

A N N

U A L

R E P

O R T

2021



warrego
energy

**C O N
T T N
T S**



| | |
|--------------------------|----|
| SOLID FOUNDATIONS | 01 |
| CHAIRMAN'S REPORT | 03 |
| CEO REPORT | 07 |
| OUR BOARD | 13 |
| FINANCIAL REPORT | 15 |

F O U N D A T I O N S



SOLID FOUNDATIONS



EXPERIENCED TEAM

Board and Management team with extensive domestic and international E&P experience, including onshore Perth Basin, with significant shareholdings that give them 'skin in the game'



FOCUSED APPROACH

Focused on onshore gas projects with low development risk, access to high value markets, and ability to generate strong cash flows



PATHWAY TO PRODUCTION

Warrego offers exposure to the development-ready West Erregulla gas field, with low capital intensity in a market with rising gas prices



SUBSTANTIAL UPSIDE POTENTIAL

Exciting exploration potential in EPA-0127, potentially the largest onshore Perth Basin exploration permit, with highly prospective opportunities in EP469 close to West Erregulla

C H A I R M A N ' S R E P O R T

G R E G C O L U M B U S

DEAR SHAREHOLDERS,

Another year has passed and I take this opportunity to reflect upon the short and very eventful journey which Warrego has had as an ASX-listed company. It is only 30 months since Warrego Energy listed in order to progress our ambitions in the Perth Basin. In that time we have made a major gas discovery at West Erregulla-2, embarked on a three well appraisal campaign, grown our market cap and analyst coverage, and entered the ASX All Ordinaries index.

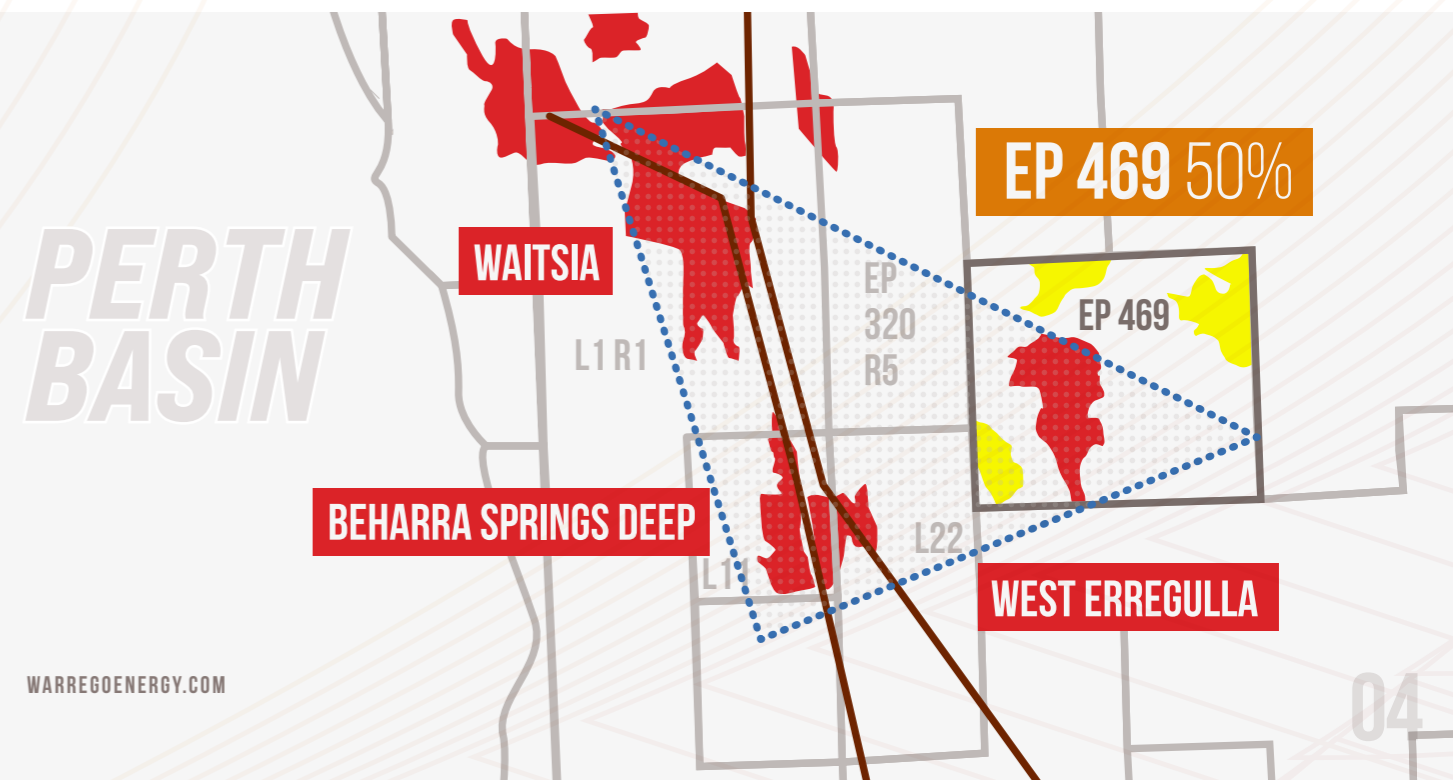
Our focus and vision are very clear: to continue to grow the company and become a profitable and meaningful supplier of natural gas in the Australian market in a green, clean, and sustainable way.

