

WARREGO ENERGY LIMITED (ASX: WGO) **ACTIVITY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020**

HIGHLIGHTS

Health, Safety and Environment

- There were no safety or environmental incidents recorded during the quarter

West Erregulla Field Appraisal

- The WE-3 appraisal well, located in the northern area of the field, experienced a series of early-stage operational issues and delays which were successfully resolved.
- Whilst drilling through the upper section of the Carynginia shale, significantly over pressured gas was encountered which could have tested the design limits of the well.
- WE-3 was suspended in early January 2021 to allow time for further analysis and engineering and to procure the necessary materials and equipment to return later in the current drilling campaign and resume drilling to the target reservoirs.
- To maximise efficiencies, the drilling rig has been moved to the WE-4 location.

West Erregulla Field Development

- Warrego and JV partner Strike Energy Limited (Strike) executed a binding Heads of Agreement (HOA) in October 2020 to jointly develop the West Erregulla gas field.
- Warrego's large scale, 155 PJ long-term gas sales agreement with Alcoa underpinned the development case and Phase 1 plant capacity was upsized to 80 TJ/d.
- AGIG confirmed as the preferred proponent to build, own and operate the processing facility and a supplemental FEED study is underway to address the revised 80 TJ/d scope.
- Field development plan agreed and WE-5 added to the current drilling program
- Gas balancing arrangements in place to align both JV partners with respect to the different volumes and commencement dates of their foundation gas sales agreements.
- The JV will continue to pursue gas sale opportunities for the remaining small volume still available in the Phase 1 development (further gas sales are not needed for Phase 1 FID).
- JV partners are currently pursuing project financing for the construction of Phase 1 on a co-ordinated basis and are in discussion with a number of domestic and international banks.

Corporate & Financial

- Warrego successfully completed a capital raising at A\$0.21 per share, via a two-tranche placement and a SPP, that raised A\$32.8 million.
- Consolidated cash at 31 December 2020 was \$33,664,000. The company is funded for the WE-4 and WE-5 wells as per the joint venture agreed budget.
- At year end, Warrego's institutional shareholding had increased to 11.5%. The stakes of the Company's founders, Duncan MacNiven and Dennis Donald, have been diluted from 39.8% to 30.3%, substantially improving liquidity.
- Mr Jani Surjan, Perth-based Group Financial Controller, was appointed as Chief Financial Officer effective 1 December 2020.

WESTERN AUSTRALIA

EP469 (50%) West Erregulla Gas Fields

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

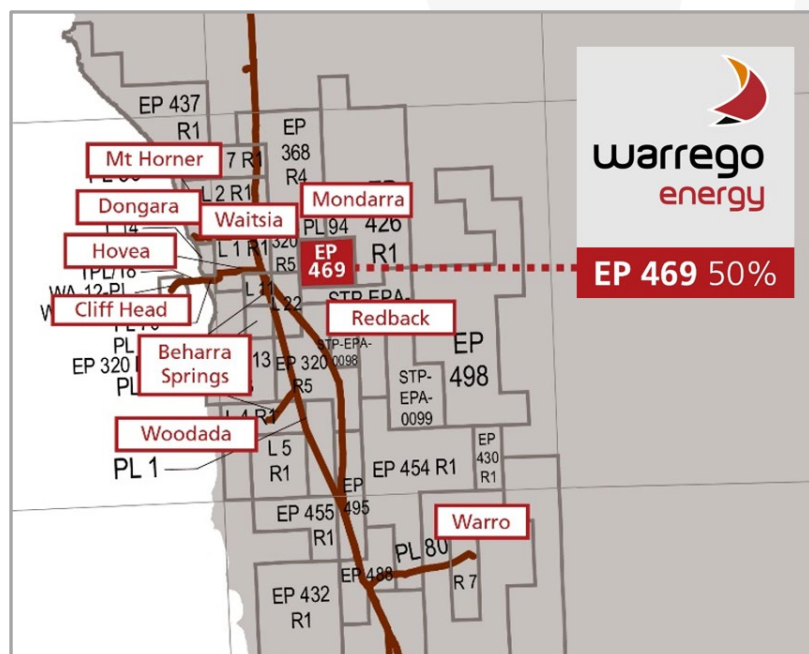


Figure 1. EP469 location in the context of neighbouring permits and fields including Waitisia and Beharra Springs.

