

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

**HIGHLIGHTS**

**West Erregulla Field Appraisal**

- West Erregulla officially declared a gas discovery and the Operator is working on the conversion of EP469 to a Production Licence
- Preparations for drilling West Erregulla-3 in 2H20, including regulatory approvals and rig selection process, continued to progress
- Proposed Appraisal Plan for EP469 includes drilling West Erregulla 4 & 5 wells
- Strong and growing interest in West Erregulla gas from gas buyers as major offshore gas projects delayed
- Warrego's own independent reserves certification process is progressing well

**Gas power project in Spain**

- Warrego's share of the El Romeral gas power project in southern Spain finalised at 50.1%

**Reorganisation delivers further cost savings**

- Directors' and Senior Executives' payments reduced by 50% from 1 April
- Executive Director Duncan MacNiven has stepped down from the Board
- David Casey retired as CEO, Australia and Asia-Pacific in January 2020.
- Sydney office to close with transition to a new, low-overhead office in Perth

**Corporate & Financial**

- Consolidated cash at 31 March 2020 was \$5,938,000
- Cathy McKeagney joined in early February 2020 as General Manager – Commercial, responsible for gas marketing, sales and development planning.

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## WESTERN AUSTRALIA

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

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

#### Background

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

#### West Erregulla-2 exploration well

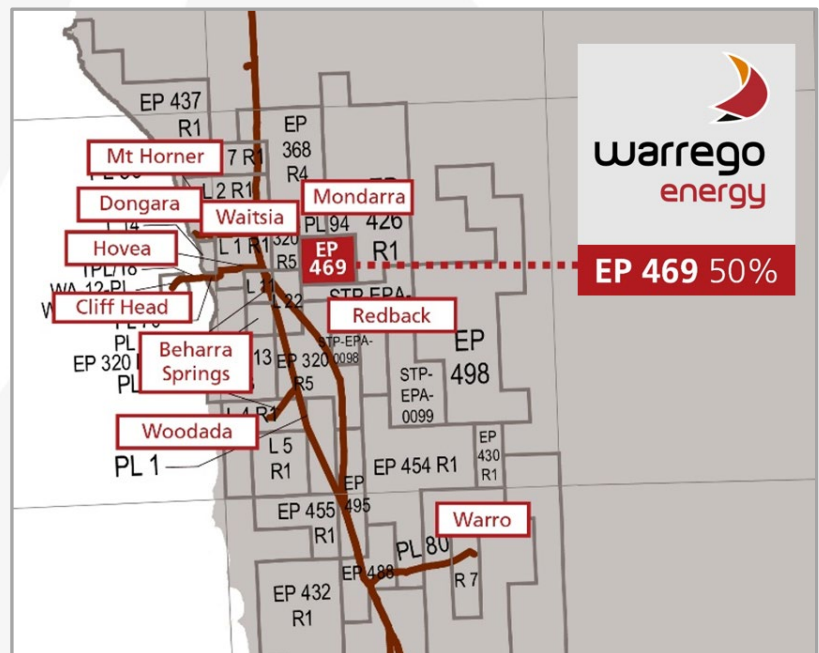
West Erregulla-2 (WE-2) was spudded in early June 2019 and was drilled to total depth of 5,100m yielding three material Permian gas discoveries across the basal Wagina, Kingia and High Cliff sandstones with the potential to deliver significant volumes of Reserves and Contingent Resources.

#### WE-2 Flow test

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

#### West Erregulla Field Appraisal

The Joint Venture has approved the work program and budget for the drilling of a further well (West Erregulla-3) in the northern section of the West Erregulla structure. During the quarter, substantial subsurface and reservoir engineering work was undertaken to refine inputs for the planned appraisal of the field. West Erregulla-3 has been located with the objective of confirming the continuity of the field on the northern side of a saddle feature within the West Erregulla gas field. West Erregulla 4 & 5 wells are proposed in the Appraisal Plan to be drilled and tested to gather the required appraisal data and to be completed as future producers. Joint Venture review and approval processes are underway.



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The Operator advises that it has identified drilling rigs that are potentially capable and available to drill the West Erregulla-3 well in 2H20 and is investigating whether cooperation with other Perth Basin operators is possible and how that may introduce cost savings and drive rig selection. While rigs may be available, restrictions on cross-border and inter-regional movements of people due to COVID-19 quarantine measures may present challenges and cause delays. Warrego is monitoring the position closely.

