



**warrego**  
energy

**20**

**WARREGO ENERGY LIMITED**

**ANNUAL  
REPORT**

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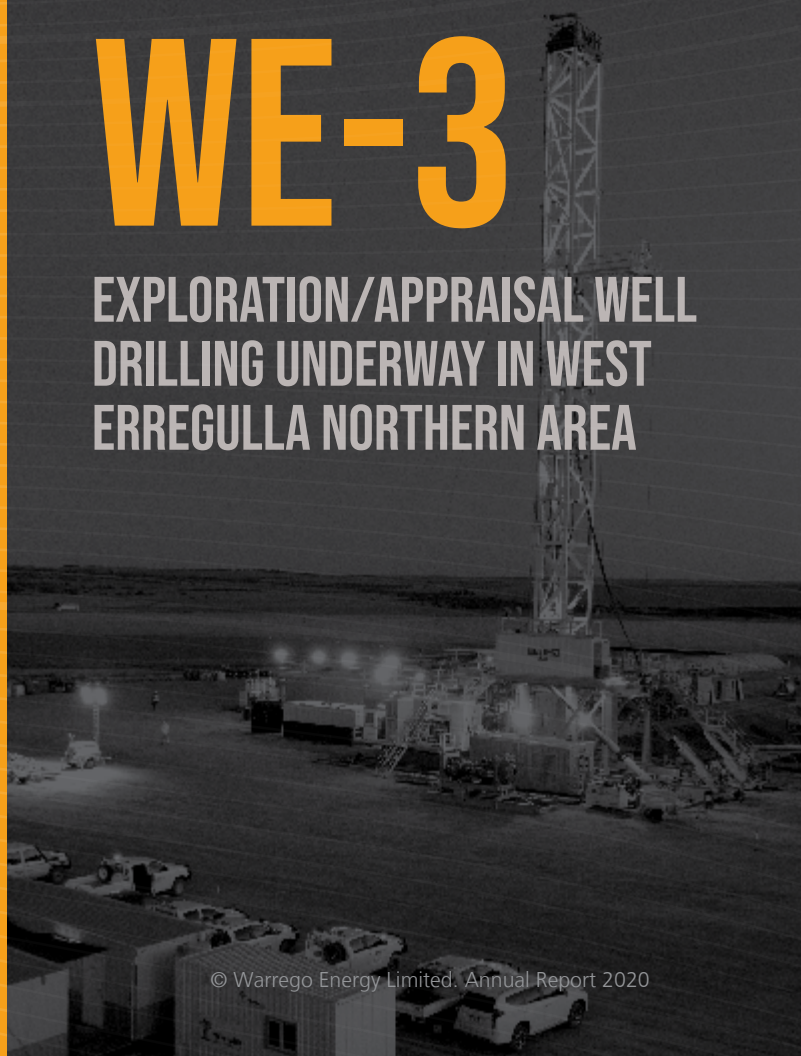
# 155 PJ

LONG-TERM GAS SALES  
AGREEMENT WITH ALCOA



# WE-3

EXPLORATION/APPRaisal WELL  
DRILLING UNDERWAY IN WEST  
ERREGULLA NORTHERN AREA



# 513 BSCF\*

2C CONTINGENT RESOURCES FOR WEST ERREGULLA CENTRAL AREA

# 80 TJ/D

GAS PROCESSING CAPACITY PLANNED FOR WEST ERREGULLA DEVELOPMENT

# EP469 JV

PARTNERS ALIGNED ON WEST ERREGULLA GAS PROCESSING PLANS



# 50.1%

INTEREST ACQUIRED IN EL ROMERAL GAS POWER PROJECT IN SPAIN



## GREG COLUMBUS

*“FY20 marks a strategic turning point for Warrego with the Company now rapidly positioning itself for production and preparing for growth”*

THE ENVIRONMENT IN WHICH WE OPERATE TODAY HAS BEEN SUBJECT TO MAJOR CHANGES AT MACRO AND MICRO LEVELS.

**For any company, 12 months is a long time and the impact of COVID-19 in FY20 presented a range of unprecedented challenges.**

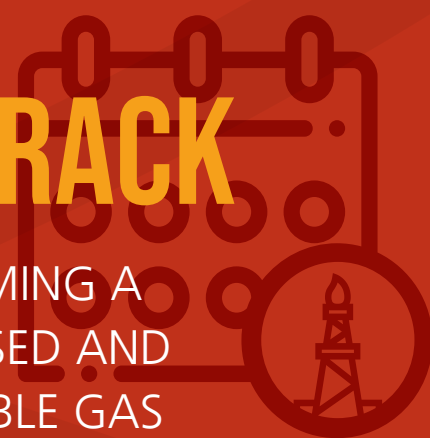
It was also a period of remarkable success for Warrego Energy. Faced with challenges above and beyond the norm, Warrego focused on ensuring the West Erregulla discovery remained on track to becoming a recognised and dependable gas producer within the next few years.

To do so required considerable effort on a number of levels. We:

- streamlined the Warrego board;
- reorganised our management teams in the UK and Australia to align with the objectives in each market; and
- relocated our Australian HQ from Sydney to Perth and assembled a core team of efficient, focused and extremely experienced personnel to focus on commercialising West Erregulla gas.

## ON TRACK

TO BECOMING A RECOGNISED AND DEPENDABLE GAS PRODUCER WITHIN THE NEXT FEW YEARS.





In short, FY20 was not only a challenging year, it also marked a strategic turning point for Warrego with the Company now rapidly positioning itself for production and preparing for further growth.

The West Erregulla gas field has the potential to deliver substantial quantities of gas into the Western Australia domestic market and create significant value for Warrego and its shareholders. Discovered in September 2019, it represents the culmination of a decade of hard work and sustained effort by Warrego's founders. It also required us to take a close look at how the Company was structured and determine what needed to change in order for Warrego to transition from a small explorer to a mid-tier producer.

In the period since the discovery, two of our longest serving directors, Duncan MacNiven and Owain Franks, have stepped down to allow the Board to maintain its balance. In both instances they put the needs of the Company ahead of their own and for this I would like to offer them my sincere thanks and appreciation. Their contributions over many years have been significant, particularly Duncan as a founder of the Company, and I am pleased that both men have remained active in senior executive roles. Our streamlined board, more in line with the current size of Warrego, now comprises two executive and two non-executive directors.

We also took steps to reorganise the management team, which coincided with the onset of the COVID-19 global

pandemic. With borders closed and all forms of travel severely restricted, we elected to focus resources on the development of our most promising asset – West Erregulla. This in turn evolved into Warrego forming two distinct business units, Australia and Europe. David Biggs, a non-executive director at the time, was appointed as CEO Australia reporting to Dennis Donald, Managing Director and Group CEO. David's appointment brought his 35 years of international oil and gas experience to bear on the asset, leading a very competent Perth-based team who have achieved great success in a short space of time. Based in the UK, Dennis is responsible for management of the group and delivery of Warrego's overall strategy, including a renewed focus on monetising our European gas assets.

***"The foundations for Warrego's future have never been stronger"***

In May this year we announced an independent third-party review of West Erregulla resources, and four months later in September 2020, Warrego and Alcoa of Australia, one of Western Australia's largest gas buyers, signed a long-term Gas Sales Agreement for 155 PJ.

Shortly thereafter, in early October 2020, Warrego and its joint venture partner in EP469 signed a binding heads of agreement to ensure alignment between both parties in the development of the West Erregulla gas

field. This agreement allowed for an expanded Phase 1 development of 80 TJ/d delivered, with FID targeting the end of Q1 CY2021 and gas sales from mid-2022.

While COVID-19 has undoubtedly caused major social and economic upheaval, Warrego remains steadfastly on track in part due to its flexible and diverse workforce, and also its ability to respond to opportunities presented by the downturn.

I am happy to report for this period that there were no safety incidents, no cases of COVID-19 reported from our workforce or contractors and no environmental incidents during the reporting period.

The continued emphasis on the availability, affordability and sustainability of natural gas continues in federal and state politics and supports the endeavours of explorers and future producers such as Warrego.

We are excited and encouraged by this focus on natural gas as we grow our reserves and resources. With FID for the joint development of gas processing infrastructure for West Erregulla planned for Q1 2021, the foundations for Warrego's future have never been stronger.

In closing, I would like to thank our directors, management team, staff and contractors for their exceptional efforts during a particularly trying period. I would also like to thank our shareholders, for their continued belief and support, and I look forward to delivering further success for all stakeholders in FY21.

Yours sincerely,

**Greg Columbus**  
Chairman



FY20 WAS A ROLLERCOASTER RIDE FOR MARKETS, ECONOMIES, COMPANIES AND INDIVIDUALS.

Warrego enjoyed an excellent start to the financial year with a world class gas discovery at West Erregulla in Western Australia and the acquisition of the El Romeral gas power project in Spain. However, the new calendar year brought with it unique challenges. The impact of COVID-19 was severe and far-reaching.

Rather than succumb to deteriorating market conditions caused by the global COVID-19 pandemic, Warrego took this as an opportunity to reshape its structure and skillsets to enable the successful commercialisation of the West Erregulla discovery. We accelerated the Company's transformation from explorer to producer with further significant growth anticipated.

*"2020 was the year that Warrego came of age in its ambition to be a gas producer."*

## DENNIS DONALD

*"Warrego has built a tight-knit, ambitious, focused, and efficient team capable of delivering the significant value inherent in our portfolio of quality assets in Australia and Spain."*



## HIGHLIGHTS

**There's no doubt that the major gas discovery at West Erregulla in September 2019 was company making. Flow test results of 69 MMscf of gas per day from WE-2, a 5,100m deep well, were remarkable and redefined the potential of Warrego as well as the onshore Perth Basin. This was followed in April 2020 by an agreed work plan and budget which would encompass a three well drilling campaign that has now commenced.**

Warrego appointed RISC Advisory Pty Ltd to independently evaluate the West Erregulla field and in May 2020 Warrego announced certified 2C Contingent Resources of 513 Bscf of gas (gross) for the central area, with potential 3C upside of 966 Bscf of gas (gross). This was another remarkable result for West Erregulla, coming as it did from a single well. The third-party certification of West Erregulla resources was particularly important as it provided certainty and credibility to potential gas buyers.

At the corporate level, the beachhead acquisition of the El Romeral gas power project in Spain in December 2019 for \$1.23 million was quickly overshadowed by the onset of COVID-19 in Europe, slowing the integration process substantially. Warrego is waiting on government approval for the transfer of licences, which has been delayed due to the backlog of applications caused by COVID-19 shutdowns.

Reshaping Warrego's structure and skillset was one of the most beneficial activities undertaken in FY20. Closed borders and severe travel restrictions increasingly impacted our day to day operations. It was my intention to relocate to Perth for the first half of CY2020, however these plans were cancelled due to changes brought about by COVID-19. Nevertheless, our key objective remained the successful commercialisation and development of West Erregulla and this required a range of management changes to be considered.

In Australia, we transitioned all functions to Perth and subsequently closed the Sydney office. We appointed Cathy McKeagney as GM Commercial responsible for gas marketing of West Erregulla. This was a critical appointment as it allowed us to build on the independent certification of the West Erregulla resource and establish meaningful dialogue with Western Australia's leading gas buyers, which ultimately led to a landmark gas sales agreement (GSA) with Alcoa in September 2020.

To counteract the negative effect of travel restrictions and timezone differences, we formed two distinct business units: Australia and Europe. David Biggs, a non-executive director of Warrego, agreed to take on the role of CEO Australia leaving the UK team to focus on activities in Europe. David's appointment was another critical step towards successfully concluding the Alcoa GSA and subsequently negotiating a binding heads of agreement with Strike Energy for the joint development of the West Erregulla gas field.

The end result is that Warrego has built a tight-knit, well led, ambitious and efficient team, capable of delivering the significant value inherent in our portfolio of quality assets in Australia and Spain.

## FINANCIAL PERFORMANCE

**Financial discipline was a key factor underpinning the Company's success in FY20.**

As the global economy came under sustained pressure due to COVID-19 impacts, Warrego focused on removing costs from the business, reducing recurrent expenditure and maintaining a prudent approach to capex. We reduced the size of the board, relocated our Australian office to Perth and closed the Sydney office, and directors and senior executives took a 50% cut in remuneration from 1 April to 31 July to help mitigate the impact of the pandemic.

Warrego's net loss after tax from operations was \$4.49 million, a 40% improvement over the previous financial year. Net cash outflows from operating activities increased 31% to \$4.30 million in line with higher activity levels during the year. Net cash outflows from investing activities, including exploration and the acquisition of El Romeral, totalled \$11.97 million. Total assets increased by 127% to \$37.52 million mainly the result of exploration expenditure and capital raisings.

In May 2020, the Company raised \$15 million via a two-tranche placement to fund its share of drilling costs for the WE-3 well and the purchase of long lead items for the planned WE-4 well. At 30 June 2020, Warrego was in a sound financial position with unrestricted cash of \$15.26 million. Warrego will continue to focus on managing costs and expenditure during the current West Erregulla drilling campaign.

***"The Perth Basin is set to become one of Australia's largest onshore production hubs by 2024"***

Dennis Donald, Aug. 2020

# AUSTRALIA

EP469 WEST ERREGULLA &  
EPA-0127 NORTH PERTH BASIN

*"With West Erregulla, the largest gas discovery in decades and EPA0127, the largest exploration permit in WA, Warrego has established a leading edge in the Perth Basin."*

## EP469 WEST ERREGULLA (50%)

THE WE-2 WELL, AND THE MAJOR DISCOVERY AT WEST ERREGULLA, WAS THE EXPLORATION HIGHLIGHT OF FY20.

**In April 2020, the joint venture partners agreed a work program and budget for FY21 which included up to three exploration/appraisal wells. The first of these, WE-3, was spudded in the northern area of the field in September 2020 and is currently being drilled. A success case there would likely result in a material increase in Warrego's booked 2C Contingent Resources. WE-4 is likely to be drilled in Q1 of CY2021, subject to approvals, with WE-5 to follow. Each well will be completed for production.**



DAVID BIGGS, EXECUTIVE DIRECTOR & CEO - AUSTRALIA

Warrego's strategy to commercialise its share of West Erregulla gas, particularly the use of a third party resource certifier and the appointment of individuals with substantial gas marketing and development experience, meant that the Company was well positioned to take advantage of anticipated opportunities in the Western Australia domestic market.

With COVID-19 causing uncertainty in global markets, two major planned offshore gas projects, Browse and Scarborough, were delayed. Unsurprisingly, this widened the forecast supply gap in the Western Australia domestic market and the supply-demand imbalance generated considerable interest in West Erregulla gas from a range of potential gas buyers. The Western Australia Government's decision to allow a large portion of gas reserves from the Waitsia gas field,



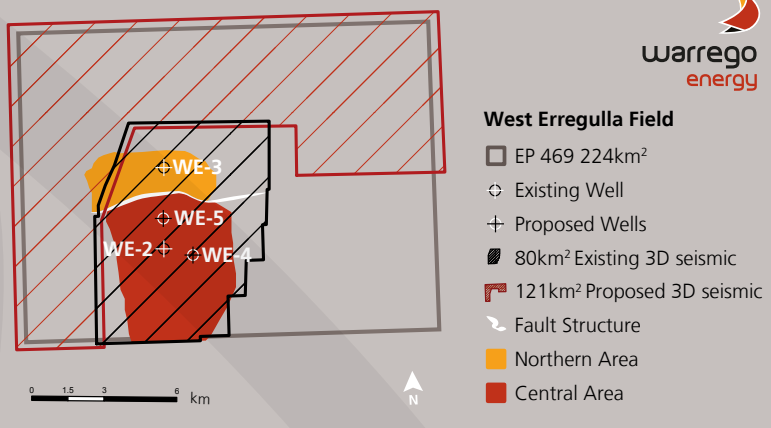
located nearby in the onshore Perth Basin, to be exported through the North West Shelf processing facility served to further strengthen domestic demand for West Erregulla gas.

