

Warrego to pursue development potential of its Spanish assets

- European energy prices have increased substantially over the past year reflecting sustained high demand, recent conflict and subsequent changes to energy security policy
- Gas plays a critical role in key European markets and the potential easing of development restrictions has renewed interest in undeveloped domestic gas resources
- Warrego has completed a strategic review of its Spanish assets and intends to maximise the potential of its gas and electricity projects

Warrego Energy Limited (“Warrego” or the “Company”) (ASX: WGO) provides the following update in relation to its conventional gas and electricity generation assets in Spain.

Warrego’s Spanish assets comprise an 85% working interest in the Tesorillo gas project in the Cadiz region, estimated to contain 830 Bcf of gross unrisked Prospective Resources¹, and a 50.1% working interest in the El Romeral gas to power facility in the Seville region. Both assets have excellent proximity to infrastructure and markets and are held in Joint Venture with Prospex Energy Plc and administered through the Joint Venture vehicle, Tarba Energia S.L. (“Tarba”).

In 2021 Warrego commenced a strategic review of its Spanish assets, focusing on the possible divestment of all or part of its portfolio to maximise shareholder value. Subsequently, European energy prices increased substantially due to sustained high demand over the northern hemisphere winter, followed more recently by the conflict in the Ukraine. EU gas prices have risen by more than 550% over the past year² and wholesale electricity prices in Spain have increased by more than 600%³. This has prompted many European countries to re-evaluate their energy policy and supply chains including recognising gas as a key baseload fuel in the transition to renewable energy and the potential easing of restrictions for domestic resource development.

These changes have stimulated renewed interest in the development potential of Warrego’s onshore gas and electricity generation assets in Spain. As a result, the range of strategic options available to Warrego has expanded to include:

- Develop the Tesorillo gas project and supply the domestic gas market in Spain
- Partner with key technology providers to enable the production of Blue Hydrogen
- Investigate the potential for gas storage, CCS and other carbon management technologies
- Maximise opportunities for the El Romeral gas to power project, including the development of near field gas prospects for the expansion of supply to the domestic electricity market in Spain, and the potential for complementary renewable energy technologies

Recognising the enhanced value potential of Tesorillo and El Romeral, Warrego has made a strategic decision to retain these assets with a view to further unlocking their value and cash generation potential.

Dennis Donald, Warrego Energy Managing Director and CEO, said:

“The prevailing view of how best to meet the energy needs of Europe has changed completely. For some governments, the most efficient way to mitigate increasing gas and electricity prices and enhance energy security is to permit the development of domestic gas resources, thereby reducing the reliance on imports and more carbon intensive alternatives.

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

² Source: Trading Economics. Dutch TTF Gas prices are based on the over-the-counter (OTC) and contract-for-difference (CFD) financial instruments and reflect the 12 month period to 15 March 2022.

³ Source: Statista - Average monthly electricity wholesale price in Spain from January 2019 to February 2022. Period from February 2021 to February 2022.

“With a highly prospective onshore conventional gas resource and an operational gas to power generation facility in Spain, the options available to Warrego have expanded considerably.

“Drilling and production permit applications for both assets were submitted to the regulator prior to the Climate Change Act being introduced and are currently being assessed⁴. Importantly, natural gas is once again viewed as a critical part of the transition to sustainable renewable energy in Spain.