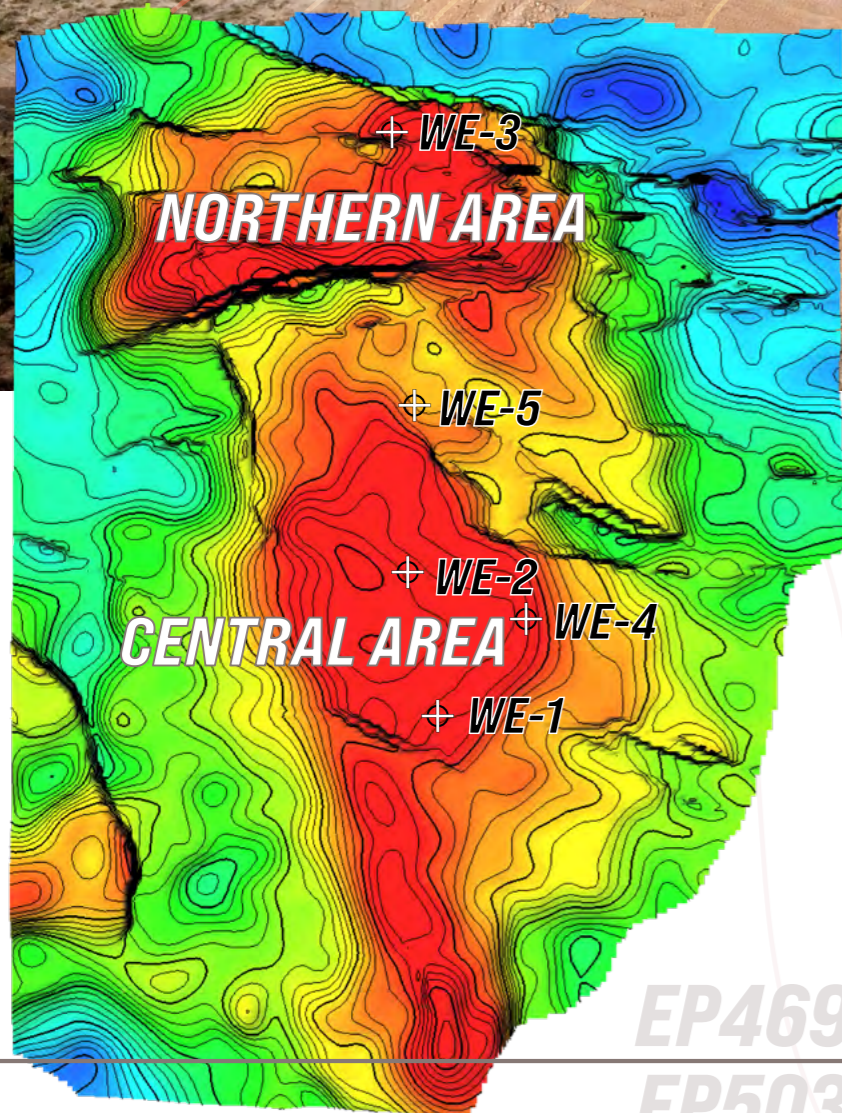
While finding and commercialising natural gas resources is becoming more complex, the role of natural gas as a transition fuel which enables a low carbon economy is becoming increasingly important. With demand for this natural resource growing, Warrego's strategy is simple. We aim to build a portfolio of quality exploration assets, continue to increase our reserves and resources, and materially increase our market capitalisation over the next three years. To do this we are:

- Working to commercialise the West Erregulla Gas Field;
- Evaluating and appraising existing exploration assets in our portfolio as a high priority, and farming out where appropriate;
- Screening the acquisition of new onshore properties to add to our exploration and development portfolio;
- Developing our resources and operating capabilities in parallel with the company's expansion; and
- Progressing carbon and emissions management opportunities.

"WE AIM TO BUILD A PORTFOLIO OF QUALITY EXPLORATION ASSETS, CONTINUE TO INCREASE OUR RESERVES AND RESOURCES"

To support these activities, we issued new equity in FY21 principally to fund West Erregulla appraisal drilling, long lead items for the West Erregulla gas processing plant and upstream infrastructure. The overwhelming support of existing and new shareholders in a COVID-affected economy was remarkable and reflects market recognition of the vital role West Erregulla will play in providing gas to a tightening WA market and the future growth potential of Warrego. We thank those new and existing shareholders for your ongoing support.





EP469
EP503

The onshore Perth Basin continues to be one of the most sought-after oil and gas exploration and production addresses in Australia.

Warrego is fortunate to have a 50% interest in EP469 (having been the permit holder of the block since 2007) and a 100% interest in EPA-0127, potentially the largest onshore block in the basin.

Our approach remains to first understand the science, and then share the story. This allows us to be straight forward and transparent to our stakeholders so that customers, partners, suppliers, regulators, the community, and investors can be confident working with and investing in Warrego. We have built a strong technical team in Perth and will continue to grow our capabilities in line with our commitments and aspirations.

“YOUR BOARD REMAINS FOCUSED ON CREATING LONG TERM VALUE FOR SHAREHOLDERS, AND NO DOUBT FY22 WILL BE AS EVENTFUL AS THE PREVIOUS FINANCIAL YEAR WITH A BACKDROP OF RISING GAS PRICES LOCALLY AND INTERNATIONALLY.”

FY21 was also a landmark year for investor expectations, particularly Environment, Social and Governance (ESG) issues.

While the safety and health of our people has always been paramount, respect for the environment has also been a cornerstone

“WHILE THE SAFETY AND HEALTH OF OUR PEOPLE HAS ALWAYS BEEN PARAMOUNT, RESPECT FOR THE ENVIRONMENT HAS ALSO BEEN A CORNERSTONE OF OUR CULTURE”

of our culture. The additional emphasis on carbon management and decarbonisation comes at an opportune time for Warrego, helping us shape our evolving strategy as an explorer and gas producer.