This culminated in Warrego and Alcoa of Australia signing a long-term (at least 10 years duration), large scale (155 PJ) GSA in September 2020. The GSA will commence on 1 January 2024, subject to a positive project Final Investment Decision (FID) by Warrego in the first half of 2021. The size and term of this foundation GSA is such that Warrego does not need to secure additional GSAs to support FID. Winning a contract with a company of Alcoa's stature bodes well for Warrego securing further contracts.



ALCOA'S TANYA SIMMONDS & PRESIDENT MICHAEL GOLLSCHIEWSKI WITH WARREGO'S JOHN NEWMAN & CATHY MCKEAGNEY

The Alcoa GSA was quickly followed in early October 2020 with a binding heads of agreement between Warrego and joint venture partner, Strike Energy, to ensure both parties are aligned on the development of the West Erregulla gas field. It was agreed that the Phase 1 capacity would increase to 80 TJ/d delivered into the Dampier to Bunbury Natural Gas Pipeline. The Australian Gas Infrastructure Group (AGIG) is the preferred proponent to build, own and operate the facility. The joint venture will consider FID by the end of Q1 CY2021 following the drilling, testing and evaluation of the WE-3 and possibly WE-4 appraisal wells. The Operator will lodge a Production Licence application on behalf of the JV once FID is taken.

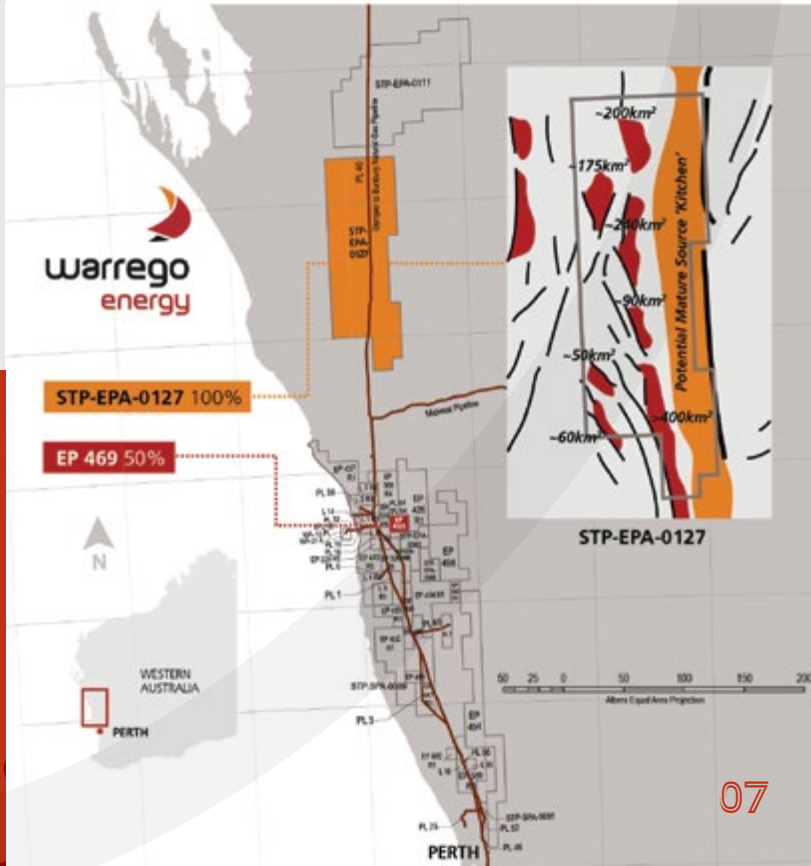


## EPA-0127 NORTH PERTH BASIN (100%, OPERATOR)

Located 130km north of West Erregulla, this as yet under-explored block has similar characteristics to West Erregulla and Waitsia as well as indications of liquid hydrocarbons.

Native Title negotiations were temporarily suspended in early 2020 due to COVID-19. A Native Title Agreement is the final step before an Exploration Permit can be issued by the regulator, the Department of Mines, Industry Regulation and Safety. Negotiations, which are at an advanced stage, have recommenced. This will be the largest exploration permit in the onshore Perth Basin.

*“On track to becoming the largest exploration permit in the onshore Perth Basin.”*



*“The Alcoa gas contract will facilitate investment in WA and local communities, creating construction and indigenous employment opportunities.”*

# SPAIN

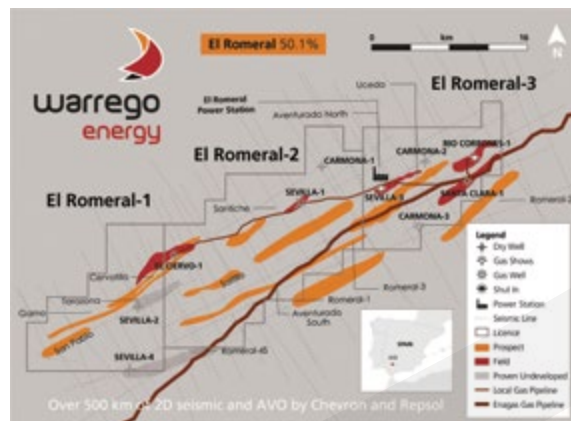
## EL ROMERAL & TESORILLO

*“Warrego is focused on the successful commercialisation of two attractive prospects in Spain, El Romeral and Tesorillo.”*

### EL ROMERAL PROJECT (ACQUIRING A 50.1% INTEREST)

El Romeral is an integrated gas production and power station operation located in the Guadalquivir Basin in Southern Spain, immediately east of Seville. It 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 acquisition of a 50.1% interest in the El Romeral gas power project, through joint venture vehicle Tarba Energia S.L. (Tarba), was announced in December 2019 and will complete on the transfer of licences to Tarba. Total consideration was \$1.23 million and the transaction has an economic commencement date of July 2019. El Romeral provides a low cost entry to Spain’s energy market and will provide a steady revenue base with growth potential. The El Romeral power station has been run at a minimum level during the COVID-19 pandemic to protect employees.



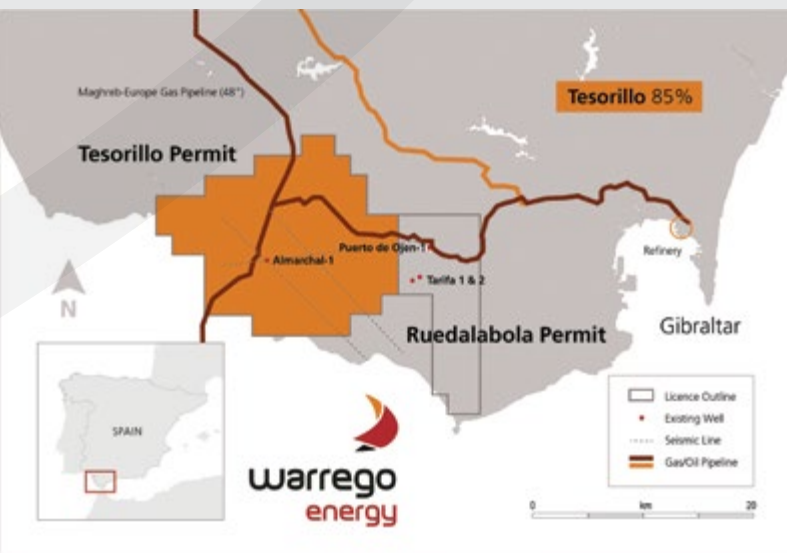
Spain declared a State of Emergency in the early part of 2020 in response to the COVID-19 pandemic which limited the Spanish Government’s ability to undertake non-essential activity. The State of Emergency was lifted on 21 June 2020 and we are awaiting approval of the transfer of licences. However, due to the backlog of applications, the timing of the approval is yet to be advised.

*“El Romeral provides a low cost entry to Spain’s gas market and will provide a steady revenue base with growth potential.”*

## TESORILLO PROJECT (85% OWNERSHIP OF OPERATOR AND PERMITS)

The Tesorillo Project, located in the Cadiz province of Southern Spain comprises two petroleum exploration licences, the Tesorillo and Ruedalabola Permits, which cover 94,000 acres in total. It is operated by the joint venture vehicle Tarba, which is 85% owned by Warrego. Both permits were drilled in the 1950s with positive results including a gas discovery at Tesorillo.

The process for gaining drilling approvals and permitting experienced a number of unforeseen delays in FY20. After two elections in 2019 (the first inconclusive), the Sánchez II coalition Government was formed in January 2020 and Tarba reopened discussion with the Ministry for Ecological Transition and the Demographic Challenge to progress matters. Subsequently, Spain's State of Emergency temporarily halted activities in relation to all approvals including Tesorillo's.



Subject to further COVID-19 related delays, Warrego anticipates that the process for drilling approvals and permitting should recommence before the end of 2020.

***“Tesorillo is an exciting opportunity that provides a strong foundation for growth in Europe.”***

# EL ROMERAL & TESORILLO

## WE WILL TREAD LIGHTLY ON THE LAND

## HSE & SUSTAINABILITY

The health and wellbeing of our people has always been at the centre of our approach to Health, Safety and Environment. Added to this is a fundamental respect for our neighbours and the community, as well as our long standing commitment to tread lightly on the land.

Built on personal responsibility, this approach has helped us identify and manage risks across our business and deliver improvements year on year. In FY20, I am pleased to report, there were no fatalities and no Lost Time Incidents. In addition, there were no reportable environmental incidents.

One initiative that we are looking forward to in FY21 is re-engaging with local communities near to our projects in Western Australia and Spain. Subject to the relaxation of COVID-19 travel restrictions, we are hopeful of returning to these communities on a regular basis to inform people of our planned activities and gather feedback from interested parties.

# PREPARING FOR GROWTH

*“Securing such a large scale and long term GSA with a top-tier customer like Alcoa is testament to the quality of the West Erregulla gas field and the commercialisation strategy adopted by Warrego.”*

## LOOKING AHEAD

BASED ON THE EVENTS OF FY20, “EXPECT THE UNEXPECTED” SEEMS TO BE THE BEST WAY TO APPROACH FY21.

**In Australia, appraisal and development of the West Erregulla gas fields will accelerate over the next 12 months and will remain our primary area of focus. Planned activities include a three well drilling campaign, evaluation of the FEED study for the Phase 1 gas processing facility, financing and FID, and beginning the process of converting the exploration permit to a production licence. Market conditions remain favourable and we are confident of securing additional gas sales.**

In Europe, progress will depend on how quickly the wheels of government begin turning again as Spain emerges from COVID-19 restrictions. Our initial focus is to complete the El Romeral acquisition and restart the drilling approvals and permitting process for the Tesorillo project. Once these low-cost objectives are met, we will turn our attention to finalising work programs and budgets with our joint venture partner in Europe. We anticipate that these projects, with their potential to create jobs and generate revenue in a relatively short space of time, will be welcomed by regulators and stakeholders.

I believe that 2021 will continue to be uncertain and challenging. I also truly believe we have the team, ambition, strategy and drive to meet that uncertainty and those challenges successfully.

I would like to thank our shareholders, employees and directors for their support and commitment. I look forward to working with you in FY21 to deliver further growth and success.



**Dennis Donald**  
Managing Director and Group CEO

DEC



## WARREGO ACQUIRES EL ROMERAL

Warrego acquired the El Romeral integrated gas to power project immediately east of Seville in Southern Spain via the Tarba Energia S.L. joint venture (50.1% interest), conditional upon Spanish regulatory approval.

FEB

### KEY APPOINTMENT



Cathy McKeagney appointed to role of General Manager, Commercial.

MAR



### TOUGH ECONOMIC CONDITIONS DUE TO COVID-19

Salaries/fees paid to Executive & Non-executive Directors and Senior Executives reduced by 50% in light of economic conditions, exacerbated by the developing situation with COVID-19.

### CHANGES TO THE BOARD

Warrego co-founder and director since 2007, Duncan MacNiven stepped down from the board as part of rebalancing exercise becoming Executive Vice President – Europe.



### KEY APPOINTMENT

Stuart Nichol joined Warrego's Perth team as Technical Manager.

MAY

### KEY APPOINTMENT

Jani Surjan joined Warrego's Perth team as Group Financial Controller.



### 513BSCF 2C CONTINGENT

RISC Independent Evaluation of 513Bscf 2C contingent resources from West Erregulla-2 proved a pivotal point in our transition to becoming a producer.

MAY



**\$15M IN FUNDING RAISED**

\$15M cash raised to fund initial phase of EP469 West Erregulla drilling program after WE-2 success saw flow rate of 69MMscf - amongst the highest ever seen in Onshore Australia.

JUL

**OUR FIRST VIRTUAL EGM**

Our first virtual EGM saw shareholders given a positive strategic update from the board, questions answered and all resolutions passed.



AUG



**KEY APPOINTMENT**

John Newman joins Warrego's Perth team as General Counsel, becoming Company Secretary a month later.

**KEY APPOINTMENT**

We appointed former AWE Managing Director David Biggs, as an Executive Director and CEO for Australian operations.



**AUSTRALIAN HQ RELOCATES TO PERTH**

Australian Headquarters relocated from Sydney to London House, Perth and new team assembled and integrated seamlessly despite the challenges of COVID-19.

**CHANGES TO THE BOARD**

Long-term director Owain Franks stepped down from the board but remains Chief Financial Officer of the group.



SEP



**WE-3 DRILLING PROGRAM BEGINS**

West Erregulla-3 drilling begins as part of a field exploration/appraisal program which will see two further wells hopefully add to the considerable resources already discovered.

## HISTORIC CONTRACT SIGNED WITH ALCOA

155 PJ GSA signed with Alcoa of Australia, a defining moment in the Warrego timeline – our first ever customer - validating and endorsing the hard work and team effort characteristic of our business.



## JOINT HEADS OF AGREEMENT SIGNED

Joint Heads of Agreement signed with Strike Energy targeting Phase 1 FID by end of Q1 2021 to cover a gas processing plant with 80TJ/d capacity and ensure the seamless sale and delivery of gas with JV production balancing in place.



OCT

POSITIONING  
FOR PRODUCTION,  
PREPARING  
FOR GROWTH.

# OUR BOARD



**GREG COLUMBUS**

Non-executive Chairman,  
Chair of Remuneration  
Committee & Member of  
the Audit Committee



**DENNIS DONALD**

Managing Director  
& Group CEO



**DAVID BIGGS**

Executive Director  
& CEO Australia



**MARK ROUTH**

Non-executive Director,  
Member of the Remuneration  
Committee & Chair of the  
Audit Committee



**JOHN NEWMAN**

General Counsel &  
Company Secretary

**A STRONG  
BOARD  
A PROVEN  
TRACK  
RECORD OF  
SUCCESS**





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# DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group' or 'the Group') consisting of Warrego Energy Limited (referred to hereafter as 'the Company' or 'Parent Entity') and the entities it controlled for the financial year ended 30 June 2020.

## DIRECTORS

The directors in office at any time during the financial year and up to the date of this report are:

Greg Columbus	Non-executive Chairman
Dennis Donald	Managing Director, Group Chief Executive Officer
Duncan MacNiven	Executive Director - Approvals, H&S & Environmental (resigned as Executive Director on 24 March 2020, now senior executive)
Owain Franks	Executive Director - Finance, Strategy & Delivery (resigned as Executive Director 1 September 2020, now Group Chief Financial Officer)
Mark Routh	Non-executive Director
David Biggs	Executive Director – CEO Australia (Non-executive Director prior to 1 August 2020)

## PRINCIPAL ACTIVITY

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

## OPERATING RESULTS

The Group's net loss after tax from operations for the year was \$4,488,104 (2019: loss of \$7,532,858). There was no impairment expense arising during the year (2019: \$3,457,484).