West Erregulla Field Appraisal Campaign Update

During the quarter, 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 significant delays early in the program. Warrego's Perth based team worked closely with the Operator to improve 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 over pressured gas was encountered.

The unexpected presence of the Carynginia over-pressures had the potential to exceed the design limits of the well. In order to safely drill ahead to the target reservoirs, the Joint Venture considered that additional well engineering, materials procurement and equipment would be required. The Joint Venture therefore decided to temporarily suspend WE-3 and move the rig to the already prepared site at WE-4 whilst the necessary processes are completed in order to re-enter and subsequently resume drilling WE-3 during the current campaign. The joint venture has yet to decide the sequencing of drilling WE-5 and the WE-3 completion post WE-4.

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

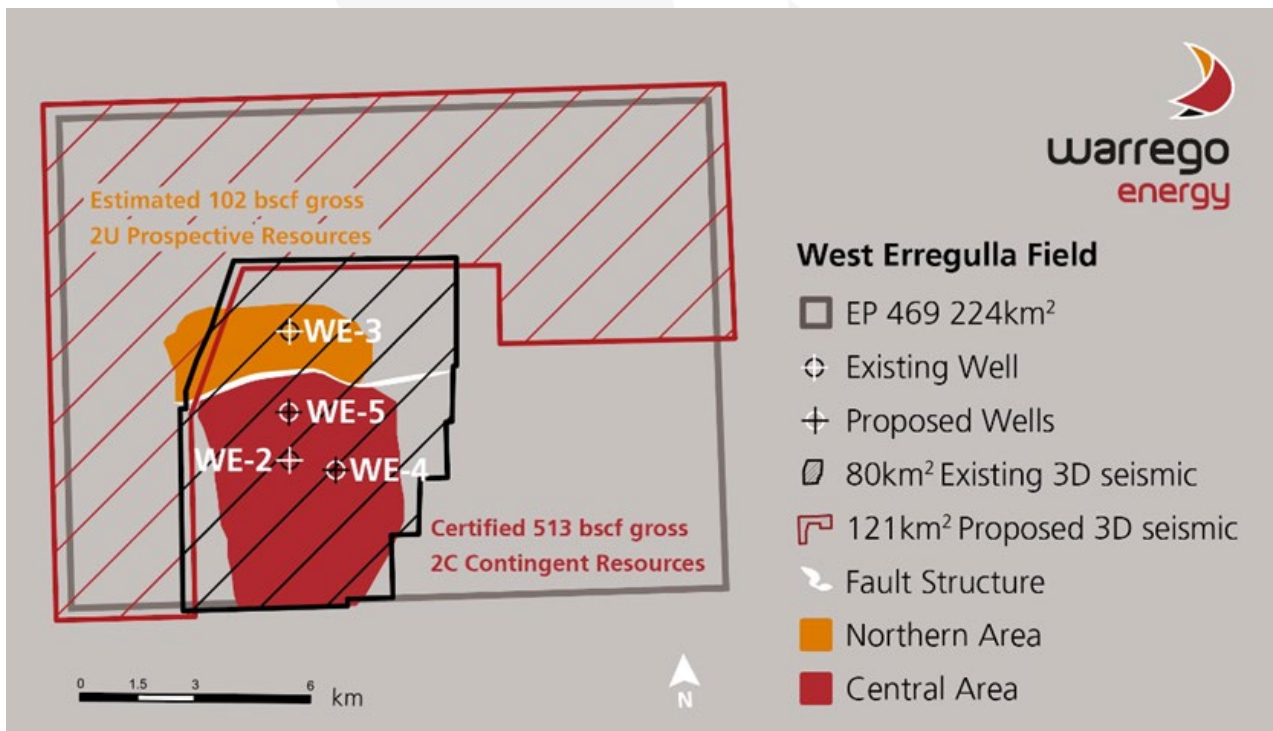


Figure 2. EP469 location of the already completed WE-2 well and the WE-3, WE-4 and WE-5 appraisal wells.

West Erregulla Field Development

Warrego and Strike executed a binding HoA in 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 the necessary plant capacity for Phase 1;
- Gas balancing and gas sales arrangements to align the interests of both Joint Venture partners with respect to the difference in total contracted volumes and contract commencement dates for each Joint Venturers' foundation gas sales agreement; and
- A Phase 1 capacity of 80 TJ/d delivered to the Dampier to Bunbury Natural Gas Pipeline (DBNGP).
- Agreement to proceed to Phase 2 development subject to market and feasibility study results.