Warrego’s current emissions are negligible. Nevertheless, we are evaluating a range of carbon initiatives that will help Warrego minimise and offset emissions for any future developments and provide a timeframe and mechanism to achieve carbon neutrality.

Your Board remains focused on creating long term value for shareholders, and no doubt FY22 will be as eventful as the previous financial year with a backdrop of rising gas prices locally and internationally.

There remains a number of challenges before us, not least the COVID-19 pandemic, but with the ongoing support of our shareholders we will deliver our objectives and lay a foundation for future growth.

I would also like to thank my fellow Directors, our management team, staff and contractors for their hard work and perseverance. Finally, a sincere thank you to all our shareholders who are supporting this exciting journey and I look forward to further success in the year ahead.



GREG COLUMBUS
CHAIRMAN

C E O R E P O R T

D E N N I S D O N A L D

WHILE THE KEY OPERATIONAL FOCUS FOR WARREGO IN FY21 WAS UNDOUBTEDLY THE APPRAISAL AND DEVELOPMENT OF THE WEST ERREGULLA GAS FIELD, THE HEALTH AND SAFETY OF OUR PEOPLE AND RESPECT FOR THE ENVIRONMENT HAVE ALWAYS BEEN OUR HIGHEST PRIORITIES.

I'm pleased to report that there were no fatalities, no lost time incidents, no reportable environmental incidents, and no cases of COVID-19 among our workforce in FY21.

Importantly, the year also saw us make great advances in three areas that will prepare the Company for the next stage of growth beyond West Erregulla.

“WE COMMENCED WORK ON A RANGE OF CARBON INITIATIVES THAT WILL LIKELY FORM THE CENTREPIECE OF WARREGO’S CARBON MANAGEMENT AND EMISSIONS STRATEGY”

First, we made excellent progress on EPA-0127, outlining an exploration plan for this exciting acreage and a path to convert it to an exploration permit in 2022.

Second, we commenced work on a range of carbon initiatives that will likely form the centrepiece of Warrego’s carbon management and emissions strategy.

Third, we began a process to unlock value from our assets in Spain which will free up additional capacity that can be applied to EPA-0127 and other onshore opportunities in Australia.



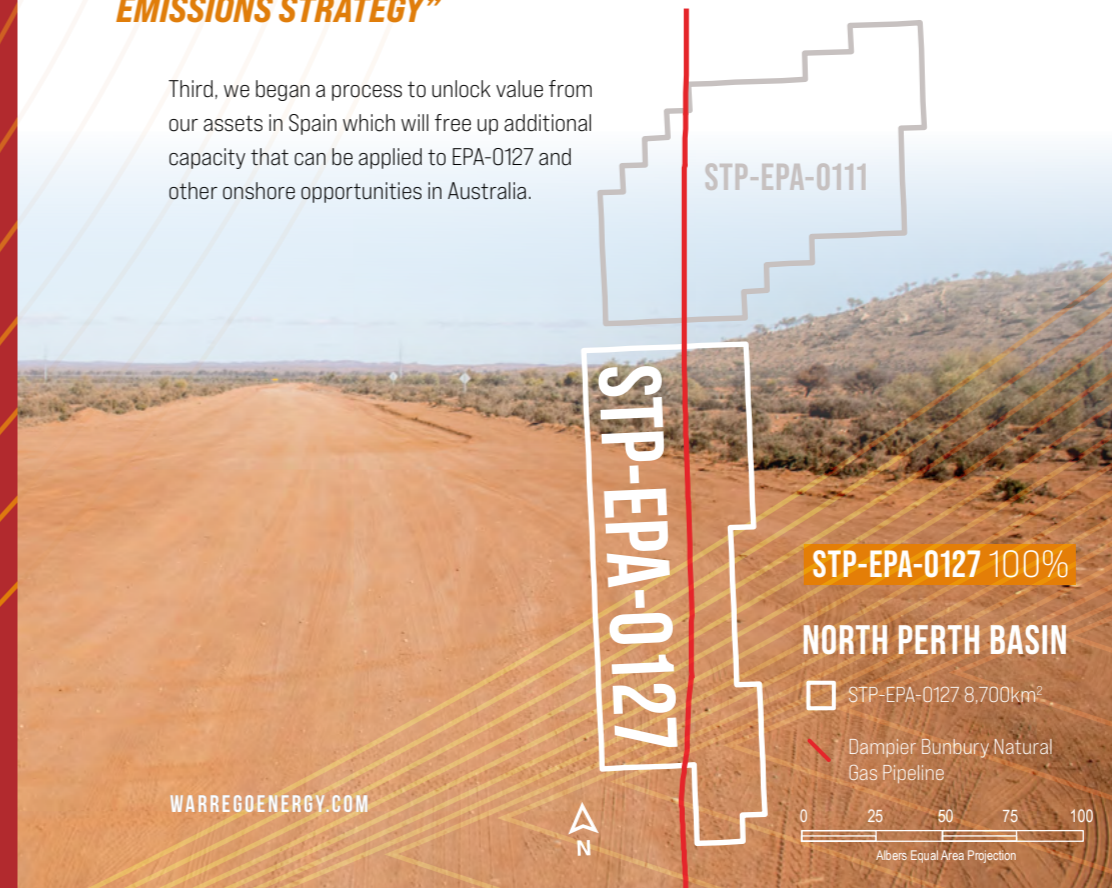
0
LOST TIME INCIDENTS

69 MMscf/d
WE-2 MAX FLOW RATE

35 MMscf/d
WE-4 MAX FLOW RATE

100%
INTEREST AND OPERATOR OF EPA-0127

8,700 km²
EPA-0127 PERMIT AREA



The independent Reserves certification of West Erregulla by NSAI in October 2021¹ strongly correlates with the initial Resources certification that RISC Advisory completed for Warrego in May 2020², further enhancing our confidence in the production potential of the asset.