## FINANCIAL POSITION

The Group's total assets increased to \$37,519,163 (2019: \$16,561,633), mainly as a result of exploration expenditure in EP469 of \$9,010,548 (2019: \$894,387) and capital raisings net of costs totalling \$23,559,086 (2019: \$5,404,159). Total liabilities decreased to \$2,845,032 (2019: \$2,914,890) predominantly from the conversion of convertible notes of \$1,115,396 netted off against increased trade and other payables of \$526,900 and provision for well restoration of \$434,841 associated with EP469.

## REVIEW OF OPERATIONS

During the period the Group undertook the following activities:

### Australia

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

West Erregulla-2 (WE-2) was spudded in early June 2019 and was drilled to total depth of 5,100m Measured Depth Below Rotary Table (MDRT) 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.

#### Basal Wagina sandstones

The top of the Wagina Sandstone was intersected at 4,102m on 23 July 2019 with gas flows to surface coincident with clean porous sands between 4,111m and 4117m. Once mud weights were adjusted to allow the drilling to continue safely, the well was progressed to a section Total Depth (TD) of 4,229m.

#### Kingia sandstones

The first of two primary targets, the Kingia Sandstone, was intersected in early September 2019, close to prognosis at 4,753m. The formation was substantially thicker than anticipated, extending to a depth of 4,870m MDRT. A 97m gas column was identified which includes a 67m section comprising several high-quality large units of clean sand with thick blocky porosity development and high gas saturation. Net pay is estimated at 58m with average porosity of 14.3% and peaks up to 19%. The net pay of 58m is significantly thicker than analogues in the Waitsia field and underlines the potential of West Erregulla and EP469 to become an important future source of gas production in Western Australia.

The Kingia reservoir was tested using down hole tools and gas samples were collected to surface. The reservoir was recorded as having pressures between 6,814 psia to 6,828 psia. These pressures suggest a gross column height of 220m, in line with the Company's modelling of the areal extent of the field.

Permeability was measured at 102mD which is an exceptional result. Gas samples were recovered at surface and compositional analysis with primary components were 92% methane and 5.8% CO<sub>2</sub>. This result is considered to be supportive of a competitive gas development and augurs well for further additional discoveries at depth within the Permit. Sidewall cores were cut in the Kingia sandstone and retrieved to surface. These samples have been analysed to refine key reservoir characteristics.

### **High Cliff sandstones**

The second primary target, the High Cliff Sandstones (HCSS), was intersected, in late September 2019, close to prognosis at 4,918m MDRT and generally in line with pre-drill expectations and Waitisia analogues. A gross gas column of 22m was encountered with well-developed porosity throughout. The entire 22m section is gas saturated with a net pay of 10m, an average porosity of 10.3% and sections of up to 16%.

TD of 5,100m was achieved in the Holmwood Shale. The well did not encounter a gas water contact, consistent with the seismic amplitude modelling which supports the proposed field boundaries.

### **WE-2 Flow Test**

The flow testing program was designed to determine well deliverability from the Kingia Sandstone reservoir at the West Erregulla field, and to collect additional well data and gas samples for compositional analysis to feed into reserve certification calculations and gas marketing conversations.

During October 2019, three intervals totalling 48m, from 4,799m to 4,851m 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.

### **Independent Certification of West Erregulla Gas Field**

An independent, third-party audit and evaluation of the West Erregulla gas field was completed on 18 May 2020 by Perth-based RISC Advisory Pty Ltd ("RISC"). The RISC audit and evaluation of West Erregulla was commissioned by Warrego to provide certainty to potential gas buyers and optimise term and price outcomes in negotiations for gas processing and sales.

All certification was done in accordance with the Society of Petroleum Engineers' internationally recognised Petroleum Resources Management System (PRMS 2018), Warrego also subdivided the West Erregulla field into a Central Area and a Northern Area as per PRMS 2018 guidelines. Seismic attributes were not used to assess the extent of the field.

The RISC review of the West Erregulla gas field confirmed Central Area 2C Contingent Resources of 513 Bscf gross from one well (WE-2) and additional upside Central Area potential in a 3C estimate of 966 Bscf gross. A further 102 Bscf gross 2U Prospective Resources in the Northern Area could become a contingent resource in the event of a successful WE-3 well.

The review by RISC confirms that West Erregulla is a significant gas discovery with low risk exploration upside. The Kingia is classified as a high quality, conventional gas reservoir. Additional data is required and further testing of the High Cliff, Dongara and Wagina reservoirs will be undertaken in the planned WE-3, WE-4 and WE-5 (contingent) wells to allow for a more definitive classification to be determined. Positive results may allow for higher recovery factors to be applied to these reservoirs in future.

### **West Erregulla Field Appraisal**

The Joint Venture approved an exploration/appraisal plan which provides for the drilling of WE-3, located in the northern area of the West Erregulla gas field, which spudded on 22 September 2020, followed by the drilling of WE-4 as soon as permitting is completed. A decision on whether to drill the contingent WE-5 well will be made by the Joint Venture Partners by the end of November 2020. The EP469 Joint Venture has secured the Ensign 970 drilling rig for this exploration/appraisal campaign.

The impact of Western Australia's COVID-19 quarantine measures may present challenges and cause delays to the drilling campaign, although there is no indication of that happening at this time. Warrego is monitoring the situation closely.

RISC concurs with the Company's estimated geological probability of success for the WE-3 well of 65%. Material cost savings are expected for the combined WE-3 and WE-4 drilling campaign compared to the WE-2 single well drilling costs.

### **Gas Marketing**

During the year, Warrego progressed gas marketing negotiations with a shortlist of potential Western Australia domestic gas buyers. These negotiations have advanced significantly and were bolstered by the independent certification of the West Erregulla gas resource. Interest in contracting with Warrego for long term West Erregulla gas sales is growing as the confirmed delay to other prospective domestic gas supply sources associated with offshore LNG projects becomes more of a concern to the local market.

Warrego has been progressing a range of gas processing options in parallel to its gas marketing activity during the second half of the year and is currently reviewing firm proposals from third party gas processing providers. Ultimately, gas processing decisions will be market driven and will therefore be determined by the scale and timing of the gas sale agreements currently under negotiation.

### **Production Licence and Permit Renewal**

During the latter part of the year, work in preparation for conversion of EP469 to a Production Licence (PL) was progressed, the West Erregulla Kingia-High Cliff having been declared a gas discovery by the regulator in February 2020, a key precondition to the Production Licence application process.

On 23 June 2020 the EP469 exploration permit was renewed by the Western Australian Government for a further 5 years.

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

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."

A Native Title agreement is the final step before the Exploration Permit can be issued by the Department of Mines, Industry Regulation and Safety. Negotiations are at an advanced stage, however meetings with Native Title groups scheduled for mid-March 2020 were postponed due to the pandemic. The improving COVID-19 situation in WA and relaxation of the quarantine regime has allowed a resumption of meetings and negotiations have recommenced.

### **Spain**

#### **El Romeral (acquiring a 50.1% indirect interest)**

On 17 December 2019 Warrego announced the acquisition, via its subsidiary Tarba Energía SL ("Tarba"), of a 50.1% indirect interest in El Romeral, an integrated gas production and power station operation located in the Guadalquivir basin in southern Spain. The remaining 49.9% has been acquired by its co-investor in the Tesorillo permit, Prospex Energy plc.

Situated 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 lowcost development opportunities with the potential to significantly increase gas production, electricity generation and revenue.

Eleven wells have been drilled since the 1950s including seven post-1983 which discovered gas. Three wells are currently producing 150 mscfd net with two shut-in gas wells with low cost workover potential.

The profitable El Romeral power station is currently operating for 16h/d and provides immediate revenues and a low-cost route to commercialisation for future gas discoveries. Up to the declaration of the State of Emergency by the Spanish Government following the COVID-19 outbreak, the project was generating monthly and positive monthly cashflows and revenues via sales to the Spanish electricity grid.

El Romeral contains its own 25 km local gas pipeline connecting the well heads of production sites to the power station. This will provide the infrastructure back bone for any future tie-ins, with the average distance, from infrastructure less than 3.5km.

There is a low cost and rapid route to commercialisation via tie-ins to the Project-owned power station in the later part of 2020 and in 2021 the timing of which is now dependent on the management of the COVID-19 pandemic.

Tarba entered into an Asset Purchase Agreement ("APA") with Petroleum Oil & Gas España, S.A. ("Petroleum") in December 2019 to acquire El Romeral for an initial consideration of €750,000.

Further deferred consideration of €250,000 per well drilled will be due to Petroleum on drilling each of the next three wells. The parties have agreed an economic date commencing July 2019.

The acquisition will complete on the transfer of licences to Tarba which are subject to customary regulatory approval which has not been received by 30 June 2020 and are still pending. Due to the COVID-19 crisis triggering a State of Emergency, the Spanish Government temporarily suspended official business such as approving permit transfers. The State of Emergency was lifted on 21 June 2020 and the Company is awaiting approval of the transfer of licences. Due to the inevitable backlog of applications, the likely timing of the approval is yet to be advised.

#### **Tesorillo (85% ownership of Operator and permits)**

The State of Emergency in Spain resulting from the COVID-19 pandemic has meant a temporary cessation of activities in relation to Tesorillo (Tarba is the operator of Tesorillo). Progress was previously delayed due to the time taken to form a government. After two elections in 2019 (one inconclusive), the Sánchez II coalition Government was formed in January 2020 and Tarba has been working with the Ministry for Ecological Transition and the Demographic Challenge (MITECO) to progress matters.

Tarba has continued to maintain an active program of regional government and stakeholder engagement.

Subject to further COVID-19 related delays, Warrego anticipates that the process for drilling approvals and permitting should recommence before the end of 2020.

Decisions on the level of activity to be undertaken by Tarba in the next 12 to 18 months will be made in due course in the light of the evolving COVID-19 situation and the progress of the approvals process.

### **Corporate**

Warrego continues to reorganise its corporate and Australian operations to reduce costs and ensure that the development phase for West Erregulla is adequately supported and resourced. As part of that process, the transfer of Warrego's Australian headquarters from Sydney to Perth has been completed in August 2020. The Perth office has been opened to facilitate commercial, development and gas marketing activities for West Erregulla gas during 2020. The Company's Aberdeen office will also be closed before the end of the calendar year.

During Q3 2020 the Company's Board agreed, after taking into account the uncertain economic conditions prevailing due to the impact of COVID-19, that fees and salaries paid to Executive Directors, Senior Executives and Non-Executive Directors would be reduced by 50% from 1 April. The outlook was reassessed in July 2020 and remuneration reverted to previous levels from 1 August 2020.

On 24 March 2020, Mr Duncan MacNiven resigned from the Board as an Executive Director. He remains with the Company as a senior executive. On 1 September 2020 in order to rebalance the composition of the Board, Mr Owain Franks agreed to step down as an executive director. He had previously agreed to become the Company's Chief Financial Officer and continues in that role.

On 20 September 2019 the Company completed a \$12 million institutional share placement at an issue price of A\$0.29 per share (41,379,311 fully paid ordinary shares). The proceeds from the Institutional Placement were applied to the EP469 exploration and appraisal program, the continuing low level exploration and appraisal program in Spain, the El Romeral acquisition and preliminary work on EPA-0127.

On 22 March 2020, the Company released from escrow 318,980,258 ordinary vendor shares as referred to in resolution 2 of the Notice of Extraordinary General Meeting issued by the Company on 6 February 2019.

On 25 July 2019 half of the outstanding \$1,250,000 Convertible Notes were converted for 6,706,009 ordinary shares. The remaining Convertible Notes were converted on 29 August 2019 for 3,245,067 ordinary shares. All pre RTO Warrego Convertible Notes have now been converted.

On 25 May 2020, the Company announced a \$15 million institutional share placement over two tranches at an issue price of A\$0.13 per share. Tranche 1 was completed on 29 May 2020 with \$12.3 million raised (94,882,750 fully paid ordinary shares) and Tranche 2 was completed subsequent to year end on 21 July 2020 with \$2.7 million raised (20,501,865 fully paid ordinary shares) following shareholder approval at the 16 July 2020 online EGM. The proceeds from the placement will be used to fully fund the drilling of the WE-3 exploration/appraisal well in 2020, and to provide long lead items for the WE-4 exploration/appraisal well together with general working capital.

## **SUBSEQUENT EVENTS**

No matter has arisen in the interval since 30 June 2020 and up to the date of this report that in the opinion of the directors has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods other than the following:

- On 28 September 2020 Warrego announced it had signed a binding Gas Sales Agreement (GSA) with Alcoa of Australia Limited (Alcoa) for the long term supply of a total of 155 petajoules (PJ) of natural gas from the West Erregulla gas field in EP469. The GSA will commence on 1 January 2024, subject to a positive project Final Investment Decision (FID) by Warrego expected in 1H 2021. The significant size and term of the foundation GSA with Alcoa is such that Warrego does not need to secure additional GSAs to support a FID.
- The WE-3 exploration/appraisal well was spudded on 22 September 2020.
- On 21 July 2020, Tranche 2 of the May 2020 fundraising was completed (thus, subsequent to the year end) with \$2.7 million raised (20,501,865 fully paid ordinary shares) following shareholder approval at the 16 July 2020 online EGM. Tranche 2 was part of the May 2020 \$15 million institutional share placement over two tranches of the Company's shares at an issue price of A\$0.13 per share.
- On 1 August 2020, Mr David Biggs was appointed to an executive role as CEO Australia to lead the Company's Perth-based Australian team focused on commercialising the West Erregulla gas field and developing complementary opportunities.
- In order to rebalance its board after the appointment of Mr David Biggs to an executive role Mr Owain Franks, a member of the Warrego Board since 2011, elected to step down as an Executive Director of the Company effective from 1 September 2020. He will remain in the role of Chief Financial Officer responsible for finance, strategy and delivery.
- Effective 1 September 2020 Mr Kirkham stepped down as Company Secretary and Mr John Newman, Warrego's Perth-based General Counsel, was appointed to the role.
- The transfer of Warrego's Australian headquarters from Sydney to Perth was completed in August 2020. A new five year office lease agreement was signed on 16 July 2020 for Level 6 London House, 216 St Georges Terrace, Perth WA 6000. The Group recognised the right-of-use asset equal to the lease liability measured at a present value of \$473,498.
- Following a resolution by the Board, the Group has applied for voluntary deregistration of the two dormant subsidiary companies Warrego Energy (Operations) Pty Ltd and Warrego Energy (Investments) Pty Ltd in order to simplify its corporate structure.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs for the Group during the financial year.

## **DIVIDENDS**

No dividends have been paid or declared during or since the end of the financial year.

## LIKELY DEVELOPMENT AND EXPECTED RESULTS OF OPERATIONS

The Group intends to continue its exploration, development and production activities on its Tesorillo and El Romeral Spain projects and onshore Perth Basin Western Australia project. The outcome of these developments is dependent on successful exploration, evaluation and in the case of the Perth Basin, successful gas marketing activities.

## BUSINESS RISKS

The Group's primary focus is both on gas exploration activities and the commercialisation of the West Erregulla gas discovery. Any profitability in the future from the Group's business will be dependent upon successful exploration, development, production and marketing of hydrocarbons from the petroleum exploration licences. The following exposures to business risk may affect the Group's ability to achieve the above prospects:

### Exploration and Production

The business of exploration and project development involves a degree of risk. To prosper, the Group depends on factors that include: successful acquisition of appropriate exploration licences; successful exploration and the establishment of gas resources and reserves; design, construction and operation of efficient production infrastructure; managerial performance and efficient marketing of the products. Exploration is a speculative endeavour. Exploration and development operations can be hampered by force majeure circumstances and cost overruns for unforeseen events, including unexpected variations in location and quality of the petroleum and equipment and plant malfunction.