Throughout the quarter, work in preparation for conversion of EP469 to a Production Licence (PL) was undertaken. In February, the West Erregulla Kingia-High Cliff was declared a gas discovery by the regulator, which is the precondition to the Production Licence application process.

During the quarter, the WA State Government finalised an agreement with the Yamatji Nation Native Title Claim Group concerning their Mid-West native title claim over an area including EP469. The Yamatji Nation Indigenous Land Use Agreement (ILUA), implementing this agreement, was submitted to the National Native Title Tribunal for registration on 12 March. Once registered the ILUA will (among other things) remove the need for the Joint Venture to separately negotiate an agreement with native title claimants as a precursor to the grant of the PL and may expedite the PL grant process for EP469.

### **Gas Marketing**

Warrego has appointed Cathy McKeagney as General Manager – Commercial based in Perth. Cathy has extensive gas marketing experience in Western Australia and brings more than 20 years' experience in the commercial and technical arenas, most recently with Mitsui, AWE and BHP.

During the quarter, Warrego progressed gas marketing activities to identify the most suitable opportunities in the WA market to support the West Erregulla development.

There is strong and growing interest from gas buyers in the market to contract gas supply from West Erregulla in response to the increasing potential for a market shortfall following confirmed delays to major offshore LNG projects and their associated domestic supply obligations. Discussions with WA gas buyers are ongoing, and Warrego is well placed to benefit from the expected market tightening and likely shortfall in the short- to mid-term outlook.

Warrego is well advanced with its own independent, third-party reserves certification process. This process will only focus on the Kingia reservoir due to incomplete data being obtained from the High Cliff Sandstones and basal Wagina formations. Accordingly, the independent certified resource estimate will likely be lower than Operator's previously published resource estimate. However, third-party certification will provide the necessary certainty for gas buyers and optimise price and term potential. Reserves certification will also provide Warrego with the option of accessing reserves-based debt finance if and when required.

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

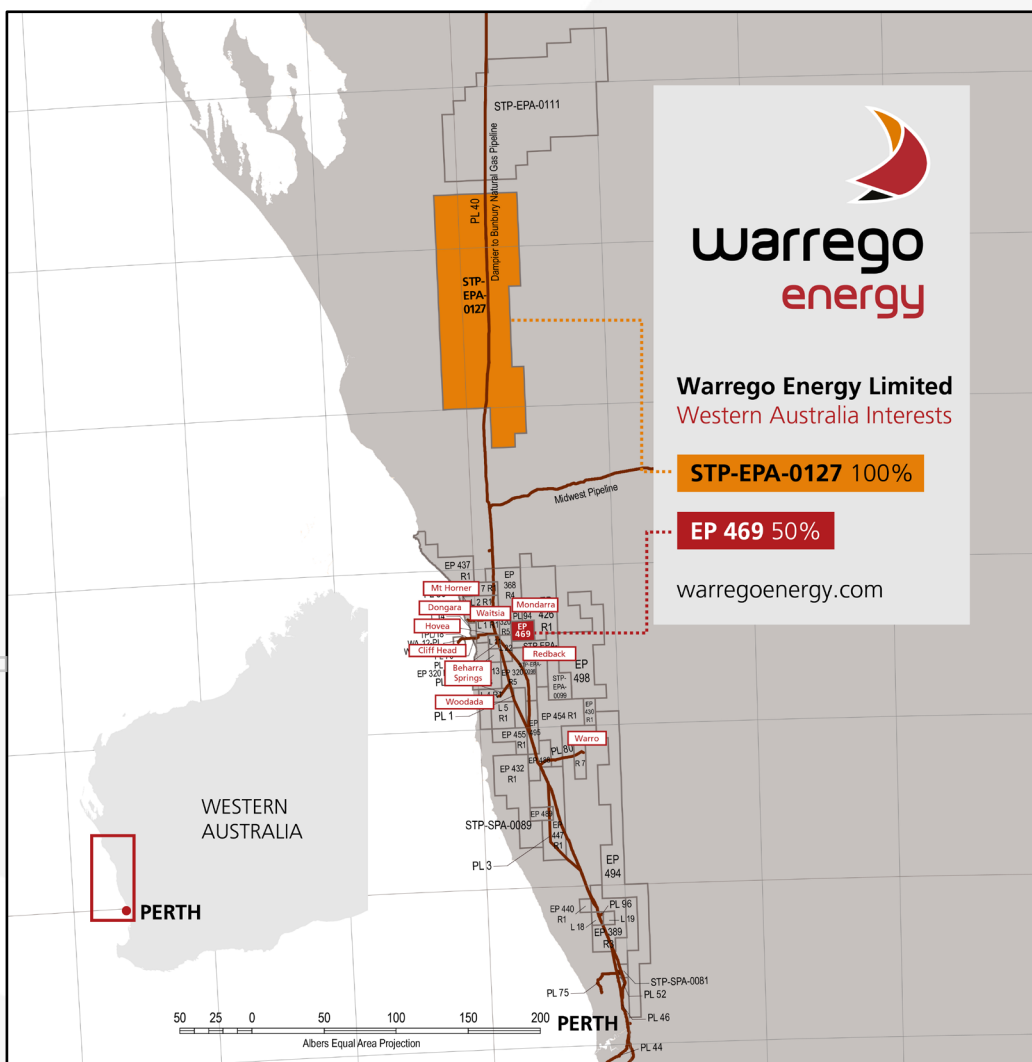
A 2.2 million acre permit application located onshore Coolcalalaya Perth Basin, Western Australia, targeting conventional gas reservoirs