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 CY2021. During the 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 Joint Venture 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 Joint Venture is now targeting FID within H1 CY2021 subject to the drilling, testing and evaluation of the WE-4 and possibly the WE-3 or WE-5 appraisal wells depending on the well sequence. The target date for first gas sales from West Erregulla is now expected in H2 CY2022. Although additional gas sales are not required to support FID, the Joint Venture continues to market the remaining gas and capacity to optimise the development.

Production Licence

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

STP-EPA-0127 (100%, Operator)

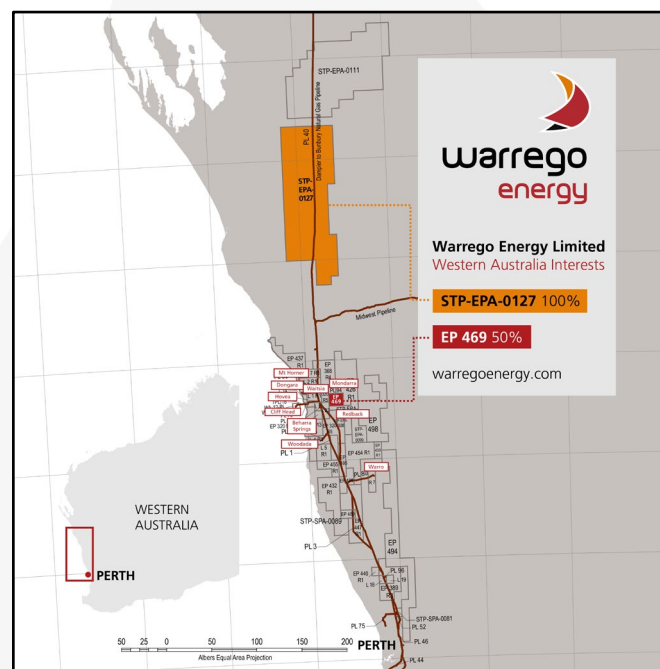
A 2.2 million acre permit application located onshore Coolcalalaya Perth Basin, Western Australia, targeting conventional gas reservoirs

Native Title negotiations progressing

Discussions with Native Title groups are ongoing. Conclusion of Native Title negotiations are the final step before the Exploration Permit can be issued by DMIRS.

At 2.2 million acres (8,700 km²), this will be the largest exploration permit located onshore Western Australia.

The permit area is 130 km north of Waitsia and West Erregulla and while very under-explored at this stage, is targeting similar conventional Permian sequences to those encountered at West Erregulla and Waitsia, as well as having potential deeper Devonian prospectivity.



CADIZ REGION, SPAIN

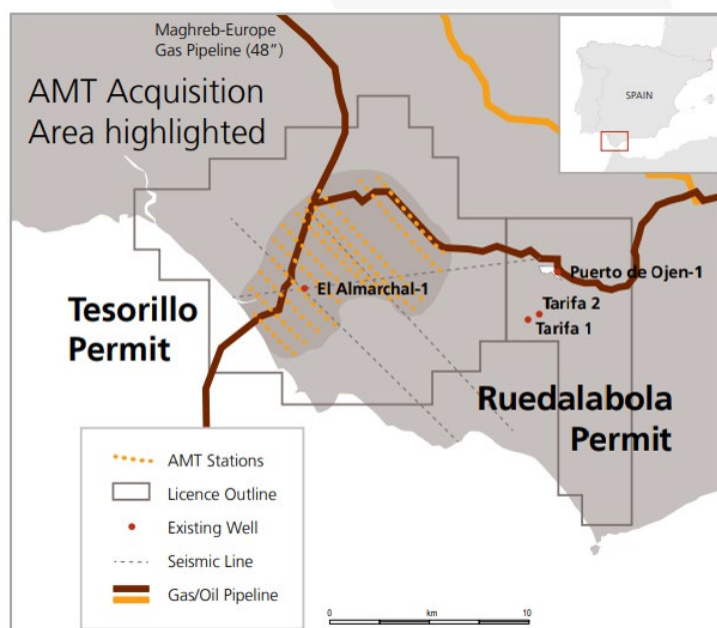
TESORILLO PROJECT (85% ownership of Operator and permits)

Targeting conventional sandstone gas reservoirs in 94,000 acres in Southern Spain. Tesorillo is estimated to contain 830 BCF gross unrisks prospective resources on a best estimate basis¹.