### Funding Risk

The Group's principal exploration focus remains the onshore Perth Basin and the project funding risk following the 2019 discovery in the West Erregulla 2 well has been placed in scale and is understood by Australian investors. However, additional capital will be required to fully realise the full potential of all the Group's assets and there is no certainty that the Group will be able to raise additional capital, or that it will be able to do so on favourable terms.

If the Group cannot raise additional capital through the issue of additional shares, it may be forced to dispose of some or all of its interest in one or more of its assets. If the Group is required to dispose of assets in those circumstances to a third party, it is possible that such disposal will not be on favourable terms, including disposal price.

### Risk of Foreign Operations

The Group operates and invests in Australia and Spain where there may be a number of associated risks over which it will have no or limited control. These may include economic, social, or political instability or change, nationalisation, expropriation of property without fair compensation, cancellation or modification of contract rights, hyperinflation, currency non-convertibility or instability, and changes of laws affecting foreign ownership, government participation, royalties, taxation, working conditions, foreign nationals work permits, rates of exchange, exchange control, exploration licensing, minerals export licensing, export duties, government control over product pricing, and other risks arising out of foreign governmental sovereignty over the areas in which the Group's operations are conducted, as well as risks of loss due to Covid-19 and other pandemics, civil strife, acts of war, terrorism, guerrilla activities and insurrections.

The Group's operations may also be adversely affected by laws and policies of Australia affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its operations the Group may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Australia or enforcing Australian judgements in foreign jurisdictions.

### Environmental Impact Constraints

The Group's operations are subject to the environmental risks inherent in the oil and gas industry. The Group's exploration and development programmes are, in general, subject to approval by government authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Group from undertaking the desired activities.

Exploration and development of any of the Group's properties is also dependent on meeting planning and environmental laws and guidelines.

The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Group to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Group's business, financial condition and results of production operations.

## ENVIRONMENTAL REGULATIONS

The Group's operations are subject to significant environmental and other regulations. The Group has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration and production activities. There have been no breaches of environmental regulations resulting in damage to the environment in the financial period and at the date of this report.

## CORPORATE GOVERNANCE STATEMENT

A copy of the Company's Corporate Governance Statement is available at [www.warregoenergy.com/about-warrego-energy/corporate-governance](http://www.warregoenergy.com/about-warrego-energy/corporate-governance).

## INFORMATION ON DIRECTORS

### Greg Columbus

NON-EXECUTIVE CHAIRMAN

Mr Columbus has 15 years' experience as managing director and main board Director for Clarke Energy Limited, being a privately-owned multinational company in the sale, engineering, installation and maintenance of power plants that utilise gas compressors and gas engines. Clarke Energy is a wholly owned company of the Kohler Group and operates on over 28 countries today.

Greg joined Clarke Energy after previously holding executive General Manger role for AMEC Plc in Australia & New Zealand for 12 years where he was principally involved in bringing UK expertise and technology from Aberdeen, to significantly impact Floating Platform Storage and Offloading Vessels [FPSO] industry along with significant work for Woodside in Western Australia. Having a unique combination of graduate diploma of Electrical and Mechanical engineering, Greg then completed his MBA with University of South Australia conferred in 2003.

Greg has over 30 years business experience in delivering large complex Oil & Gas projects and has along the course of his career also carved out strong strategic vision and been involved in numerous M&A activities.

Special responsibilities: Non-executive Chairman, Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee.

### Dennis Donald

MANAGING DIRECTOR, CHIEF EXECUTIVE OFFICER

Mr Donald left the armed forces in the early 70s to pursue a career in the North Sea oil and gas industry with Shell.

Beginning his career on the drill floor Dennis was latterly instrumental in the introduction of new technology into the Brent Fields, including the first platform Coiled Tubing Drilling project. Dennis left Shell in 1998 having anticipated a growing need in the oil sector for advanced drilling engineering capability.

Dennis set up a specialist drilling consultancy, Leading Edge Advantage in 1998 with Duncan MacNiven as legal counsel growing it into a global brand within 10 years.

### Duncan MacNiven

EXECUTIVE DIRECTOR - APPROVALS, H&S, ENVIRONMENTAL (RESIGNED AS EXECUTIVE DIRECTOR ON 24 MARCH 2020, NOW SENIOR EXECUTIVE)

Aberdeen University graduate Mr MacNiven began his career as a corporate/oil & gas lawyer with Aberdeen firm Peterkins. Between 1990 and 2000, Duncan worked as outsourced oil and gas counsel for Pentex Energy plc and Sibir Energy plc. Duncan 'retired' from the legal world to pursue interests in the oil sector.

In addition to Leading Edge Advantage, which they sold in 2008 Duncan's business partnership with Dennis has overseen the successful sales of Alba Resources (holding an interest in the UKCS Mariner Field) to Nautical Petroleum plc. They also sold a design and manufacturing company established in 1999 to bring downhole polymer products to the oil field.

### Owain Franks

EXECUTIVE DIRECTOR - FINANCE, STRATEGY & DELIVERY (NOW GROUP CHIEF FINANCIAL OFFICER, RESIGNED AS EXECUTIVE DIRECTOR ON 01 SEPTEMBER 2020)

Owain has been a director of Warrego since 2011. He was acting CFO from June 2018 until the RTO. Owain was until recently also Commercial Director of Independent Resources Group plc (now Echo Energy plc).

Owain was previously a senior partner in PwC in the UK for 21 years. He specialised initially in tax, then built its Human Resource Consulting Practice into a world leading business.

Outside the business world Owain was the Deputy Chairman of the Royal Yachting Association (the RYA) from 2011 to 2015 when his term finished. The RYA is the governing body of British Sailing. Owain served a three-year term as a Flag Officer of the Royal Thames Yacht Club (Rear Commodore House and Finance). RTYC is the world's oldest continuously existing yacht club.

### Mark Routh

NON-EXECUTIVE DIRECTOR

Mark served as the Chief Executive Officer of AIM listed Independent Oil and Gas Plc from August 2011 until February 2018 and served as its Chairman from February 2018 until December 2018.

Mark was the Founder and Managing Director of CH4 Energy Ltd from 2002 until 2006, when it was acquired by Venture Production plc. Mark served 10 years with Hess in the UK, 6 years with BP in the UK and 5 years with Schlumberger in South East Asia and the UK. His last role at Amerada Hess was SNS / Gas Area Business Manager, responsible for the exploration, appraisal, development and production of all assets in the Southern North Sea and gas assets in the Central North Sea.

Mark was Chairman of the Board of Warrego Energy Ltd UK from October 2010 and moved to be a non-executive director upon the RTO with Petrel Energy. He has over 35 years of experience in the Oil & Gas Industry, covering commercial/asset management and area management. Mark has a MSc in Petroleum Engineering from Imperial College.

Special responsibilities: Member (Chairman from 1 August 2020) of the Audit Committee and the Remuneration and Nomination Committee.

## David Biggs

EXECUTIVE DIRECTOR – CEO AUSTRALIA (NON-EXECUTIVE DIRECTOR PRIOR TO 1 AUGUST 2020)

David has over 35 years of experience in the upstream oil and gas sector. David has worked extensively throughout Australia, New Zealand, Indonesia and the Americas with both large multi-national and smaller organisations.

David was CEO and Managing Director of AWE Limited (ASX: AWE). AWE accepted a \$602 million takeover bid from Japanese firm Mitsui in February 2018 after rejecting two other bids in the preceding months. The principal asset being purchased by Mitsui was the Waitsia field 16km west of Petrel/Warrego's West Erregulla-2 well. The Waitsia-4 well which recorded a maximum flow rate of 90 MMscf/d, the highest ever recorded onshore Australia. Prior to AWE, David spent 3 years as CEO of Cue Energy Limited, and before that, almost 20 years with BHP Billiton Petroleum, rising to the positions of Vice President, Commercial and Vice President, Land and Upstream Agreements, based in Houston. Part of these responsibilities included membership of the exploration leadership team. Prior to BHP Billiton Petroleum, David worked with the Natural Gas Corporation and the Petroleum Corporation of New Zealand. David brings extensive experience in leadership, strategy and planning, business improvement, and commercial transactions, particularly M&A and gas marketing. David holds a tertiary qualification in law from Victoria University in Wellington.

On 3 August 2020, subsequent to year end, David was appointed to a Warrego executive role as CEO Australia to lead the Perth-based Australian team focused on commercialising the West Erregulla gas field and developing complementary opportunities.

Special responsibilities: Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee (in both cases until 1 August 2020 only).

### **Interest in shares and options of the Company and related bodies corporate**

As at 30 June 2020, the interest of directors in the shares and options of the Company were:

DIRECTORS	NUMBER OF ORDINARY SHARES	SPA CONSIDERATION SHARES NOT ISSUED AT 30 JUNE 2020
Greg Columbus	33,131,793	-
Dennis Donald*	141,617,879	3,558,857
Owain Franks	18,510,558	-
Mark Routh	14,114,064	-
David Biggs	476,585	-

\*Dennis Donald is entitled to receive 145,176,736 consideration shares under the Share Purchase Agreement (SPA) approved at the EGM on 15 March 2019. Shares were issued in tranches to ensure that voting power did not exceed 20% of shares on issue at any one time. The final tranche of 3,558,857 shares were issued on 21 July 2020.

## INFORMATION ON COMPANY SECRETARY

### Ian Kirkham

(RESIGNED ON 1 SEPTEMBER 2020)

Ian has over 20 years' experience in project evaluation and construction, equity and debt markets, statutory reporting, treasury, taxation and corporate governance. Prior to becoming CFO at Warrego Energy Limited, he was Chief Financial Officer and Company Secretary for Eastern Star Gas Limited, the subject of a \$924 million takeover by Santos Limited. Previous executive experience includes similar posts for ASX listed companies including Hillgrove Resources Limited, Allstate Explorations N.L. and Otter Gold Mines Limited. In all these roles he worked closely with CEOs, Boards, Audit and Risk Committees etc. to evaluate, finance and construct resource projects. Ian's early career involved audit positions with Coopers & Lybrand in Sydney and Toronto. He holds a Bachelor's Degree in Economics and is a member of the Institute of Chartered Accountants Australia and New Zealand, AICD and AUSIMM.

### John Newman

(APPOINTED ON 1 SEPTEMBER 2020)

John has over 25 years of legal, corporate and commercial experience. He brings extensive transactional experience in upstream oil and gas including M&A, farm-outs, native title, land access, capital raisings, debt financing and significant listed Company Secretarial experience.

John's previous roles include General Counsel and Company Secretary at Nido Petroleum Limited, Legal Manager Onshore WA & Company Secretary for AWE Limited / Mitsui E&P Australia and most recently Managing Counsel at Jadestone Energy Inc.



## MEETINGS OF DIRECTORS

The following table sets out the number of meetings held by the directors of the Company during the financial year ended 30 June 2020 and the number of meetings attended by each director:

DIRECTORS	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD WHILE IN OFFICE
Greg Columbus	10	10
Dennis Donald	10	10
Duncan MacNiven	8	8
Owain Franks	10	10
Mark Routh	10	10
David Biggs	10	10

The Audit Committee under the Chairmanship of David Biggs met twice during the financial year ended 30 June 2020.

DIRECTORS	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD WHILE IN OFFICE
David Biggs	2	2
Greg Columbus	2	2
Mark Routh	2	2

The Remuneration and Nomination Committee under the Chairmanship of Greg Columbus met four times during the financial year ended 30 June 2020.

DIRECTORS	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD WHILE IN OFFICE
Greg Columbus	4	4
Mark Routh	4	4
David Biggs	4	4

## REMUNERATION REPORT (AUDITED)

The Remuneration Report, which has been audited, outlines the directors' and executives' remuneration arrangements for the Group and the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The Remuneration Report is set out under the following headings:

- Key Management Personnel
- Remuneration Policy and Practices
- Details of Remuneration

### (a) Key Management Personnel

The key management personnel of the Group consisted of the directors of Warrego Energy Limited and the following executives:

David Casey	CEO - Australia & Asia-Pacific (resigned on 20 January 2020)
Duncan MacNiven	Executive Vice President Europe (appointed on 24 March 2020)
Ian Kirkham	Company Secretary (resigned on 1 September 2020)

### (b) Remuneration Policy and Practices

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability and alignment with shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The Nomination and Remuneration Committee, taking advice where necessary, has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

Alignment with shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering increasing return on assets as well as focusing the executive on key non-financial drivers of value such as oil and gas production, reserves, health, safety and environment
- attracts and retains high calibre executives

Alignment of program to participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors' and executives' remuneration are separate.

During the year, the Group has not engaged any remuneration consultants to review its remuneration policies.

During Q3 2020 the Board agreed, considering the uncertain economic conditions then prevailing due to the impact of COVID-19, that fees and salaries paid to Executive Directors, Senior Executives and Non-Executive Directors be reduced by 50% from 1 April 2020. They reverted to their previous amounts from 1 August 2020.

#### **Non-executive directors**

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities as well as capability and experience. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practices.

The base fee (inclusive of the 9.5% superannuation guarantee contributions) of each non-executive for all Board activities is \$55,000 per annum. An additional \$15,000 per annum is paid for chairing a Board committee and \$10,000 per annum is paid for being member of a Board committee. The superannuation guarantee contributions where applicable are paid to each non-executive director's personal retirement plan.

#### **Executives**

The Group aims to reward executives with a level and mix of both fixed and variable remuneration based on their position and responsibility. The executive remuneration and reward framework have four components:

- base pay
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Total fixed remuneration ('TFR'), consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and overall performance of the Group and comparable market remunerations.

The short-term incentives ('STI') program is designed to align the targets of the Group with those of the executives accountable for meeting those targets. STI payments are granted to executives based on performance indicators including share price growth, reserve growth, production growth and net profit targets.

Before the STIs could be paid out, the 21day VWAP of the Company's shares had to exceed specified targets set by the Nomination and Remuneration Committee. The target for the first tranche of the STIs was met on 31 August 2019 and the appropriate payments were made in December 2019. The target for the second tranche was not met during the relevant year and the second tranche did not vest.

## (C) Details of Remuneration

1 JULY 2019 TO 30 JUNE 2020	SHORT TERM SALARY, FEES & LEAVE \$	BONUS PAYMENTS \$	CONSULTANCY PAYMENTS \$	TERMINATION BENEFITS \$	SHARE BASED PAYMENTS – EQUITY SETTLED \$	POST EMPLOYMENT- SUPER- ANNUATION \$	OTHER LONG TERM BENEFITS \$	TOTAL \$
<b>Non-executive directors</b>								
G. Columbus	87,500	-	-	-	-	-	-	87,500
M. Routh	62,857	-	-	-	-	-	-	62,857
D. Biggs	63,927	-	-	-	-	6,073	-	70,000
<b>Total</b>	<b>214,284</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,073</b>	<b>-</b>	<b>220,357</b>
<b>Executive directors</b>								
D. Donald	410,636	93,860	-	-	-	-	-	504,496
D. MacNiven*	277,609	76,620	-	-	-	-	-	354,229
O. Franks	335,213	76,620	-	-	-	-	-	411,833
<b>Total</b>	<b>1,023,458</b>	<b>247,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,270,558</b>
<b>Other key management</b>								
D. MacNiven*	57,604	-	-	-	-	-	-	57,604
D Casey**	324,428	75,555	-	-	-	10,311	25,329	435,623
I. Kirkham***	201,667	44,000	-	-	-	23,338	-	269,005
<b>Total</b>	<b>583,699</b>	<b>119,555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,649</b>	<b>25,329</b>	<b>762,232</b>
<b>Total</b>	<b>1,821,441</b>	<b>366,655</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,722</b>	<b>25,329</b>	<b>2,253,147</b>

\* Mr Duncan MacNiven resigned as Executive Director on 24 March 2020 and remains as a senior executive with the Company.

