets			66,773,211
Segment assets	69,498,151	4,776,247	74,274,398
Corporate and unallocated			40,635,730
Total assets			114,910,128
Segment liabilities	2,303,730	2,830,723	5,134,454
Corporate and unallocated			1,208,146
Total liabilities			6,342,600
30 June 2021			
Segment non-current assets	55,853,198	3,993,249	59,846,447
Corporate and unallocated			459,389
Total non-current assets			60,305,836
Segment assets	57,876,915	4,469,845	62,346,760
Corporate and unallocated			13,250,837
Total assets			75,597,597
Segment liabilities	6,557,957	2,675,288	9,233,245
Corporate and unallocated			2,815,497
Total liabilities			12,048,742

10. 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.

Notes to the Financial Statements

11. Dividends

No dividends were paid during or subsequent to the half-year ended 31 December 2021.

12. 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 2021 \$	30 June 2021 \$
Permit commitments		
Less than one year	12,125,329	9,935,300
Between one and five years	-	-
Total	12,125,329	9,935,300

13. 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 (\$1,159,196). 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. The transaction was approved and completed on 28 February 2021 (acquisition date).

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 fair value of contingent consideration (€250,000 per well) is recognised as a financial liability. The fair value as at 31 December 2021 is \$1,100,622.

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 2021, 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 2021 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.

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 gives a true and fair view and 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 Group's financial position as at 31 December 2021 and its financial 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.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink that reads 'Leah Russell'.

Leah Russell
Director

Sydney, 9 March 2022