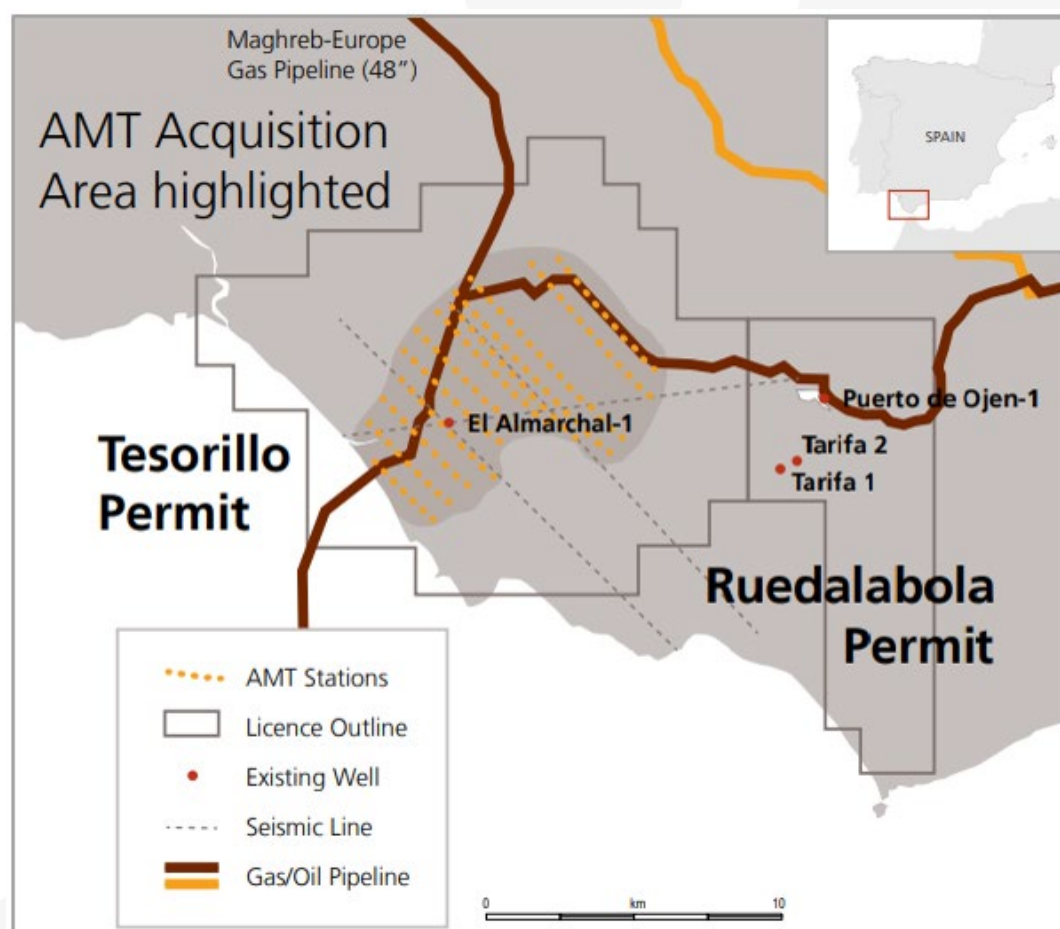


Figure 1. Location of Tesorillo Project, including the El Almarchal-1 discovery well

“In response to surging demand, and following a successful transition to full automation, the El Romeral gas to power facility is operating on a 24/6 basis and is generating strong cash flow. Currently Tarba has cash in hand of more than €400,000 and the forecast revenue for March 2022 is likely to exceed €500,000 at current forward curve electricity prices⁵. There remains significant capacity to increase electricity generation if the application to drill further infill wells is approved.

“We have also received a number of approaches featuring new technologies that complement gas field development including Blue Hydrogen production, CCS and other carbon management solutions, and various renewable energy projects.

“Subject to permitting and regulatory conditions, we anticipate being in a position to select the best development options for each asset by the end of the current financial year,” Mr Donald concluded.

⁴ The Tesorillo exploration permit has been temporarily suspended pending the outcome of the application for a production permit

⁵ Forward curve electricity prices in Spain sourced from <https://www.omip.pt/en/plazo-hoy>

Figure 2. The El Romeral gas to power generation facility



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Authorised by the Board of Warrego Energy Limited and issued in accordance with the Company's disclosure policy.

About Warrego Energy Limited

Warrego Energy is focused on the development of onshore assets in Australia and Spain. In Western Australia's prolific Perth Basin the Company holds a 50% interest in EP469, including the West Erregulla gas project, and 100% of EPA-0127, potentially the largest exploration block in the Basin. In Spain, the Company holds an 85% working interest in the Tesorillo gas project in the Cadiz region and a 50.1% working interest in the El Romeral gas to power facility in the Seville region.

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