\*\* Mr David Casey resigned as CEO - Australia & Asia-Pacific on 20 January 2020.

\*\*\* Mr Ian Kirkham resigned on 1 September 2020.

1 JULY 2018 TO 30 JUNE 2019	SHORT TERM SALARY, FEES & LEAVE \$	BONUS PAYMENTS \$	CONSULTANCY PAYMENTS \$	TERMINATION BENEFITS \$	SHARE BASED PAYMENTS – EQUITY SETTLED \$	POST EMPLOYMENT- SUPER- ANNUATION \$	OTHER LONG TERM BENEFITS \$	TOTAL \$
<b>Non-executive directors</b>								
A. Sundich	30,816	-	-	-	-	2,928	-	33,744
G. Columbus	41,570	-	-	-	-	-	-	41,570
M. Routh	21,241	-	-	-	-	-	-	21,241
D. Biggs	26,667	-	-	-	-	-	-	26,667
R. Porter	14,905	-	-	-	-	-	-	14,905
A. Williams	15,049	-	-	-	-	1,430	-	16,479
<b>Total</b>	<b>150,248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,358</b>	<b>-</b>	<b>154,606</b>
<b>Executive directors</b>								
D. Donald	284,018	-	-	-	-	-	-	284,018
D. MacNiven	247,214	-	-	-	-	-	-	247,214
O. Franks	247,214	-	-	-	-	-	-	247,214
D. Casey*	334,242	-	-	-	-	15,990	23,132	373,364
<b>Total</b>	<b>1,112,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,990</b>	<b>23,132</b>	<b>1,151,810</b>
<b>Other key management</b>								
D Casey*	110,212	-	-	-	-	6,710	-	116,922
I. Kirkham**	-	-	247,463	-	-	-	-	247,463
<b>Total</b>	<b>110,212</b>	<b>-</b>	<b>247,463</b>	<b>-</b>	<b>-</b>	<b>6,710</b>	<b>-</b>	<b>364,385</b>
<b>Total</b>	<b>1,373,148</b>	<b>-</b>	<b>247,463</b>	<b>-</b>	<b>-</b>	<b>27,058</b>	<b>23,132</b>	<b>1,670,801</b>

\* Mr David Casey served as Managing Director and Chief Executive Officer up to the date of reverse acquisition. Other long terms benefits relate to contract termination benefits. Thereafter, he was appointed as CEO - Australia & Asia-Pacific

\*\* Mr Ian Kirkham continued in his position as Company Secretary and Chief Financial Officer after the reverse acquisition.

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	2020	2019	2020	2019	2020	2019
<b>Non-executive directors</b>						
G. Columbus	100%	100%	-	-	-	-
M. Routh	100%	100%	-	-	-	-
D. Biggs	100%	100%	-	-	-	-
A. Sundich	-	100%	-	-	-	-
R. Porter	-	100%	-	-	-	-
A. Williams	-	100%	-	-	-	-
<b>Executive directors</b>						
D. Donald	81%	100%	19%	-	-	-
D. MacNiven	78%	100%	22%	-	-	-
O. Franks	81%	100%	19%	-	-	-
D. Casey	-	100%	-	-	-	-
<b>Other key management</b>						
D. MacNiven	100%	-	-	-	-	-
D. Casey	83%	100%	17%	-	-	-
I. Kirkham	84%	100%	16%	-	-	-

There were \$366,655 (2019: nil) of cash bonus payments during the financial year by the Group to key management personnel and eligible persons as part of their remuneration determined on growth of share price, reserves, production and net profit.

### Service Agreements

Remuneration and other terms of employment for current key management personnel are formalised in service agreements.

There were no employment agreements for key management personnel other than the following:

Dennis Donald, Chief Executive Officer and Managing Director	- TFR: A\$490,000 <sup>^</sup>
Duncan MacNiven, Executive Director - Approvals, H&S, Environmental	- TFR: A\$400,000 <sup>^</sup>
Owain Franks, Executive Director - Finance, Strategy & Delivery	- TFR: A\$400,000 <sup>^</sup>
David Casey, Chief Executive Officer - Australia & Asia-Pacific	- TFR: A\$345,000 <sup>^</sup>
Ian Kirkham - Company Secretary and Chief Financial Officer	- TFR: A\$240,000 <sup>^</sup>

<sup>^</sup> Common key management employment terms:

- Contracts commenced 15 March 2019.
- Salary Review: at earlier of material change in Company activities or 30th June 2020.
- Short Term Incentives (STI)
  - STI – over the relevant 12 month period “at risk” STI up to a maximum of 50% of the Base Salary for the relevant fiscal year, with
    - 20% payable in cash or shares if the 21day VWAP for listed shares exceeds A\$0.25 per share and
    - 30% payable in cash or shares if the 21day VWAP for listed shares exceeds A\$.40 per share.
- Long Term Incentives (LTI)
  - LTI – “At risk” LTI’s will be aligned with the Company’s overarching strategy
- Termination notice given by either party - Executive Directors 6 months and others 3 months.

### Share-based compensation

There was no share-based compensation for key management personnel during the year or prior year.

## Share holdings

The number of shares in the Company held during the 2020 financial year by each director and other key management personnel of Warrego Energy Limited, including their personally related parties, is set out below.

NAME	BALANCE AT START OF THE YEAR/OR ON APPOINTMENT	PURCHASED DURING THE YEAR	SOLD DURING THE YEAR	RTO CONSIDERATION SECURITIES	BALANCE AT THE END OF THE YEAR/OR ON VACATING OFFICE
G. Columbus	29,973,898	3,157,895	-	-	33,131,793
D. Donald <sup>(i)</sup>	121,867,879	-	-	19,750,000	141,617,879
D. MacNiven <sup>(ii)</sup>	121,867,879	-	-	19,750,000	141,617,879
O. Franks	18,510,558	-	-	-	18,510,558
M. Routh	14,114,064	-	-	-	14,114,064
D. Biggs	445,335	31,250	-	-	476,585
D. Casey <sup>(iii)</sup>	7,751,549	-	-	-	7,751,549
I. Kirkham <sup>(iv)</sup>	3,706,432	1,260,030	(221,858)	-	4,744,604
	<b>318,237,594</b>	<b>4,449,175</b>	<b>(221,858)</b>	<b>39,500,000</b>	<b>361,964,911</b>

i) Dennis Donald and Duncan MacNiven are each entitled to receive 145,176,736 consideration shares each under the Share Purchase Agreement (SPA) approved at the EGM on 15 March 2019. Shares were issued in tranches to ensure that voting power did not exceed 20% of shares on issue at any one time. The final tranche of 3,558,857 shares each were issued on 21 July 2020.

ii) Duncan MacNiven resigned as Executive Director on 24 March 2020 and remains as a senior executive with the Company.

iii) Mr David Casey resigned as CEO - Australia & Asia-Pacific on 20 January 2020.

iv) Mr Ian Kirkham resigned on 1 September 2020.

## Additional information

The factors that affect cash bonus payments, for the last five years are summarised below:

	2020	2019	2018 <sup>^</sup>	2017 <sup>^</sup>	2016 <sup>^</sup>
	\$	\$	\$	\$	\$
Reserve growth	-	-	-	-	-
Loss after income tax attributable to parent	(4,448,104)	(7,532,858)	(19,815,033)	(2,056,516)	(1,818,718)
June volume-weighted average share price	15.8c	9.4c	6.0c	56c	30c
Total shareholder return	68%	57%	(92.7)%	(153.8)%	(62.8)%

<sup>^</sup> periods relate to former Petrel Energy Limited as adjusted for 20:1 share consolidation.

This concludes the remuneration report, which has been audited.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

## INDEMNIFICATION OF OFFICERS AND AUDITOR

The Group has entered into a Deed of Access, Indemnity and Insurance with each of the directors of the Group. Subject to the Corporations Act 2001, the deed provides an indemnity in respect of liability that each of the directors may incur in relation to the conduct of the business or affairs of the Group, acts or omission of the directors in relation to the business or affairs of the Group or the performance, manner of performance or failure to perform the responsibilities in relation to the business or affairs of the Group, in each case in the period during which each director (respectively) holds office. The Group insurance premium cost for the Directors and Officers Liability for the financial year was \$76,500.

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purposes of taking responsibility on behalf of the Group for all or part of those proceedings.

## AUDITOR

BDO continues in office in accordance with section 327 of the Corporations Act 2001. The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 9 September 2020.

## NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. There were no non audit services provided by BDO during the year.

Details of amounts paid or payable to the auditor, BDO Audit Pty Ltd, for the audit services provided during the year are set out below.

	2020 \$	2019 \$
Audit services		
BDO – Audit and review of financial reports	67,500	118,000
Non BDO Audit Services	5,000	-
<b>Total</b>	<b>72,500</b>	<b>118,000</b>

(i) Includes the amount associated with former Petrel Energy Limited.

(ii) The BDO entity performing the audit of the group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd during the year. The disclosures include remuneration received / receivable by both entities and their respective related entities.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of the directors, pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



**Dennis Donald**

MANAGING DIRECTOR AND CEO

29 September 2020

# AUDITOR'S INDEPENDENCE DECLARATION



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Australia

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

As lead auditor of Warrego Energy Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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, 29 September 2020

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

Notes	2020 \$	2019 \$
Interest income	8,958	5,946
Other income	9,211	-
<b>Total income</b>	<b>18,169</b>	<b>5,946</b>
Directors' fees	(222,881)	(67,180)
Employee benefit expenses	(1,595,862)	(1,169,077)
Professional services	(826,944)	(814,809)
Share-based payment	(9,776)	-
Exploration and evaluation expenditure	(229,164)	-
Depreciation and amortisation	(117,919)	(5,899)
Finance expenses	(191,912)	(1,186,557)
Foreign exchange losses	(8,373)	(144,863)
Impairment of investment in associate	-	(3,330,634)
Impairment of receivable in associate	-	(126,850)
General and administrative expenses	(1,303,442)	(692,935)
Total expenses	(4,506,273)	(7,538,804)
<b>Loss before income tax</b>	<b>(4,488,104)</b>	<b>(7,532,858)</b>
Income tax expense	5	-
<b>Loss after tax attributable to members of Warrego Energy Limited</b>	<b>(4,488,104)</b>	<b>(7,532,858)</b>
<b>Other comprehensive (loss)/income</b> - Items that may be reclassified subsequently to profit or loss		
Foreign currency translation (loss)/gain	(37,044)	61,638
Other comprehensive (loss)/income for the year, net of tax	(37,044)	61,638
<b>Total comprehensive loss for the year, net of tax</b>	<b>(4,525,148)</b>	<b>(7,471,220)</b>
Loss for the year attributable to:		
Non-controlling interests	(114,353)	-
Owners of Warrego Energy Limited	(4,410,795)	(7,532,858)
	(4,525,148)	(7,532,858)
Total comprehensive loss for the year attributable to:		
Non-controlling interests	(114,353)	-
Owners of Warrego Energy Limited	(4,410,795)	(7,471,220)
	(4,525,148)	(7,471,220)
<b>Loss per share from continuing operations attributable to the ordinary equity holders of the Company:</b>		
Basic loss per share (cents per share)	(0.13)	(0.61)
Diluted loss per share (cents per share)	(0.13)	(0.61)

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

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	15,261,819	7,342,791
Other current assets	7	1,655,882	265,517
Restricted cash	19(a)	139,533	118,987
<b>Total current assets</b>		<b>17,057,234</b>	<b>7,727,295</b>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	8	13,400,589	1,768,865
Plant and equipment		15,468	19,601
Goodwill	10	7,045,872	7,045,872
<b>Total non-current assets</b>		<b>20,461,929</b>	<b>8,834,338</b>
<b>Total assets</b>		<b>37,519,163</b>	<b>16,561,633</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	2,132,721	1,605,821
Provisions	13	171,653	95,044
Convertible notes payable	14	-	1,115,396
<b>Total current liabilities</b>		<b>2,304,374</b>	<b>2,816,261</b>
<b>Non-current liabilities</b>			
Provisions	13	435,275	23,205
Payable to associate		105,383	75,424
<b>Total non-current liabilities</b>		<b>540,658</b>	<b>98,629</b>
<b>Total liabilities</b>		<b>2,845,032</b>	<b>2,914,890</b>
<b>NET ASSETS</b>		<b>34,674,131</b>	<b>13,646,743</b>
<b>EQUITY</b>			
Contributed equity	15(a)	103,774,096	79,073,008
Reverse acquisition reserve		(53,288,653)	(53,288,653)
Foreign currency translation reserve		(14,939)	22,105
Options reserve	16	113,549	-
Accumulated losses	17	(16,552,305)	(12,182,781)
<b>Equity attributable to owners of the Parent</b>		<b>34,031,748</b>	<b>13,623,679</b>
Non-controlling interests		642,383	23,064
<b>Total equity</b>		<b>34,674,131</b>	<b>13,646,743</b>

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ISSUED CAPITAL \$	FOREIGN CURRENCY TRANSLATION RESERVE \$	OPTIONS RESERVE \$	REVERSE ACQUISITION RESERVE \$	ACCUMULATED LOSSES \$	TOTAL \$	NON- CON- TROLLING INTERESTS \$	TOTAL EQUITY \$
Balance at 30 June 2018	4,973,291	(39,533)	-	-	(4,649,923)	283,835	-	283,835
Net loss for the year	-	-	-	-	(7,532,858)	(7,532,858)	-	(7,532,858)
Other comprehensive income	-	61,638	-	-	-	61,638	-	61,638
<b>Total comprehensive income/(loss) for the year</b>	-	<b>61,638</b>	-	-	<b>(7,532,858)</b>	<b>(7,471,220)</b>	-	<b>(7,471,220)</b>
<b>Transactions with owners in their capacity as owners</b>								
Transfer to acquisition reserve on reverse acquisition	(4,973,291)	-	-	4,973,291	-	-	-	-
Recognition of legal parents issued equity from reverse acquisition	58,239,038	-	-	(48,281,687)	-	9,957,351	-	9,957,351
Fair value of consideration issued on reverse acquisition	9,980,257	-	-	(9,980,257)	-	-	-	-
Issue of share capital	11,271,701	-	-	-	-	11,271,701	-	11,271,701
Transaction costs arising on share issue	(417,988)	-	-	-	-	(417,988)	-	(417,988)
<b>Total transactions with owners in their capacity as owners</b>	<b>74,099,717</b>	-	-	<b>(53,288,653)</b>	-	<b>20,811,064</b>	-	<b>20,811,064</b>
Additional contribution of equity by NCI	-	-	-	-	-	-	23,064	<b>23,064</b>
<b>Balance at 30 June 2019</b>	<b>79,073,008</b>	<b>22,105</b>	-	<b>(53,288,653)</b>	<b>(12,182,781)</b>	<b>13,623,679</b>	<b>23,064</b>	<b>13,646,743</b>
Net loss for the year	-	-	-	-	(4,373,751)	(4,373,751)	(114,353)	(4,488,104)
Other comprehensive loss	-	(37,044)	-	-	-	(37,044)	-	(37,044)
<b>Total comprehensive loss for the year</b>	-	<b>(37,044)</b>	-	-	<b>(4,373,751)</b>	<b>(4,410,795)</b>	<b>(114,353)</b>	<b>(4,525,148)</b>
<b>Transactions with owners in their capacity as owners</b>								
Share based payments	-	-	117,776	-	-	117,776	-	177,776
Exercise of options	-	-	(4,227)	-	4,227	-	-	-
Issue of share capital	26,438,601	-	-	-	-	26,438,601	-	26,438,601
Transaction costs arising on share issue	(1,737,513)	-	-	-	-	(1,737,513)	-	(1,737,513)
<b>Total transactions with owners in their capacity as owners</b>	<b>24,701,088</b>	-	<b>113,549</b>	-	<b>4,227</b>	<b>24,818,864</b>	-	<b>24,818,864</b>
Additional contribution of equity by NCI	-	-	-	-	-	-	733,672	733,672
<b>Balance at 30 June 2020</b>	<b>103,774,096</b>	<b>(14,939)</b>	<b>113,549</b>	<b>(53,288,653)</b>	<b>(16,552,305)</b>	<b>34,031,748</b>	<b>642,383</b>	<b>34,674,131</b>

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of goods and services tax)		(4,306,781)	(3,275,675)
Interest received		9,046	5,030
<b>Net cash outflow from operating activities</b>	22	<b>(4,297,735)</b>	<b>(3,270,645)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(6,002)	(19,282)
Payments for exploration and evaluation expenditure		(10,721,216)	(522,189)
Proceeds from release of security deposits		-	46,912
Payments for security deposit		(20,000)	-
Proceeds from recoup of exploration and evaluation expenditure from farmout		-	250,000
Payments for El Romeral acquisition		(1,227,292)	-
<b>Net cash outflow from investing activities</b>		<b>(11,974,510)</b>	<b>(244,559)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of costs)		23,559,086	5,404,159
Proceeds from convertible notes		-	5,177,360
Proceeds from borrowings		743,683	23,822
Payments for lease liabilities		(102,564)	-
<b>Net cash inflow from financing activities</b>		<b>24,200,205</b>	<b>10,605,341</b>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		7,342,791	294,921
Cash and cash equivalents from reverse acquisition		-	91,871
Net foreign exchange difference		(8,932)	(134,138)
<b>Cash and cash equivalents at end of the year</b>	6	<b>15,261,819</b>	<b>7,342,791</b>

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Warrego Energy Limited as a Group consisting of Warrego Energy Limited and the entities it controlled. Warrego Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. These financial statements have been prepared on an accruals basis.