WEST ERREGULLA APPRAISAL CAMPAIGN

The EP469 Joint Venture (JV) (Warrego 50% interest) commenced a three-well appraisal drilling campaign in September 2020 with West Erregulla-3 (WE-3) in the northern area of the field.

300 PJ

OF GAS (GROSS) – CERTIFIED 2P RESERVES

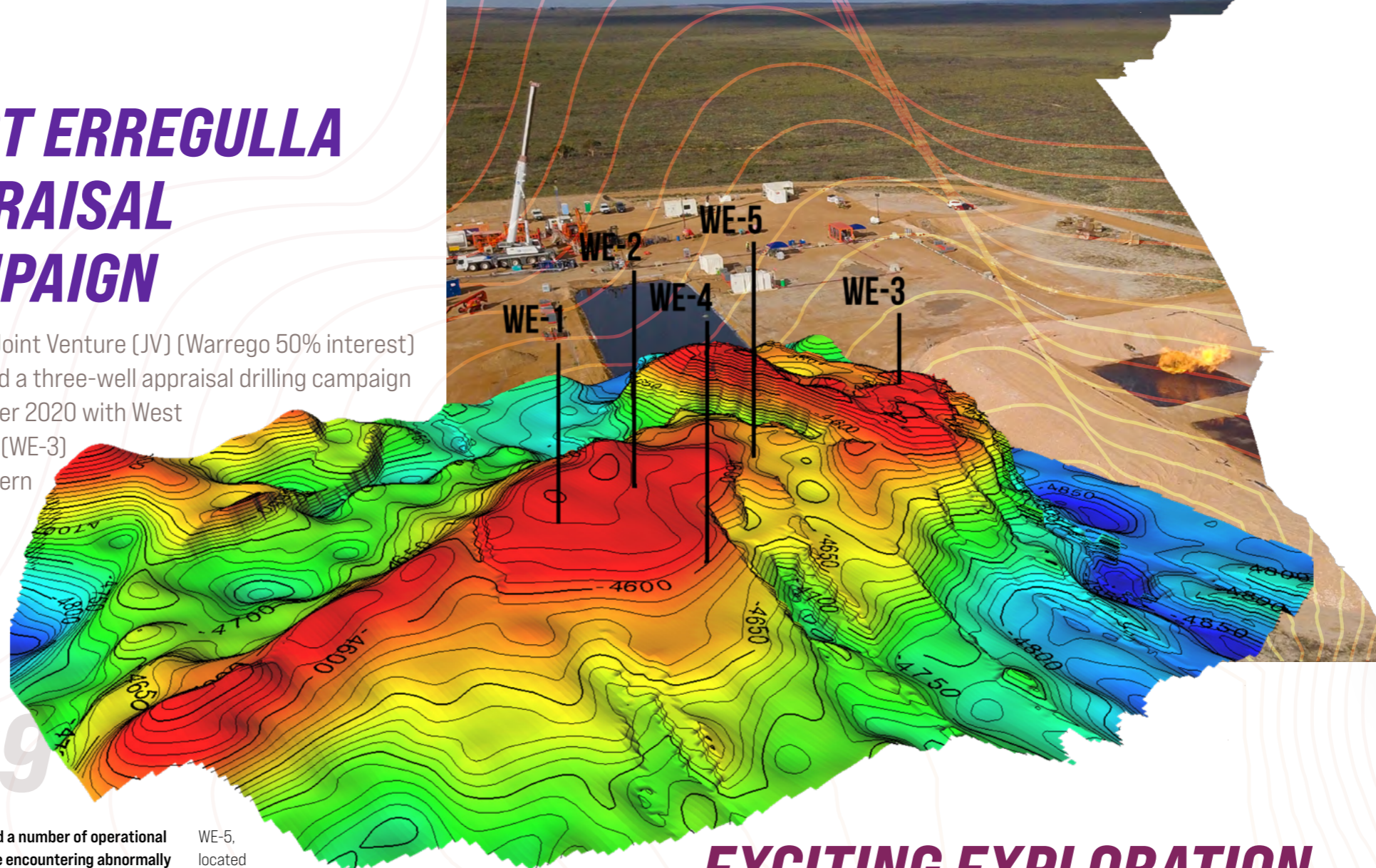
128 PJ

OF GAS (GROSS) – CERTIFIED 2C CONTINGENT RESOURCES

198 PJ

OF GAS (GROSS) – CERTIFIED 2U PROSPECTIVE RESOURCES

EP 469



WE-3 experienced a number of operational difficulties before encountering abnormally overpressured gas at 4,294m MDRT. The well was temporarily suspended in January 2021 and the rig moved to the WE-4 location. The JV will complete further analysis and engineering prior to returning to re-enter the well in FY22.

Warrego worked closely with the Operator to improve well design and drilling performance on WE-4 and WE-5. Experienced Perth Basin drilling consultants were added to the team for WE-4, a step-out well in the Central Area, and the well reached TD at 5,069m MDRT in April 2021. Kingia gross thickness was 155m, net pay was 28m with average porosity of 11%. Flow test results were consistent with the high rates achieved at WE-2, with a maximum rate of 35 MMscf/d achieved from a 75m interval in the Kingia Porous formation in July 2021. This is an excellent result for a flank well.