**Background**

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

**Operations**

The Native Title negotiations which are advancing toward conclusion are the final step before the Exploration Permit can be issued by the Department of Mines, Industry Regulation and Safety. Meetings with Native Title groups scheduled for mid-March 2020 have been delayed at least six months in line with West Australian Government directions and the parties' desire to ensure participant safety during the COVID-19 outbreak.



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## CADIZ REGION, SPAIN

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

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

#### Background

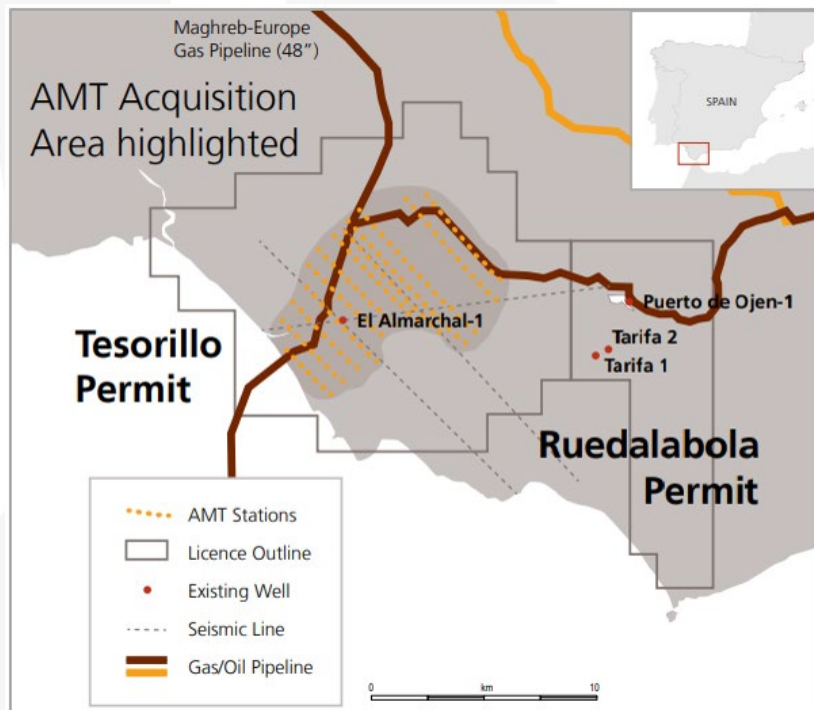
The Tesorillo Project in the Cadiz province of Southern Spain is owned and operated by Tarba Energia S.R.L. ("Tarba"). Tarba is a joint venture company owned 85% by Warrego and 15% by UK AIM listed Prospex Energy plc ("Prospex"). The project comprises two petroleum exploration licences, the Tesorillo and Ruedalabola Permits, which cover 94,000 acres in total.