The financial statements are presented in Australian dollars, which is Warrego Energy Limited's functional and presentation currency.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention.

#### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### *Parent entity information*

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the Parent Entity is disclosed in note 24.

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Warrego Energy Limited ('Company' or 'Parent Entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Warrego Energy Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. Warrego Energy Limited is the principal to its subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method if the acquisition is deemed to be a business combination. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

The acquisition of subsidiaries that are deemed not to be carrying on a business, and do not meet the conditions of AASB 3 Business Combinations, are recognised at cost and are treated as asset acquisitions depending on the nature of the assets acquired from the subsidiaries.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and the statement of financial position of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 Financial Instruments, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

### **(c) Going concern**

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

During the period, the Company raised a net amount of \$23,559,086 from share placements and Share Purchase Plan to finance the EP469 exploration and appraisal program, exploration and appraisal program in Spain and preliminary work on EPA-0127.

The Group had cash outflows from operations for the year ending 30 June 2020 of \$4,297,735 (2019: \$3,270,645). The Group recorded a net loss after tax from operations of \$4,488,104 for the year ended 30 June 2020 (2019: \$7,532,858). The Group's net cash outflow from investing activities for the year ended 30 June 2020 was \$11,974,510 (2019: \$244,559). The Group's net current assets as at 30 June 2020 were \$14,752,860 (30 June 2019: \$4,911,034).

The Company has indicated its intention to drill two wells and acquire seismic in EP469 and potentially undertake a modest drilling program at EL Romeral.

These conditions indicate the existence of a material uncertainty that may cast significant doubt over the consolidated entity's ability to continue as a going concern over the next 12 months and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated entity has prepared a cash flow forecast, which indicates that it will not have sufficient cash from operations to meet its ongoing planned expenditure. The directors are confident, based on past performance, that they will be successful in their plan to raise further funds from the issue of equity, debt, or farm-out of core tenements or other corporate activity designed to fund the Group's ongoing planned expenditure. As such, these financial statements have been presented on a going concern basis.

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

### **(d) Foreign currency transactions**

Foreign currency transactions during the year are translated into Australian dollars at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are converted at the rates of exchange current at that date. The gains and losses from translation of assets and liabilities, whether realised or unrealised, are included in profit or loss from ordinary activities as they arise.

### **Foreign subsidiaries**

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity. The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **(e) New, revised or amended Accounting Standards and interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

### **AASB 16 Leases**

The consolidated entity adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating

lease expense recognition is replaced with an amortisation charge for the right-of-use assets (included in depreciation and amortisation) and an interest expense on the recognised lease liabilities (included in finance expenses). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. Management has completed an assessment by reviewing all leases.

#### (f) AASB Interpretation 23 Uncertainty over Income Tax Treatments

The Group does not consider AASB Interpretation 23 *Uncertainty over Income Tax Treatments* has material impact on the Group.

#### (g) New Accounting Standards and Interpretations not yet mandatory or early adopted

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted, and are not expected to have a material impact.

## 2. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables and convertible notes payable.

The Group does not presently have any bills, preference shares or derivatives.

#### Foreign exchange risk

The Group's cash / restricted cash holdings are exposed to changes in foreign exchange rates at reporting date.

	GBP	AUD EQUIVALENT	EUR	AUD EQUIVALENT
2020	105,612	195,112	72,650	118,884
2019	954,345	1,772,768	80,575	128,219

#### Credit risk and liquidity risk

The Group has no significant concentrations of credit risk.

Liquidity risk is the risk the Group will experience difficulty in meeting current financial demands. The Group manages liquidity risk through ensuring it will maintain sufficient cash holdings to meet its liabilities as and when they fall due from day to day operations along with monitoring of cash flow forecasts by management in order to anticipate future cash requirements.

LIQUIDITY RISK TABLE	NON-INTEREST BEARING \$	1 YEAR OR LESS \$	1 TO 5 YEARS \$	MORE THAN 5 YEARS \$	FLOATING INTEREST RATE \$	TOTAL \$	WEIGHTED AVERAGE INTEREST RATE
2020							
<b>Financial liabilities</b>							
Payables	2,132,721	2,132,721	-	-	-	2,132,721	-
	2,132,721	2,132,721	-	-	-	2,132,721	-
2019							
<b>Financial liabilities</b>							
Payables	1,605,821	1,605,821	-	-	-	1,605,821	-
	1,605,821	1,605,821	-	-	-	1,605,821	-

#### Cash flow and fair value interest rate risk

The Group's cash and restricted cash balances are exposed to deposit interest rate risk. This risk is managed by the use of fixed term deposits over periods ranging from 30 to 180 days.

### Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates and the effective weighted average interest rates on those financial assets, is as follows:

2020	WEIGHTED AVERAGE INTEREST RATE	FIXED INTEREST RATE MATURITY LESS THAN 1 YEAR \$	NON-INTEREST BEARING 1 TO 5 YEARS \$	TOTAL \$
<b>Financial assets</b>				
Cash and cash equivalents	0.05%	15,261,819	-	15,261,819
Trade and other receivables	-	-	355,259	355,259
Restricted cash	0.06%	139,533	-	139,533
Total financial assets		15,401,352	355,259	15,756,611
<b>Financial liabilities</b>				
Trade and other payables	-	-	2,132,721	2,132,721
Total financial liabilities		-	2,132,721	2,132,721
2019				
<b>Financial assets</b>				
Cash and cash equivalents	0.15%	7,342,791	-	7,342,791
Trade and other receivables	-	-	165,175	165,175
Restricted cash	0.32%	118,987	-	118,987
Total financial assets		7,461,778	165,175	7,626,953
<b>Financial liabilities</b>				
Trade and other payables	-	-	1,605,821	1,605,821
Convertible notes payable	25%	1,115,396	-	1,115,396
Total financial liabilities		1,115,396	1,605,821	2,721,217

### Financial instruments

#### (i) Derivative financial instruments

As at the date of this report, the Group does not have any derivative financial instruments.

#### (ii) Trade and other payables

Trade and other payables are expected to be paid as follows:

	2020 \$	2019 \$
Less than 6 months	2,132,721	1,605,821

#### (iii) Fair value measurement

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

For convertible notes payable, the fair values are not materially different to their carrying amounts, since the interest payable on the convertible notes payable is close to current market rates and are of a current nature.

### Sensitivity analysis

#### Interest rate risk and foreign currency risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

### Interest rate sensitivity analysis

At 30 June 2020, the only item affected by a change in interest rate would be the cash and cash equivalents and restricted cash.

	2020	2019
INTEREST RATE RISK SENSITIVITY ANALYSIS CHANGE IN LOSS BEFORE TAX AND EQUITY	\$	\$
Increase in interest rates by 0.25%	31,999	18,357
Decrease in interest rates by 0.25%	(31,999)	(18,357)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

### Foreign currency sensitivity analysis

As indicated under foreign exchange risk, the group is primarily exposed to changes in GBP/AUD and EUR/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from GBP and EUR denominated assets (i.e.; cash and cash equivalents and exploration and evaluation assets).

	IMPACT ON TOTAL ASSETS		IMPACT ON OTHER COMPONENTS OF EQUITY	
	2020	2019	2020	2019
GBP/AUD exchange rate – increase 10%	111,379	252,201	(111,379)	(187,898)
GBP/AUD exchange rate – decrease 10%	(111,379)	(252,201)	111,379	187,898
EUR/AUD exchange rate – increase 10%	238,446	82,520	(238,446)	-
EUR/AUD exchange rate – decrease 10%	(238,446)	(82,520)	238,446	-

Assets and other equity have not been significantly sensitive to movements in the AUD and GBP and EUR exchange rates as a result of GBP and EUR increased and decreased by 0.92% and 0.97% respectively (2019: increased by 1.8% and 2.7% respectively).

### Capital management

Management controls the capital of the Group in order to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

Due to the nature of the Group's business, the Group's capital is limited to ordinary share capital.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since commencement of operations.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by management and are based on historical experience and other factors, including expectations of the future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

### Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Other than estimated impairment of assets, there are no other current estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Impairment of exploration and evaluation assets:

The Group assesses impairment of its exploration and evaluation expenditure at the end of each reporting period to ensure the carrying amount does not exceed the recoverable amount in accordance with AASB 6 - Exploration for and Evaluation of Mineral Resources as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific areas have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or



d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full, from the successful development or by sale.

#### Provision for well site restoration:

The Group estimates the future removal and restoration costs of gas, wells and related assets at the time of installation of the assets. In most instances the removal of these assets will occur in the future. The estimate of future removal costs therefore requires management to make judgements in relation to the removal date, future environmental legislation, the extent of restoration activities required and future removal technologies.

#### Impairment of goodwill:

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, in accordance with the accounting policy stated in note 10. The recoverable amounts of cash-generating units have been determined based on fair value less costs of disposal which requires management to make judgements.

#### Impairment of other assets:

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of profit or loss.

The Group tests at each reporting period whether assets have suffered any impairment.

## 4. SEGMENT INFORMATION

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. The Group changed its segment reporting methodology in the current year and adjusted the prior year comparative accordingly.

### Geographical information

2020	AUSTRALIA \$	SPAIN \$	TOTAL \$
Revenue from external customers	-	-	-
Segment expenses	(139,619)	(229,164)	(368,783)
Corporate and unallocated expenses			(4,137,490)
Total operating expenses			(4,506,273)
Other income	744	-	744
Segment loss before income tax	(138,875)	(229,164)	(368,039)
Corporate and unallocated loss before tax			(4,120,065)
Total loss before tax			(4,488,104)
2019	AUSTRALIA \$	SPAIN \$	TOTAL \$
Revenue from external customers	-	-	-
Segment expenses	(560,287)	-	(560,287)
Corporate and unallocated expenses			(6,978,517)
Total operating expenses			(7,538,804)
Other income	1,515	-	1,515
Corporate and unallocated other income	-	-	4,431
Total other income			5,946
Impairment expense	-	-	-
Corporate and unallocated impairment expense			(3,457,484)
Total impairment expense			(3,457,484)
Segment loss before income tax	(558,772)	-	(558,772)
Corporate and unallocated loss before tax			(6,974,086)
Total loss before tax			(7,532,858)

## Assets and liabilities information of consolidated entity's operating segments

CONSOLIDATED	AUSTRALIA \$	SPAIN \$	TOTAL \$
<b>2020</b>			
Segment non-current assets	19,305,807	1,140,654	20,446,461
Corporate and unallocated			15,468
Total non-current assets			20,461,929
Segment assets	22,108,816	2,523,124	24,631,940
Corporate and unallocated			12,887,223
Total assets			37,519,163
Segment liabilities	1,955,801	135,605	2,091,406
Corporate and unallocated			753,626
Total liabilities			2,845,032
<b>2019</b>			
Segment non-current assets	8,155,082	659,655	8,814,737
Corporate and unallocated			19,601
Total non-current assets			8,834,338
Segment assets	8,669,056	823,968	9,493,024
Corporate and unallocated			7,068,609
Total assets			16,561,633
Segment liabilities	2,018,149	112,962	2,131,111
Corporate and unallocated			783,779
Total liabilities			2,914,890

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## 5. INCOME TAX

### (a) Numerical reconciliation of income tax expense to prima facie tax payable

	2020 \$	2019 \$
Loss from continuing operations before income tax expense	4,488,104	7,532,858
Tax benefit at the Australian tax rate of 27.5% (2019: 27.5%)	1,234,229	2,071,536
Tax effect of non-deductible expenses	(65,094)	308,944
Tax effect of equity raising costs debited to equity	185,379	101,132
Tax losses and temporary differences not brought to account	(1,354,514)	(2,481,612)
Income tax expense	-	-

### (b) Tax losses

	2020 \$	2019 \$
Unused tax losses for which no deferred tax asset has been recognised	51,519,698	37,294,244
Potential tax benefit @ 26% (2019: 27.5%)	13,395,121	10,255,917

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The tax benefits will only be obtained if:

- The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction of the losses to be realised;
- The Group continues to comply with the conditions for deductibility imposed by law; and
- No changes in tax legislation adversely affect the group in realising the benefits from the deductions for the loss.

## 6. CASH AND CASH EQUIVALENTS

	2020 \$	2019 \$
Cash at bank and in hand	394,162	315,509
Deposits at call	12,265,975	7,027,282
Share of joint operation cash	2,601,682	-
Total cash balances	15,261,819	7,342,791

The deposits at call are interest bearing with floating interest rates averaging 0.05% per annum (2019: 0.15%).

For Consolidated Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 7. OTHER CURRENT ASSETS

	2020 \$	2019 \$
Trade and sundry debtors	3,799	3,382
Prepayments <sup>(i)</sup>	1,300,623	100,342
Interest receivable	1,024	1,117
Share of joint venture receivables	169,425	-
Other current assets	181,011	160,676
	1,655,882	265,517

(i) Prepayments include the initial consideration of €750,000 (A\$1,227,292) which the Group subsidiary Tarba Energia SL ("Tarba") paid on entering into an Asset Purchase Agreement ("APA") with Petroleum Oil & Gas España, S.A. ("Petroleum") in December 2019 to acquire El Romeral. Further deferred consideration of €250,000 per well drilled will be due to Petroleum on drilling 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 50.1% interest in the project. The acquisition will complete on the transfer of licences to Tarba which are subject to customary regulatory approval which was still awaited as at 30 June 2020.

None of the trade and sundry debtors above are past due date (2019: nil).