“WARREGO WORKED CLOSELY WITH THE OPERATOR TO IMPROVE WELL DESIGN AND DRILLING PERFORMANCE ON WE-4 AND WE-5”

WE-5, located towards the northern extent of the Central Area, incorporated a standard three-stage well design proposed by Warrego and TD was achieved at 5,015m MDRT ahead of time and under budget in June 2021. Kingia gross thickness was 183m and net pay was 32m with average porosity of 10%. In August 2021, flow rates were hampered by a possible well skin barrier formed as a result of the drilling mud and a compromised cement job. These factors could not be overcome by prolonged testing and the well was suspended pending re-testing.

WE-4 and WE-5 have been completed for future production, and it is anticipated that WE-3 will be completed for production in the first half of 2022 making a total of four production wells. The EP469 JV is also evaluating the benefits of an additional well, WE-6, possibly to be drilled in late FY22 or FY23.

EXCITING EXPLORATION POTENTIAL

Warrego holds a 100% interest and is the Operator of the largest onshore Perth Basin exploration permit application. At 2.2 million acres (8,700 km²), EPA-0127 extends across the Coolcalalaya sub-basin that links the Perth and Carnarvon basins and is relatively unexplored.

Extensive Permian (“Waitsia” sequence and equivalent) sediments are predominant over the eastern portion of the permit area and structures have been identified that are potential analogues to Waitsia and West Erregulla. Available data suggests the potential for gas and liquid hydrocarbons.

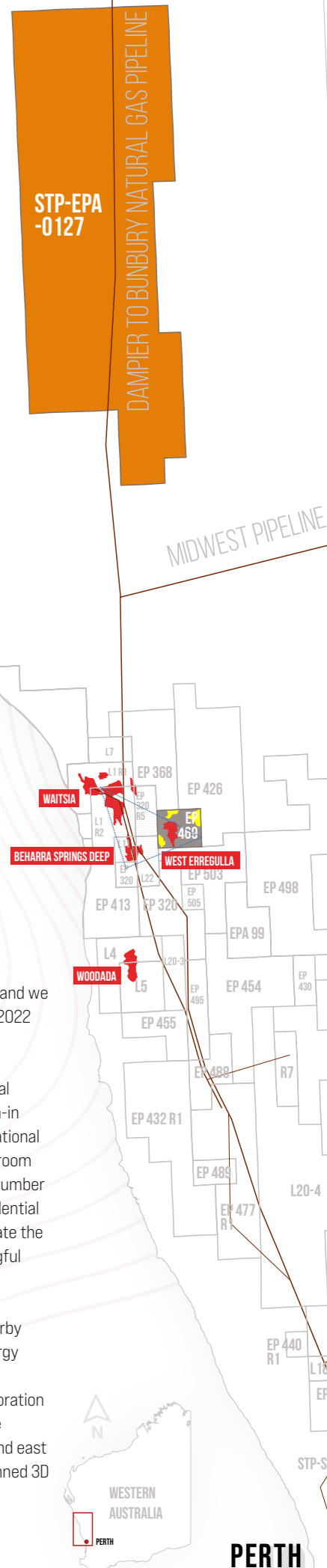
Warrego has submitted a work program and budget for review by the WA Department of Mines, Industry, Regulation and Safety and Native Title negotiations are at an advanced stage. EPA-0127 is the

most likely source of future growth for Warrego and we are targeting permit approval in the first half of 2022 once all requirements have been fulfilled.

“THE EXCITING EXPLORATION POTENTIAL AT EPA-0127 HAS GENERATED FARM-IN INQUIRIES FROM A RANGE OF INTERNATIONAL AND DOMESTIC COMPANIES.”

The exciting exploration potential at EPA-0127 has generated farm-in inquiries from a range of international and domestic companies. Data room access has been provided to a number of interested parties on a confidential basis and Warrego may accelerate the farm-in process should meaningful offers be received.

In addition, the discovery at nearby Locker Deep-1 by Norwest Energy in September 2021 is extremely encouraging for the future exploration potential of multiple leads in the remaining two-thirds of the block to the north and east of West Erregulla, which will be covered by a planned 3D seismic survey in FY22.



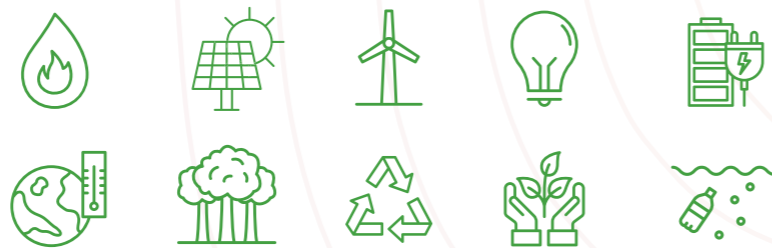
¹ Announced via the ASX on 11 October 2021, “West Erregulla Independent Reserves Certification”
² Announced via the ASX on 18 May 2020, “Certification confirms West Erregulla 2C of 513 Bscf gross”

AN ESG PLATFORM FOR THE FUTURE

The push to decarbonise the global economy in the face of climate change is gaining support among governments, investors and customers around the globe. Warrego recognises this trend and acknowledges the key role natural gas will play as economies transition energy supply from traditional sources to renewables.

Warrego's evolution from explorer to producer will require us to develop systems to effectively manage carbon emissions (currently negligible). The Company is ensuring it is prepared for a rapid growth phase by developing a flexible and scalable carbon strategy that can be adapted to exploration, appraisal and production activities. In line with our role as the Operator of EPA-0127, we are currently evaluating a range of carbon initiatives that will help Warrego minimise and offset future emissions.

Warrego is taking a considered approach to its ESG program and as we progress our strategy we will ensure that any ESG initiative adds value.



UNLOCKING VALUE FROM SPAIN

Consistent with our aim of shifting the Company's focus to onshore Australia, we are pursuing opportunities to unlock value from our Spanish exploration and energy assets in order to enhance our development and exploration activities in the Perth Basin.