Operations

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

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.



Subject to further COVID-19 related delays, Warrego anticipates that the open regulatory approvals will be obtained in the first half of 2021 and permitting can then also be approved in 2021.

Once approvals and permits are received, Warrego and its Joint Venture partner will finalise the work program.

Warrego is looking at a number of strategic options to unlock shareholder value from both this highly prospective asset, which is close to excellent infrastructure and markets and El Romeral (see below).

SEVILLE REGION, SPAIN

EL ROMERAL PROJECT (50.1% ownership of Operator² and permits on approval of transfer)

Integrated gas production and power station operation on 76,600 acres in southern Spain. Three producing wells, 13 prospects and multiple low-cost development opportunities with the potential to significantly increase gas production, electricity generation and revenue

Acquisition update

El Romeral is an integrated gas production and power station operation located immediately east of Seville in southern Spain. El Romeral provides Warrego with a low-cost entry into Spain's energy market and a platform to develop localised Operating expertise under the supervision of Warrego's UK team.

During the quarter, national Government approval for transfer was received and completion of the transaction is now only subject to formal approval from the Andalusian Regional Administration which is expected to be gazetted shortly. Completion of the transaction is now anticipated to occur on 28 February 2021.

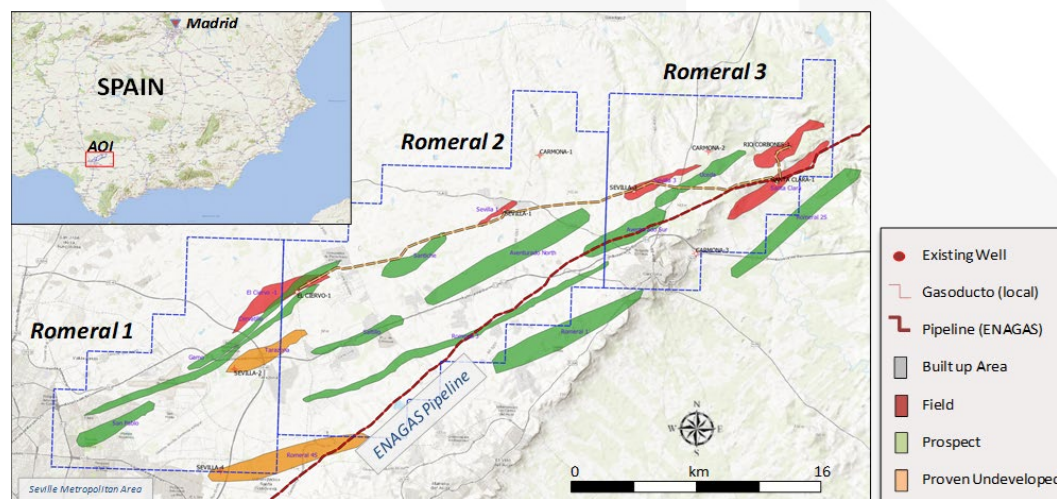
Operations

The El Romeral power station has been run at a minimum level during the pandemic in order to protect employees.

Whilst there can be no committed work program until the acquisition completes, the medium term target is to increase gas production and, in turn, electricity generation at the power plant towards its nameplate capacity via the drilling of new wells targeting already identified development locations / prospects.

² Warrego holds 50.1% of the shares in the Operator of the project, Tarba Energia (Tarba). AIM listed Prospex Energy PLC holds the remaining 49.9% of the shares.

Tarba will also carry out a review of the existing wells to evaluate the potential to undertake workovers to enhance recovery rates.



Reserves and Resources

On completion of the El Romeral acquisition, Warrego will recognise 2C Contingent Resources of 5 BCF gross and a Best Estimate of Unrisked Prospective Resources of 90 BCF gross³.

CORPORATE

Placements and Share Purchase Plan

On 14 October 2020, Warrego announced it would raise \$32 million 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 20 October 2020, raising a total of \$26 million. Tranche 2 was completed on 1 December 2020 raising a total of \$6 million. The SPP closed on 5 November 2020 raising a total of \$780,000.

Warrego is funded for the WE-4 and WE-5 well costs as per the joint venture budget.

During the quarter, discussions with banks continued around securing project finance for the West Erregulla project post FID.

AGM and Other Corporate Matters

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.