Trade debtors are recognised when the control of ownership of the underlying sales transactions have passed to the customer in the ordinary course of business. Trade debtors are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value. The Group holds the trade debtors with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Other receivables arise principally from financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition on issue and are subsequently recognised at amortised cost using the effective interest rate method, less allowance for expected credit losses.

The Group's trade and other receivables at year end are assessed under AASB 9 which prescribes an expected credit loss (ECL) model to recognise an allowance. The allowance is measured using a 12-month ECL model unless the credit risk on a financial asset has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

Revenues, expenses and assets are recognised net of the amount of associated GST or input VAT, unless the GST or input VAT incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST or input VAT receivable or payable. The net amount of GST or input VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

## 8. EXPLORATION AND EVALUATION EXPENDITURE

	2020 \$	2019 \$
Opening balance	1,768,865	117,131
Additions during the year at cost	11,185,715	1,185,356
Provision for well site restoration	434,841	-
Recouped costs from EP469 farmout	-	(250,000)
RTO fair value adjustment	-	466,378
STP-EPA-0127 acquisition at fair value	-	250,000
Foreign currency translation	11,168	-
Closing balance	13,400,589	1,768,865

Exploration and evaluation expenditures incurred are accumulated in respect of each identifiable area of interest and are carried forward in the statement of financial position where:

- i) rights to tenure of the area and participating interest are current; and
- ii) one of the following conditions is met:
  - such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
  - exploration and/or evaluation activities in the area of interest have not, at reporting date, yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas are continuing.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated expenditure on areas that have been abandoned or are considered to be of no future economic benefit is written off in the year in which such a decision is made.

Expenditure relating to pre-exploration activities (such as for new venture work) is written off to the consolidated statement of profit or loss during the period in which the expenditure is incurred. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves from a successful development.

## 9. JOINT OPERATION

### EP469 Project

Warrego Energy EP469 Pty Ltd (WEEPL) was awarded EP469 tenement in March 2008. In March 2018, Warrego farmed out a 50% interest in EP469 and operatorship to Strike West Pty Ltd (STW) via a joint operation arrangement in June 2018. As part of this agreement STW funded the first \$11,000,000 of the cost of drilling and completing West Erregulla 2 well including G&A costs.

WEEPL recognised their 50% share of exploration and evaluation expenditure over and above the \$11,000,000 farm out amount from the joint operation at the reporting date which is set out in the table below.

The Group's accounting policy for farmout arrangements is as follows:

- the farmor uses the carrying amount of the interest before the farm-out as the carrying amount for the portion of the interest retained;
- the farmor credits any cash consideration received against the carrying amount, with any excess included as a gain in profit or loss; and
- the farmor does not record exploration expenditures on the property made by the farmee.

The Group accounts for its share of the EP469 venture as a joint operation in accordance with AASB 11; being satisfied that it is a joint operation as defined in that standard.

	2020 \$	2019 \$
Cash	2,601,682	-
Current assets	169,425	-
Exploration and evaluation expenditure	9,904,935	894,387
Current liabilities	(1,478,798)	(894,387)
Net assets	11,197,244	-

The Group recognises in relation to its interest in the EP469 joint operation:

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

## 10. GOODWILL

Goodwill was calculated on the cost of the consideration transferred over the acquirer's interest in the net fair value of the identifiable assets and liabilities, assumed as follows:

	2020 \$	2019 \$
Goodwill	7,045,872	7,045,872

The goodwill was reassessed, and no indicators of impairment were noted for the current period. The approach which the Group applied was by determining the fair value less cost to sell with reference to the fair value of its share in the EP469 asset, which has significantly increased since the reverse acquisition in the prior reporting period.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment. The recoverable amounts of cash-generating units have been determined based on fair value less costs of disposal. Goodwill has an infinite life with impairment testing undertaken each year. Any losses on goodwill are taken to profit or loss and are not subsequently reversed.

## 11. TRADE AND OTHER PAYABLES

	2020 \$	2019 \$
Trade and other payables	2,132,721	1,605,821

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid when the Group becomes obliged to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of purchase. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## 12. LEASES

Details of right-of-use assets net carrying amount recognised on the consolidated statement of financial position as follows:

	2020 \$
Opening balance – office building	-
Initial recognition on transition to AASB 16 on 1 July 2019	251,348
Depreciation charge for the year	(107,720)
Termination of lease	(143,628)
Closing balance – office building	-

Details of lease liabilities recognised on the consolidated statement of financial position as follows:

	2020 \$
Opening balance	-
Initial recognition on transition to AASB 16 on 1 July 2019	251,348
Finance expenses	4,055
Lease payment	(102,564)
Termination of lease	(143,628)
Lease modification gains	(9,211)
Closing balance	-

The Group has provided a written notice to the Lessor on 20 May 2020 in surrendering of the office lease for Sydney office three months prior to vacating the premises in accordance with the lease terms and conditions. As a result, the Group derecognised the right-of-use asset and lease liability due to short term lease.

The Group has identified all lease contracts on a lease-by-lease basis by recognising a right-use-of asset and lease liability at the present value of the contractual payments except for where certain expedients have been adopted:

- Leases of low value assets; and
- Leases with a duration of 12 months or less at initial application date.

Lease payments are discounted using the interest rate in accordance with the lease contract during the lease term, lease payment with short term leases and leases with low value assets as an expense on a straight-line basis over the lease term.

The Group elected to apply the modified retrospective approach in which the right-of-use asset is recognised at the date of transition at an amount equal to the lease liability, using the interest rate implicit in the lease contracts.

At the commencement date, the carrying amount of lease liability included the following payments for the right to use the underlying asset during the lease term not yet paid at the commencement date:

- (a) fixed payments, less any lease incentives receivable;
- (b) amounts expected to be payable by the lessee under residual value guarantees;
- (c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The right-use-of assets are initially recognised at the carrying amount of the lease liability including the following:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any incentives received;
- any initial direct costs incurred; and
- an estimate of the costs to be incurred by the Group in respect of its obligations under the contract to dismantle, remove or restore the underlying asset to the condition required by the term and conditions of the lease.

Subsequent to initial measurement, the carrying amount increases as a result of interest charged at a constant rate on the balance and reduces as a result of the lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

The lessee shall account for the remeasurement of the lease liability and the carrying amount of the right-of-use asset at the date of modification which is reduced accordingly to reflect the partial or full termination of the lease. The difference from derecognised of the carrying amount of the right-of-use asset and lease liability shall recognise in profit or loss resulted from gain or loss relating to partial or full termination of the lease.

The Group has elected not to recognise a lease liability for short term leases and leases of low value assets. The expense associated with payments not included in the measurement of the lease liability is as follows:

	30 JUNE 2020
	\$
Short-term leases	66,017
Leases with low value assets	466
	66,483

AASB 16 adoption profit or loss impact:

	POST TO AASB 16 ADOPTION \$	PRIOR TO AASB 16 ADOPTION \$	DIFFERENCE \$
Rental expense	66,483	169,047	(102,564)
Interest expense	4,055	-	4,055
Amortisation expense	107,720	-	107,720
Lease modification gains	(9,211)	-	(9,211)
Impact on result for the year	169,047	169,047	-

### 13. PROVISIONS

#### Current

	2020 \$	2019 \$
EMPLOYEE BENEFITS		
Provision for annual leave – opening balance	95,044	-
Provision from reverse acquisition	-	162,122
Charge to profit or loss	76,609	(67,078)
Provision for annual leave – closing balance	171,653	95,044

#### Non-current

	2020 \$	2019 \$
Employee benefits	434	23,205
Well site restoration	434,841	-
	435,275	23,205

EMPLOYEE BENEFITS	2020 \$	2019 \$
Provision for long service leave – opening balance	23,205	-
Provision from reverse acquisition	-	28,918
Release to profit or loss	(22,771)	(5,713)
Provision for long service leave – closing balance	434	23,205

WELL SITE RESTORATION	2020 \$	2019 \$
Provision for well site restoration – opening balance	-	-
Capitalise in exploration and evaluation expenditure	434,841	-
Provision for well site restoration – closing balance	434,841	-

### **Short-term employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

### **Other long-term employee benefits**

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date for corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### **Well site restoration**

The Group estimates the future removal and restoration costs of gas, wells and related assets at the time of installation of the assets. In most instances the removal of these assets will occur in the future. The estimate of future removal costs therefore requires management to make judgements in relation to the removal date, future environmental legislation, the extent of restoration activities required and future removal technologies.

## **14. CONVERTIBLE NOTES PAYABLE**

EMPLOYEE BENEFITS	2020 \$	2019 \$
Convertible notes	-	1,250,000
Deferred convertible notes interest	-	(134,604)
	-	1,115,396

During the year 9,951,076 shares were issued to settle the remaining balance of \$1,250,000 of convertible notes. The discounted amounts of the convertible notes which have been converted are recognised as finance expenses.

Convertible notes are financial instruments that fall within accounting standards AASB 132 Financial Instruments: Presentation, AASB 9 Financial Instruments and AASB 7 Financial Instruments: Disclosures.

The convertible notes are classified as liabilities in the statement of financial position, net of transaction costs due to the conversion features, constituting an obligation to deliver a variable number of shares on settlement.

On the issue of the convertible notes the fair value of the liability was recognised as cash received net of transaction costs and this amount was carried as a current liability on the amortised cost basis until extinguished on conversion, maturity or redemption. The interest on convertible notes is expensed to profit or loss using the effective interest method.

Outstanding convertible notes are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.



## 15. CONTRIBUTED EQUITY

### (a) Share capital

	2020 SHARES NUMBER	2019 SHARES NUMBER	2020 \$	2019 \$
Ordinary shares	803,974,528	609,355,769	103,774,096	79,073,008

### Movements in share capital

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	\$
1 July 2019	Opening balance	609,355,769		79,073,008
	Less: opening unlisted shares			(1,501,332)
4 July 2019	Share purchase plan	5,473,727	0.0950	520,004
4 July 2019	Shares issued to Warrego Energy UK Limited shareholders as reverse acquisition consideration in accordance with shareholder approval of Resolution 2 at Extraordinary General Meeting on 15 March 2019	3,500,000	0.0240	84,000
25 July 2019	Shares issued on conversion of Convertible Notes	6,706,009	0.0932	625,000
22 August 2019	Shares issued to Chairman Mr Greg Columbus under share placement in accordance with shareholder approval of resolution 4 at Extraordinary General Meeting on 15 August 2019	3,157,895	0.0950	300,000
29 August 2019	Shares issued on conversion of Convertible Notes	3,245,067	0.1926	625,000
20 September 2019	Share placement	41,379,311	0.2900	12,000,000
20 September 2019	Shares issued to Warrego Energy UK Limited shareholders as reverse acquisition consideration in accordance with shareholder approval of Resolution 2 at Extraordinary General Meeting on 15 March 2019	36,000,000	0.0240	864,000
30 October 2019	Shares issued on exercise of unlisted options	274,000	0.1235	33,839
29 May 2020	Share placement	94,882,750	0.1300	12,334,758
		<u>803,974,528</u>		<u>104,958,277</u>
	Add: Unissued shares yet to be issued to Warrego Energy UK Limited shareholders as reverse acquisition consideration in accordance with shareholder approval of Resolution 2 at EGM on 15 March 2019	7,117,713	0.0240	553,332
	Less: Transaction costs arising on share issue			(1,737,513)
30 June 2020	Closing balance			<u>103,774,096</u>

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The fully paid ordinary shares have no par value.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## (b) Options

### Unlisted

DATE	DETAILS	NUMBER OF OPTIONS	EXPIRY DATE	EXERCISE PRICE \$
1 July 2019	Opening balance	7,000,000	31 May 2021	0.1235
30 October 2019	Exercise	(274,000)		0.1235
30 June 2020	Closing balance	6,726,000		

## (c) Dividends

There were no dividends paid or declared by the Group during the year (2019: nil).

## 16. OPTIONS RESERVE

	OPTIONS RESERVE \$
Opening balance	-
Unlisted alignment options issued to Lead Manager	108,000
Unlisted options under Employee Incentive Plan issued to employees	9,776
Expired / vested options	(4,227)
Closing balance	113,549

## 17. ACCUMULATED LOSSES

	2020 \$	2019 \$
Opening balance	12,182,781	4,649,923
Net loss for the year	4,373,751	7,532,858
Transfer from options reserve	(4,227)	-
Closing balance	16,552,305	12,182,781

## 18. RELATED PARTY TRANSACTIONS

### (a) Directors

The following persons were directors of Warrego Energy Limited during or subsequent to the financial period:

Greg Columbus	Non-executive Chairman
Dennis Donald	Managing Director, Group Chief Executive Officer
Duncan MacNiven	Executive Director - Approvals, H&S & Environmental (resigned as Executive Director on 24 March 2020, now senior executive)
Owain Franks	Executive Director - Finance, Strategy & Delivery (resigned as Executive Director on 1 September 2020, now Group Chief Financial Officer)
Mark Routh	Non-executive Director
David Biggs	Executive Director – CEO Australia (Non-executive Director prior to 1 August 2020)

### (b) Other key management personnel compensation

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

David Casey	CEO - Australia & Asia-Pacific (resigned on 20 January 2020)
Duncan MacNiven	Executive Vice President Europe (appointed on 24 March 2020)
Ian Kirkham	Company Secretary and Chief Financial Officer (resigned on 1 September 2020)

## (c) Key management personnel compensation

	2020 \$	2019 \$
Salary & fees	1,821,441	1,373,148
Bonus payments	366,655	-
Consultancy payments	-	247,463
Superannuation	39,722	27,058
Long service leave	25,329	23,132
<b>Total</b>	<b>2,253,147</b>	<b>1,670,801</b>

Detailed remuneration disclosures can be found in sections (a) to (c) of the Remuneration Report which forms part of the Directors' Report.

## 19. CONTINGENCIES

### (a) Contingent liabilities/restricted cash

	2020 \$	2019 \$
Obligations under a bank corporate credit card facility with the Commonwealth Bank of Australia	50,000	30,000
Bankers' guarantee issued as security for the performance by the Company of its obligations under a lease of office premises at Level 6, 10 Bridge Street, Sydney	33,409	33,409
Cash pledged as deposit for Spanish Ministry compliance programme	56,124	55,578
<b>Total</b>	<b>139,533</b>	<b>118,987</b>

The above are all secured by a charge over term deposits lodged with bankers of a like amount.

### (b) Contingent assets

The Group has no contingent assets to report as at 30 June 2020 (2019: nil).

## 20. COMMITMENTS

### Exploration expenditure

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.

	2020 \$	2019 \$
<b>Permit commitments</b>		
Less than one year	25,385,406	6,476,524
Between one and five years	3,480,491	-
<b>Total</b>	<b>28,865,897</b>	<b>6,476,524</b>

## 21. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor:

	2020 \$	2019 \$
<b>Audit services</b>		
BDO – Audit and review of financial reports	<sup>(i)</sup> 67,500	<sup>(ii)</sup> 118,000
Non BDO Audit Services	5,000	-
<b>Total</b>	<b>72,500</b>	<b>118,000</b>

(i) Includes the amount associated with former Petrel Energy Limited.

(ii) The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd during the year. The disclosures include remuneration received / receivable by both entities and their respective related entities.