Warrego is in advanced discussions with various UK and European entities interested in acquiring all or part of our Spanish asset portfolio and we anticipate an outcome before the end of calendar year 2021.



A POSITIVE OUTLOOK

With the commercialisation of natural gas from West Erregulla imminent, and the exciting exploration potential within EPA-0127 and EP469, Warrego's growth prospects are gaining traction.

We anticipate activity levels to remain high over FY22 and our small, flexible and dedicated team of staff and contractors will be fully engaged with the exciting work program ahead. I would like to thank them, our Board and our shareholders for their support and commitment throughout FY21 and look forward to further success in FY22 and beyond.

DENNIS DONALD
GROUP CEO & MANAGING DIRECTOR

Our focused strategy is built around creating value for shareholders through the delivery of high value, low risk onshore gas projects with complementary ESG outcomes and these assets meet that requirement.

“OUR FOCUSED STRATEGY IS BUILT AROUND CREATING VALUE FOR SHAREHOLDERS THROUGH THE DELIVERY OF HIGH VALUE, LOW RISK ONSHORE GAS PROJECTS”

O U R B O A R D



A STRONG BOARD
WITH TECHNICAL AND
COMMERCIAL STRENGTH
AND EXPERIENCE



GREG COLUMBUS

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



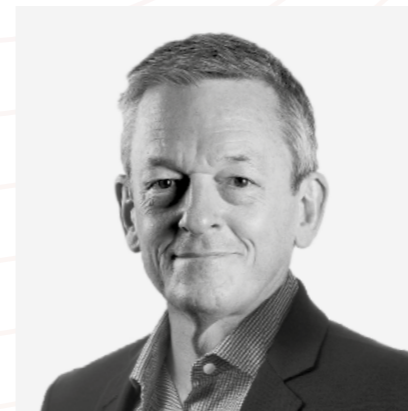
DENNIS DONALD

Group CEO
& Managing Director



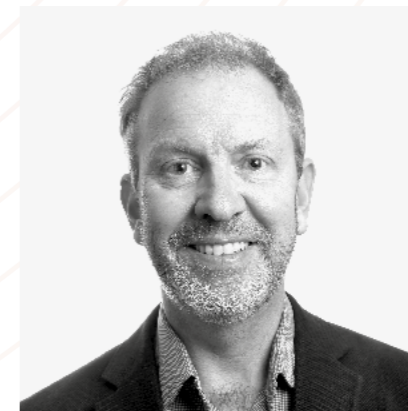
DAVID BIGGS

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

**F I N
A N C
I A L
R E P
O R T**

| | |
|--|----|
| DIRECTORS' REPORT | 17 |
| AUDITOR'S INDEPENDENCE DECLARATION | 33 |
| CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 34 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 36 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 37 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 38 |
| NOTES TO THE FINANCIAL STATEMENTS | 39 |
| DIRECTORS' DECLARATION | 63 |
| AUDITOR'S REPORT | 64 |
| ADDITIONAL INFORMATION | 68 |
| CORPORATE DIRECTORY | 71 |

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 2021.

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 | Group Chief Executive Officer & Managing Director |
| Mark Routh | Non-executive Director |
| David Biggs | Executive Director – CEO Australia (Non-executive Director prior to 1 August 2020) |
| Owain Franks | Executive Director - Finance, Strategy & Delivery (resigned as Executive Director 1 September 2020, now President Europe) |

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 \$6,386,088 (2020: \$4,488,104). There was no impairment expense arising during the year or prior year.

FINANCIAL POSITION

The Group's total assets increased to \$75,597,597 (2020: \$37,519,163), mainly as a result of exploration expenditure in EP469 of \$36,289,377 (2020: \$9,010,548) and capital raisings (net of costs) totalling \$34,103,348 (2020: \$23,559,086). Total liabilities increased to \$12,048,742 (2020: \$2,845,032) mainly due to increased trade and other payables of \$4,379,564, lease liabilities of \$411,012 and provision for well restoration of \$1,273,249 associated with EP469.

REVIEW OF OPERATIONS

The financial year ended 30 June 2021 (FY21) was a year of significant achievement and progress for Warrego Energy. The organisation restructure, which refocused the company's resources on its exciting and valuable Australian assets, was completed in August 2020 with the appointment of David Biggs as CEO Australia and streamlining of the Warrego Energy Board.

Importantly, the company made substantial progress in the appraisal of its primary asset, the West Erregulla gas fields in EP469, onshore Perth basin, Western Australia, and achieved a number of key milestones in the development of the West Erregulla Gas Project.

AUSTRALIA

Western Australia Domestic Gas Market

With EP469 located some 320km north-east of Perth, and situated adjacent to both major gas pipelines, the Western Australia (WA) domestic gas market presents a large and mature customer base with a relatively low barriers to entry.

WA gas demand remains robust and the gap between supply and demand is forecast to widen due to a number of factors including:

- The decline of production from the North-West Shelf; and
- Major offshore gas projects being delayed.

Based on available information, Warrego anticipates that the forecast supply-demand gap will widen from 2025 onwards.

Spot prices in WA have risen steadily from just over \$2/GJ in July 2020 to more than \$5/GJ in July 2021. In Warrego's favour, potential competitors in the Perth Basin are planning to export gas offshore or use it as feedstock for complex industrial developments. As a result, Warrego is increasingly well positioned to sell its share of West Erregulla gas into a high demand market.