#### Operations

Subsurface work on evaluating the prospect is nearing completion. This includes AMT tests reprocessing, surface structural and geological mapping, and reprocessing of legacy 2D seismic. The EIA is close to finalisation, subject to a regulator-approved well location.

Tarba continues to maintain an active program of government and stakeholder engagement. After two elections in 2019 (one inconclusive), the Sánchez II Government was formed in January 2020. Subject to Covid-19 related delays, early progress towards resolution of the open permitting issues with the Government is expected.

On the basis that the regulatory process is not unduly slowed by COVID-19, Warrego anticipates resolution of these issues during H1 2020. Decisions on the level of activity to be undertaken by Tarba will be made in due course in the light of the COVID-19 position and the duration of restrictions on movement and business



## SEVILLE REGION, SPAIN

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

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

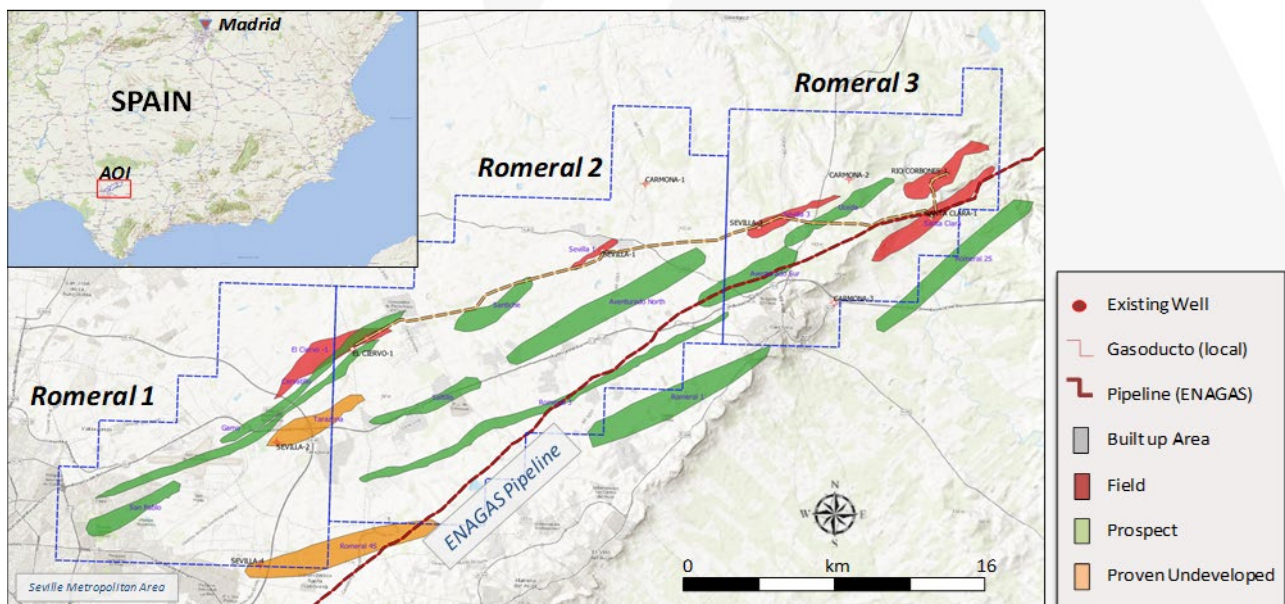
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## Background

El Romeral is an integrated gas production and power station operation located in the Guadalquivir basin in southern Spain immediately east of Seville. The purchase agreement was signed by Tarba in December 2019 with an economic date commencing July 2019. The acquisition will complete on the transfer of licences to Tarba which are subject to customary regulatory approval. Warrego holds a 50.1% interest.

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.

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



El Romeral will provide Warrego with positive cash flow, operating experience in Spain, familiarisation with energy markets, and access to market optionality (gas and energy).

## Drilling and development opportunities

The power station is capable of delivering €4.2 million revenue per annum. During the COVID-19 lockdown the power station has been operating at a very reduced level to comply with Spanish lockdown requirements and to protect the staff.

The Tarba JV is preparing a plan to increase production rates and drill up to 3 new wells. Permitting work has commenced but will depend on the ending of COVID-19 restrictions.

El Romeral represents a low cost and rapid route to commercialisation, via tie-ins to the Project-owned power station, from the later part of 2020 and in 2021.