## 22. CASH OUTFLOW FROM OPERATING ACTIVITIES RECONCILIATION TO LOSS AFTER INCOME TAX

	2020 \$	2019 \$
<b>Loss for the year</b>	(4,488,104)	(7,532,858)
<b>Non-cash movement</b>		
Depreciation and amortisation	117,919	5,899
Finance expenses associated with convertible notes	134,604	1,159,737
Finance expenses associated with lease liabilities	4,055	-
Lease modification gain	(9,211)	-
Share based payment	9,776	-
Impairment loss on other receivables from associates	-	126,850
Impairment loss on investment in associate	-	3,330,634
Foreign exchange losses	8,373	(30,015)
<b>Movement in working capital</b>		
Increase/(decrease) in other current assets	17,853	(154,278)
Increase in trade and other payables	(93,000)	(176,614)
<b>Net cash outflow from operating activities</b>	(4,297,735)	(3,270,645)

### Non-cash transactions affecting investing and financing activities

- (a) On 4 July 2019, 3,500,00 ordinary shares were issued at \$0.024 each to WEUK shareholders as reverse acquisition consideration in accordance with shareholder Resolution 2 approved at the 15 March 2019 Extraordinary General Meeting.
- (b) On 20 September 2019, 36,000,000 ordinary shares were issued at \$0.024 each to WEUK shareholders as reverse acquisition consideration in accordance with shareholder Resolution 2 approved at the 15 March 2019 Extraordinary General Meeting.

## 23. LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Parent Entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### (b) Diluted loss per share

Options issued to shareholders and related parties are considered to be potential ordinary shares if average market price during the period is above the exercise price and have been considered in the determination of diluted loss per share.

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account of the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (c) Reconciliation of loss used in calculating loss per share

	2020 \$	2019 \$
<b>Basic loss per share / Diluted loss per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	4,488,104	7,532,858
<b>Loss attributable to ordinary equity holders of the Company</b>	4,488,104	7,532,858

#### (d) Weighted average number of shares used as the denominator

	2020 NUMBER	2019 NUMBER
Weighted average number of shares used as denominator in calculating:		
Basic loss per share	3,406,403,608	1,235,502,873
Diluted loss per share	3,406,403,608	1,235,502,873

#### 24. PARENT ENTITY INFORMATION

	PARENT ENTITY	
	2020 \$	2019 \$
Loss after income tax	2,195,549	6,603,427
Total comprehensive loss for the year	2,195,549	6,603,427
Statement of financial position		
Total current assets	12,660,363	5,272,262
Total assets	43,964,651	21,366,467
Total current liabilities	422,698	447,829
Total liabilities	1,749,698	1,774,829
<b>Equity</b>		
Issued capital	103,774,096	79,073,008
Option reserve	632,074	518,525
Accumulated losses	(62,191,217)	(59,999,895)
<b>Total equity</b>	<b>42,214,953</b>	<b>19,591,638</b>

#### Guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries

The Parent Entity Warrego had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

#### Contingent liabilities

The Group had contingent liabilities as at 30 June 2020 and 30 June 2019 as detailed in Note 19(a).

#### Capital commitments - Plant and equipment

The Parent Entity had no capital commitments for plant and equipment as at 30 June 2020 and 30 June 2019.

#### Significant accounting policies

The accounting policies of the Parent Entity are consistent with those of the Group, as disclosed in note 1. In addition, investments in subsidiaries are accounted for at cost, less any impairment, in the Parent Entity.

#### 25. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

SUBSIDIARIES	PLACE OF INCORPORATION	2020 INTEREST %	2019 INTEREST %	PARENT
Warrego Energy UK Ltd	United Kingdom	100	100	Warrego Energy Limited
Warrego Energy EP469 Pty Ltd	WA, Australia	100	100	Warrego Energy Limited
Warrego Energy Pty Ltd	WA, Australia	100	100	Warrego Energy Limited
Warrego Energy 127 Pty Ltd	Victoria, Australia	100	100	Warrego Energy Limited
Warrego Energy (Operations) Pty Ltd <sup>^</sup>	Victoria, Australia	100	100	Warrego Energy Limited
Warrego Energy (Investments) Pty Ltd <sup>^</sup>	Victoria, Australia	100	100	Warrego Energy (Operations) Pty Ltd
Tarba Energia (formerly Schuepbach Energy Espania)	Cadiz, Spain	85	85	Warrego Energy Limited

<sup>^</sup> The Company applied for the voluntary deregistration of these dormant subsidiaries in July 2020.

The ownership interests held in the subsidiaries are ordinary shares or participating interests as the case may be.

## 26. INTERESTS IN JOINT OPERATIONS

The Group has the following participating interests in joint operations whose principal activities consist of oil & gas exploration. The joint operations are not separate legal entities and are contractual arrangements between the participants for the sharing of exploration and development costs and production.

JOINT OPERATIONS	INTEREST	
	2020 %	2019 %
Cardium, Alberta, Canada	40	40
EP469, Perth, Australia	50	50

## 27. SUBSEQUENT EVENTS

Other than disclosed below no matter has arisen in the period since 30 June 2020 that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods:

- On 28 September 2020 Warrego announced it had signed a binding Gas Sales Agreement (GSA) with Alcoa of Australia Limited (Alcoa) for the long term supply of a total of 155 petajoules (PJ) of natural gas from the West Erregulla gas field in EP469. The GSA will commence on 1 January 2024, subject to a positive project Final Investment Decision (FID) by Warrego expected in 1H 2021. The significant size and term of the foundation GSA with Alcoa is such that Warrego does not need to secure additional GSAs to support a FID.
- The WE-3 exploration/appraisal well was spudded on 22 September 2020.
- On 21 July 2020, Tranche 2 of the May 2020 fundraising was completed (thus, subsequent to the year end) with \$2.7 million raised (20,501,865 fully paid ordinary shares) following shareholder approval at the 16 July 2020 online EGM. Tranche 2 was part of the May 2020 \$15 million institutional share placement over two tranches of the Company's shares at an issue price of A\$0.13 per share.
- On 1 August 2020, Mr David Biggs was appointed to an executive role as CEO Australia to lead the Company's Perth-based Australian team focused on commercialising the West Erregulla gas field and developing complementary opportunities.
- In order rebalance its board after the appointment of Mr David Biggs to an executive role Mr Owain Franks, a member of the Warrego Board since 2011, elected to step down as an Executive Director of the Company effective from 1 September 2020. He will remain in the role of Chief Financial Officer responsible for finance, strategy and delivery.
- Effective 1 September 2020 Mr Kirkham stepped down as Company Secretary and Mr John Newman, Warrego's Perth-based General Counsel, was appointed to the role.
- The transfer of Warrego's Australian headquarters from Sydney to Perth was completed in August 2020. A new five year office lease agreement was signed on 16 July 2020 for Level 6 London House, 216 St Georges Terrace, Perth WA 6000. The Group recognised the right-of-use asset equal to the lease liability measured at a present value of \$473,498.
- Following a resolution by the Board, the Group has applied for voluntary deregistration of the two dormant subsidiary companies Warrego Energy (Operations) Pty Ltd and Warrego Energy (Investments) Pty Ltd in order to simplify its corporate structure.

## 28. CORPORATE INFORMATION

The financial report of Warrego Energy Limited for the period ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 29 September 2020.

Warrego Energy Limited is a public company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The directors have the power to amend and re-issue the financial report.

# DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



**Dennis Donald**

MANAGING DIRECTOR & CEO

29 September 2020

# AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT

To the members of Warrego Energy Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Warrego Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.





#### Material uncertainty related to going concern

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Evaluation and Exploration assets

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>As disclosed in note 8 of the financial report, the group has incurred significant exploration and evaluation expenditure which has been capitalised. The carrying value of exploration and evaluation assets is \$13,400,589 as at 30 June 2020 and represents a significant asset of the group. Accordingly, we considered it necessary to assess whether there are any indicators of impairment of these assets and that the costs capitalised meet the criteria for capitalisation within AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6. In particular:</p> <ul style="list-style-type: none"><li>• Whether the conditions for capitalisation are satisfied;</li><li>• Which elements of exploration and evaluation expenditures qualify for recognition; and</li><li>• Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.</li></ul> <p>As a result we have considered this a key audit matter.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"><li>• Obtaining a schedule of areas of interest held by the group and assessed whether the right to tenure was current;</li><li>• Considered the status of ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing forecast cash flows, ASX announcements and board minutes;</li><li>• Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year to ensure these costs were capitalised in accordance with the group accounting policy;</li><li>• Considered whether there are any other facts or circumstances that would suggest impairment testing was required; and</li><li>• Assessed the adequacy of the related disclosures in note 8 of the financial report.</li></ul>



#### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

#### **Report on the Remuneration Report**

##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 17 to 23 of the directors' report for the year ended 30 June 2020.



In our opinion, the Remuneration Report of Warrego Energy Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**

BDO  


Leah Russell  
Director

Sydney, 29 September 2020

# ADDITIONAL INFORMATION

Additional information included in accordance with Listing Rules of ASX Limited.

## 1. SHAREHOLDERS

### a) Distribution of share holder as at 6 October 2020

Fully paid ordinary shares

HOLDINGS RANGES	HOLDERS	TOTAL UNITS	%
1 - 1,000	471	192,150	0.020
1,001 - 5,000	783	2,222,293	0.270
5,001 - 10,000	443	3,539,083	0.430
10,001 - 100,000	1,392	56,322,803	6.780
100,001 - 1,000,000	486	144,706,639	17.420
1,000,001 - 9,999,999,999	78	623,861,141	75.090
<b>Totals</b>	<b>3,653</b>	<b>830,844,109</b>	<b>100.000</b>

There were 732 shareholders holding an unmarketable parcel of shares representing a cumulative total of 894,881 ordinary shares.

### b) Top twenty shareholders as at 6 October 2020

Fully paid ordinary shares

TOTAL SECURITIES OF TOP 20 HOLDINGS	NUMBER OF ORDINARY SHARES HELD	% OF SHARES HELD
Mr Duncan Macniven	143,994,473	17.331%
Mr Dennis Donald	143,994,473	17.331%
Citicorp Nominees Pty Limited	46,552,407	5.603%
Discovery Investments Pty Ltd	33,192,591	3.995%
Mr James Clarke	19,152,474	2.305%
Mr James Stuart Clarke	19,144,474	2.304%
Mr Owain Franks	14,512,723	1.747%
Brazil Farming Pty Ltd	14,219,325	1.711%
HSBC Custody Nominees	12,242,455	1.473%
J P Morgan Nominees Australia	8,863,333	1.067%
National Nominees Limited	8,491,907	1.022%
Rookharp Capital Pty Limited	8,000,000	0.963%
Mr Mark Routh	7,105,922	0.855%
Ms Anne Routh	7,008,142	0.843%
Stewart Macrae	6,582,604	0.792%
Alasdair Buchanan	5,583,569	0.672%
Mr David Casey	4,548,336	0.547%
Mr William David Copland & Mrs Susan Mary Copland	4,500,000	0.542%
BNP Paribas Nominees Pty Ltd	4,327,750	0.521%
James Brunton	4,252,225	0.512%
Jane Brunton	4,252,225	0.512%
<b>Total Securities of Top 20 Holdings</b>	<b>520,521,408</b>	<b>62.65%</b>
<b>Total of Securities</b>	<b>830,844,109</b>	

## 2. VOTING POWER

Option holders and employee share rights holders do not have voting rights. Ordinary shareholders have voting rights as follows:

- at meetings of members each member entitled to vote may vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorised;
- on a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote; and
- on a poll every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he or she is a holder.

## 3. SUBSTANTIAL SHAREHOLDERS

The ordinary securities held by substantial shareholders are as follows:

NAMES	NUMBER OF SHARES
Mr Duncan MacNiven	143,994,473
Mr Dennis Donald	143,994,473

## 4. UNQUOTED SECURITIES

The unquoted securities issued but not quoted as at 6 October are as follows:

DESCRIPTION	HOLDERS	TOTAL NUMBER
Fully Paid Ordinary Shares (unlisted), issued under the Employee Incentive Plan	12	750,000
Unlisted Options, expiry 31 May 2021, exercise price of \$0.124	10	6,726,000
Unlisted Options, expiry 21 July 2023, exercise price of \$0.28	3	9,999,999
Employee Share Rights Expiry 3 February 2023	1	631,874

## 5. ON-MARKET BUY-BACK

There is no current on-market buy back.

## 6. TENEMENTS LISTING

TENEMENT REFERENCE	LOCATION	NATURE OF INTEREST	INTEREST AT 30 JUNE 2020	
				GROSS ACRES
EP469	North Perth Basin Western Australia	Direct JV interest	50.0%	56,000
STP-EPA-0127 application	North Perth Basin Western Australia	Application	100.0%	2,200,000
Piedra Sola	Norte Basin, Uruguay	Via Schuepbach Energy Int. LLC	41.0%	2,525,000
Tesorillo <sup>^</sup>	Cadiz, Spain	Via Tarba Energia SRL	85.0%	68,800
Ruedalabola <sup>^</sup>	Cadiz, Spain	Via Tarba Energia SRL	85.0%	10,200
19-25-3W5M	Cardium, Alberta, Canada	Direct JV interest	40%	640

<sup>^</sup> 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.

## 7. CONTINGENT GAS RESOURCES (WARREGO SHARE)

### Reserves and Resources

Contingent resources (2C) were 43 million barrels of oil equivalent (mmboe) at the end of June 2020. 2C increased by 37 mmboe with the discovery/extension of the West Erregulla field in the Perth Basin.

<b>CONTINGENT RESOURCES (WARREGO SHARE)</b>		
ALL PROJECTS BY PRODUCT	GAS (bcf)	TOTAL (mmboe*)
Contingent resource (2C)	257	43
ALL PROJECTS BY REGION (mmboe)	PERTH BASIN	TOTAL
Contingent resource (2C)	43	43
<i>*Barrels of oil equivalent (boe) and cubic feet of gas equivalent (cfe) are calculated on an industry standard 6:1 energy equivalent basis. The ratio does not reflect the relative commercial value of gas and oil-condensate. Bcf – billion cubic feet; mmboe – million barrels of oil equivalent</i>		
2C CONTINGENT RESOURCES ANNUAL RECONCILIATION	PERTH BASIN GAS (bcf)	TOTAL (mmboe)
<b>30 June 2019</b>	<b>36</b>	<b>6</b>
Revision to previous estimates	-7	-1
Extension and discoveries	228	38
Acquisition and divestments	-	-
<b>30 June 2020</b>	<b>257</b>	<b>43</b>

### Oil and gas reserves estimation process

Warrego estimates and reports its petroleum resources in accordance with the definitions and guidelines of the Petroleum Resources Management System 2018, published by the Society of Petroleum Engineers (SPE PRMS).

The information in this report that relates to oil and gas contingent resource estimates at 30 June 2020 is based on information compiled or reviewed by Mr Peter Veenhof who holds a Drs degree in Geology from Utrecht University, and is a member of European Association of Geoscientists and Engineers. Mr Veenhof is EVP Joint Ventures of Warrego Energy and has worked in the petroleum industry as a practicing geologist for over 35 years. Mr Veenhof has consented to the inclusion in this report of matters based on his information in the form and context in which it appears.

# CORPORATE DIRECTORY

## DIRECTORS

Greg Columbus	Non-executive Chairman
Dennis Donald	Managing Director, Group Chief Executive Officer
Mark Routh	Non-executive Director
David Biggs	Executive Director – CEO Australia

## COMPANY SECRETARY

John Newman

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Sydney NSW 2000  
ASX Code: WGO

## AUDITOR

BDO  
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Sydney NSW 2000

## WARREGO ENERGY LIMITED

ACN 125 394 667

An aerial, high-angle photograph of an industrial facility, likely a refinery or chemical plant. The image shows a complex arrangement of large cylindrical storage tanks, rectangular processing units, and a network of pipes and walkways. The ground is a mix of dark asphalt and lighter-colored dirt or gravel. The overall tone is dark and industrial, with a focus on the scale and complexity of the infrastructure.

**POSITIONING  
FOR PRODUCTION,  
PREPARING  
FOR GROWTH.**

**WARREGOENERGY.COM**