EP469 (50%) WEST ERREGULLA GAS FIELDS, ONSHORE PERTH BASIN, WESTERN AUSTRALIA

WEST ERREGULLA GAS FIELDS APPRAISAL CAMPAIGN

The appraisal of the West Erregulla gas field was a high priority in FY21 and the EP469 JV committed to a three well drilling campaign in order to prove up reserves. The wells would also be completed as future production wells for Phase 1 of the West Erregulla Gas Project.

WE-3 Appraisal Well

The WE-3 appraisal well is located in the Northern Area of the West Erregulla field which is believed to be separated from the Central Area by reservoir faulting. The first well of the three-well campaign, WE-3 was spudded on 22 September 2020 after a successful and safe mobilisation of Ensign Rig 970.

The well encountered geological formations on prognosis and consistent hydrocarbon shows were observed throughout the Dongara and upper Wagina sandstones as expected, although drilling progress was slow due to drilling mishaps which required three remedial sidetracks.

Whilst drilling through the upper section of the Carynginia formation at 4,294m MDRT, over-pressured gas was encountered that had the potential to exceed the design limits of the well. The JV reached the view that additional well engineering, materials procurement and specialist equipment would be required in order to drill ahead safely and the well was temporarily suspended on 4 January 2021 with a cement plug set at 3,537m MDRT.

Following a comprehensive review of WE-3 operations and data by both JV partners and external consultants, the JV has agreed that the well can be safely re-entered after modifications to the drilling rig and a modified well design. The procurement of specialised long lead items and rig contracting commenced in the first quarter of FY22 with re-entry operations expected to occur in the second half of FY22.

WE-4 Appraisal Well

The WE-4 well is a step out appraisal well drilled down-dip on the south-eastern flank of the Central Area of the West Erregulla gas field. The well was drilled and completed over an 87-day period, representing a significant improvement in drilling performance and budget compared to earlier wells. This was due in part to the inclusion of, for the first time, experienced Perth Basin drilling consultants in the drilling team for the duration of the well.

In April 2021, WE-4 reached TD at 5,069m MDRT after encountering the Kingia formation at 4,827m MDRT, some 19m higher than prognosed. Kingia gross thickness was 155m, net pay was 28m with average porosity of 11%, and pressure of 6,821 psia at 4,898m MDRT. Cores were taken in the Kingia and High Cliff formations and lab results confirmed excellent reservoir properties in the Kingia. The well was cased and completed for future production.

The WE-4 flow test commenced in May over a 75m perforation between 4,847m and 4,962m MDRT. The clean-up of the well was paused due to the presence of sand in the production stream. The Kingia was identified as the source of the sand, which may have resulted from the large perforation or indicate a friable formation. Little to no sand production was observed at WE-2 during the flow test, although some of the Waitsia wells have seen minor sanding issues. Additional specialist equipment was required to handle sand production before testing could recommence.

The new equipment arrived at the end of June and on 10 July, after a 46-hour flow period, WE-4 achieved a sustained gas flow rate of 35 MMscfd through a 76/64" choke at ~1,770 psig FTHP and produced low salinity water at a rate of 1,365 bbl/d. Gas composition was approximately 6% CO₂. This is an excellent flow test result for a flank well and strongly correlates with the WE-2 discovery well located on the crest of the Central Area.

WE-5 Appraisal Well

The WE-5 appraisal well was spudded on 8 May 2021. The well is located to the north of the Central Area between WE-2 and the fault that divides the Central from the Northern Area of the field. The well was drilled and completed in 57 days, the well reached TD at 5,015m on 20 June 2021 and was under budget, reflecting the advantage of the new three-stage well design proposed by Warrego and used by most Perth Basin drilling teams. The use of experienced Perth Basin drilling consultants continued.

The top of the highest quality section of the primary target, the Kingia Porous Sandstone, was intersected 4m higher than the Operator's prognosis at 4,771m MDRT. The initial Kingia results are in line with expectations and confirm the presence of a high-quality gas resource. Kingia gross thickness was 183m and net pay was 32m with average porosity of 10%. After logging and coring the Kingia and High Cliff formations, the well was cased and completed for future production.

Subsequent to the end of FY21, flow testing at WE-5 commenced on 26 July 2021. The well was perforated in two separate zones over a combined 31m interval in the Kingia Sandstone between 4,840m and 4,874m MDRT (4,613m and 4,647m TVDSS). After an extended clean-up period and prolonged flow test, it was determined that the reservoir was unable to overcome a production barrier thought to be well bore skin caused by filtrate from drilling mud invasion and cement resulting from a sub-optimal cement job.

The primary flow period was conducted over 77 hours. An instantaneous flow rate of 13.1 MMscf/d was achieved while a sustained rate of 5.1 MMscf/d was measured through a 64/64" choke with 260 psig FWHP. Associated water was produced at less than 5.9 bbls/MMscf on average. Gas flows were measured down to 4,670m TVDSS although, due to the compromised flow test, there was no conclusive evidence as to the source of the produced water.

The JV plans to recomple WE-5 and undertake further flow testing well before the end of calendar year 2021. After recompletion and flow testing, a PLT test will be run to determine the gas and water contributions from each perforated zone.

WEST ERREGULLA GAS PROJECT DEVELOPMENT ACTIVITIES

FY21 was an important period in the development of the West Erregulla gas fields with Warrego playing a leading role in the delivery of major project milestones. Warrego's highly experienced Perth-based team successfully executed a strategy that provided the commercial underpinnings for field development and delivered a large scale, long-term gas sales agreement with a Tier 1 customer.

Long Term Gas Sale Agreement

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 the project receiving a positive investment decision by the Warrego Board. The significant size and term of the foundation GSA with Alcoa underpins the development of the field and is such that Warrego does not need to secure additional GSAs to support an investment decision being made.