Mr Owain Franks 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.

Mr Jani Surjan, Perth-based Group Financial Controller, was appointed as Chief Financial Officer effective 1 December 2020.

³ The Contingent and Prospective Resource estimates for the El Romeral asset referred to were first released to the ASX by the Company on 17 December 2019.

FINANCIAL

Consolidated cash at 31 December 2020 was \$33,664,000. Principal inflows for the quarter were \$32,857,000 from the share placement and SPP (before transaction costs), whilst principal outflows for the quarter were \$7,320,000 for West Erregulla exploration.

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

About Warrego Energy Limited

Founded in 2007, Warrego secured 100% of EP469 located onshore Perth Basin, Western Australia, in 2008. Warrego farmed out 50% of the block and operatorship in 2018 to Strike Energy Limited. In March 2019, Warrego completed a reverse takeover of Petrel Energy Limited which was renamed Warrego Energy Limited, the ASX listing being retained. Warrego is now focused on the development of onshore assets in Western Australia and Spain. Warrego was added to the ASX All Ordinaries Index from 22 June 2020.

For further information contact:

United Kingdom
Dennis Donald
Managing Director & Group CEO
+44 7961 897 894
investors@warregoenergy.com

Australia
David Biggs
Executive Director & CEO Australia
+61 427 772 924
investors@warregoenergy.com

Matt Sullivan
Investor Relations
+61 412 157 276
investors@warregoenergy.com

TENEMENT LISTING

Tenement reference	Location	Nature of interest	Interest at 31 Dec. 2020		Interest at 30 Sep. 2020	
EP469	North Perth Basin Western Australia	Direct JV interest	50.0%	Gross Acres 56,000	50.0%	Gross Acres 56,000
STP-EPA-0127 application	North Perth Basin Western Australia	Application	100.0%	2,200,000	100.0%	2,200,000
El Romeral 1 [#]	Guadalquivir Basin, Spain	} Via Tarba	50.1%	} 76,600	50.1%	} 76,600
El Romeral 2 [#]	Guadalquivir Basin, Spain		50.1%		50.1%	
El Romeral 3 [#]	Guadalquivir Basin, Spain		50.1%		50.1%	
Tesorillo^	Cadiz, Spain	} Via Tarba	85.0%	68,800	85.0%	68,800
Ruedalabola^	Cadiz, Spain		85.0%	10,200	85.0%	10,200
<u>Legacy Assets</u>				Gross Acres		Gross Acres
Piedra Sola	Norte Basin, Uruguay	Via Schuepbach Energy International LLC	41.0%	2,525,000	41.0%	2,525,000
19-25-3W5M	Cardium, Alberta, Canada	Direct JV interest	40.0%	640	40.0%	640

[^] Warrego's 85% working interest in Tesorillo and Ruedalabola will reduce to 50.1% upon completion of the Prospex Share Purchase Agreement. Proceeds of €2.05m (100%) will be used by Warrego to fund its share of an agreed Tesorillo work programme (estimated at €3.82m) which includes a well to target the Almarchal-1 discovery drilled in 1956.

[#] Title conditional to government approval.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

WARREGO ENERGY LIMITED

ABN

82 125 394 667

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(187)	(287)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(469)	(574)
	(e) administration and corporate costs	(662)	(1,040)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	➤ Security deposit paid	(46)	(89)
1.9	Net cash from / (used in) operating activities	(1,362)	(1,986)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	53	(98)
	(d) exploration & evaluation (if capitalised)	(7,320)	(12,870)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(7,267)	(12,968)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	32,857	35,463
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options		-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,001)	(2,177)
3.5	Proceeds from borrowings		
	➤ Loan from associate - PXOG	41	82
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	30,897	33,368

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,411	15,262
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,362)	(1,986)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,267)	(12,968)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	30,897	33,368

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(15)	(12)
4.6	Cash and cash equivalents at end of period	33,664	33,664

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,947	1,021
5.2	Call deposits	29,661	8,213
5.3	Bank overdrafts	-	-
5.4	Other – share of JV bank account	1,056	2,177
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	33,664	11,411

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1*
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2*

Current quarter \$A'000
190
91

* Directors and MD/Chief Executive Officer salaries/fees

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities		\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,362)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(7,320)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(8,682)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	33,664
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	33,664
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.88
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

25 January 2021

Date:

John Newman (Company Secretary)

Authorised by:
 (Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.