## CORPORATE

### ***Reorganisation delivers further cost savings***

In light of current economic conditions, exacerbated by the developing situation with COVID-19, the Warrego Board resolved during March to reduce salaries paid to Executive Directors and Senior Executives and the fees paid to Non-Executive Directors by 50% from 1 April, with a review of the position to be held post end June.

Executive Director Duncan MacNiven stepped down from the Board, effective 24 March 2020. Duncan is a founding shareholder of Warrego and retains a 19.99% interest in the Company. The Board would like to thank Duncan for his tireless efforts and considerable insight and experience. Duncan remains a senior executive with the Company.

David Casey, CEO Australia & Asia-Pacific retired from the Company in January 2020.

The Warrego Board now comprises five Directors with a majority of Non-Executive Directors, including the Chairman.

Warrego continues to reorganise its Australian operations to ensure that the development phase for West Erregulla is fully supported and resourced. As part of that process, it is working through a plan to close its Sydney office and transition its corporate functions to a new, low-overhead office in Perth.

### ***Escrow shares***

On 12 March 2020 Warrego advised that the 318,980,258 ordinary vendor shares (referred to in resolution 2 of the Notice of Extraordinary General Meeting issued by the Company on 6 February 2019) would be released from escrow on 22 March 2020.

### ***Non-binding, indicative proposal***

Late in the March quarter, Strike Energy Limited made a non-binding, indicative proposal to acquire 100% of Warrego for an all-scrip consideration. The Warrego Board reviewed and rejected the proposal which fundamentally undervalued the Company and its assets. Warrego continues to be prepared to engage in any other proposals which are received from Strike Energy Limited or any third party provided that those proposals represent compelling value for Warrego shareholders.

## FINANCIAL

Consolidated cash at 31 March 2020 was \$5,938,000. Principal outflows for the quarter were \$1,363,000 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.

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

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

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

## TENEMENT LISTING

Tenement reference	Location	Nature of interest	Interest at 31 Mar. 2020		Interest at 31 Dec. 2019	
				<u>Gross Acres</u>		<u>Gross Acres</u>
EP469	North Perth Basin Western Australia	Direct JV interest	50.0%	56,000	50.0%	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 El Romeral 2 El Romeral 3	Guadalquivir Basin, Spain Guadalquivir Basin, Spain Guadalquivir Basin, Spain	} Via Tarba Energia SRL	50.1% 50.1% 50.1%	} 76,600	50.1% 50.1% 50.1%	} 76,600
Tesorillo^ Ruedalabola^	Cadiz, Spain Cadiz, Spain	} Via Tarba Energia SRL	85.0% 85.0%	68,800 10,200	85.0% 85.0%	68,800 10,200
<u>Legacy Assets</u>				<u>Gross Acres</u>		<u>Gross Acres</u>
Piedra Sola	Norte Basin, Uruguay	Via Schuepbach Energy International LLC	41.0%	2,525,000	41.0%	2,525,000
19-25-3W5M	Cardium, Alberta, Canada	Direct JV interest	40.0%	640	40.0%	640

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

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## 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 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(331)	(1,484)
	(e) administration and corporate costs (incl. reverse takeover costs)	(926)	(1,811)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	8
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	(20)	(20)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,274)</b>	<b>(3,307)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(3)	(6)
	(d) exploration & evaluation (if capitalised)	(1,363)	(9,553)
	(e) investments	(617)	(757)
	(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,983)</b>	<b>(10,316)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	12,854
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	(40)	(845)
3.5	Proceeds from borrowings		
	➤ Loan from associate - PXOG	120	160
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>80</b>	<b>12,169</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	9,111	7,343
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,274)	(3,307)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,983)	(10,316)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	80	12,169

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	4	49
4.6	<b>Cash and cash equivalents at end of period</b>	<b>5,938</b>	<b>5,938</b>

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	248	375
5.2	Call deposits	5,690	8,736
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,938</b>	<b>9,111</b>

**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**

336

424

\* Directors and MD/Chief Executive Officer salaries/bonuses/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

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

7. <b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

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. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,274)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,363)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,637)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	5,938
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	5,938
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	-2.25

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?

Answer:

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?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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**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.

24 April 2020

Date: .....

Ian Kirkham (Company Secretary &amp; Chief Financial Officer)

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.