Gas sales to Alcoa will utilise almost 70% of the processing capacity of the proposed West Erregulla gas processing facility. This production quantity is far in excess of Warrego's 50% participating interest share and necessitated the JV putting gas balancing arrangements in place to enable Warrego to overlift significant quantities of gas to meet its sales commitment to Alcoa. The gas balancing arrangements will also enable Warrego's JV partner to overlift in the short period prior to Alcoa gas sales commencing in January 2024. Importantly, 100% of Warrego's share of Phase 1 revenue from 1 January 2024 is derived from Alcoa gas sales.

Warrego's success in negotiating a GSA with Alcoa demonstrates not only its gas marketing capabilities in securing the business on attractive terms as part of a competitive tender process, but also positions it as a serious emerging player in the Western Australian gas market.

West Erregulla Field Development

Following Warrego's GSA with Alcoa, which provided the commercial underpinnings for the proposed West Erregulla Gas Project, Warrego and its joint venture partner executed a binding Heads of Agreement (HoA) on 8 October 2020 to ensure both parties are aligned on the development of the West Erregulla gas field. The HoA provides an agreed pathway for the development of West Erregulla including:

- Gas processing and a Phase 1 capacity of up to 87 TJ/d delivered to the Dampier to Bunbury Natural Gas Pipeline (DBNGP);
- Gas balancing and gas sales arrangements to align the interests of both JV partners with respect to the difference in total contracted volumes and contract commencement dates for their respective foundation gas sales agreement; and
- Agreement to proceed to a Phase 2 development subject to market and the results of a feasibility study.

The Australian Gas Infrastructure Group (AGIG) is the preferred proponent to build, own and operate the facility and FEED studies for the 87 TJ/d plant have been completed. Negotiations with AGIG to agree terms for Phase 1 plant construction and associated gas processing services are at an advanced stage.

Netherland Sewell & Associates (NSAI) has been engaged on behalf of the joint venture to independently certify the West Erregulla field reserves post the completion of WE-5 (see below).

Warrego's Board is targeting an investment decision in calendar year 2021 once reserves certification is completed and project financing arrangements are finalised. Warrego anticipates first gas production from West Erregulla in mid-2023.

Subsequent to the end of FY21, Warrego commenced payments to AGIG in July 2021 for long lead items (LLIs) to enable procurement to commence for the construction of the 87 TJ/d gas processing facility. Commencing procurement of LLIs will enable Phase 1 of the Project to maintain its targeted first gas date in mid-2023.

Work on JV funded upstream infrastructure is also progressing and the JV is nearing finalisation of FEED for the gathering system and upstream gathering compound which will transport gas from the West Erregulla Field to the AGIG gas processing plant.

Work in preparation for conversion of EP469 to a Production Licence (PL) progressed and the JV partners have agreed to lodge the Production Licence application once an investment decision is taken for the development of the field.

Independent Certification of West Erregulla Reserves & Resources

Warrego published a 2C Contingent Resource for the Central Area of the West Erregulla field of 513 billion cubic feet (gross)¹, referencing lowest known gas, which was independently certified by RISC Advisory Pty Ltd. In contrast, our JV partner in EP469 published an internal estimate of 2C Contingent Resources for the whole West Erregulla field of 1,185 billion cubic feet (gross)².

NSAI has been appointed by the EP469 JV to provide independent reserves certification for the West Erregulla gas fields, incorporating the latest data from the WE-4 and WE-5 flow tests, lab results and volumetric modelling. This work is expected to be completed in late September/early October 2021.

Based on appraisal results to date, Warrego anticipates having reserves and resources to underpin an investment decision for the West Erregulla Gas Project.

Project Finance

Warrego is in advanced discussions with banks to form a "banking club" to provide project finance of up to \$75 million for its 50% share of Phase 1 of the West Erregulla Gas Project. The banking club will provide both JV partners with identical project finance packages on a several basis.

Warrego's financing is underpinned by the Alcoa GSA. Once terms are agreed, and following the receipt of reserves certification from NSAI, the parties will proceed with technical and legal due diligence and progress with the project facility documentation in FY22. Warrego anticipates that funds will become available once the project receives EPA permit approval, anticipated in the first half of calendar year 2022.

FURTHER EXPLORATION

The EP469 JV has agreed to undertake a 3D seismic survey over the remaining two-thirds of the permit that is unmapped to provide better definition and enhanced subsurface data over a number of undrilled prospects with potential for tie-in to the West Erregulla Gas Project at some stage in the future.

The primary prospects lie to the north, up dip from West Erregulla, in Permian structures similar to Waitsia and West Erregulla. Processing of the 3D seismic is expected to be completed by mid-2022. Scheduling is yet to be confirmed but could commence in the second half of calendar year 2021.

STP-EPA-0127 (100%, OPERATOR) ONSHORE PERTH BASIN, WESTERN AUSTRALIA

STP-EPA-0127 covers a highly prospective region at the far northern extent of the onshore Perth Basin. At 2.2 million acres (8,700km²), STP-EPA-0127 is the largest exploration permit located onshore Western Australia. The permit area is located 130km north of the Waitsia and West Erregulla fields in the Coolcalalaya Sub-basin with excellent proximity to pipeline infrastructure.

STP-EPA-0127 covers a relatively unexplored link between the Perth and Carnarvon Basins. Data gathered to date suggests excellent potential for gas and liquid hydrocarbons. Technical work undertaken during the year has produced encouraging indications regarding the preliminary assessment of geological features favourable for potential hydrocarbon capture, and a number of West Erregulla-size prospects and leads have been identified.

A draft conventional (six-year) work program encompassing environmental and heritage assessment, stakeholder engagement and exploration activity is being finalised for submission to the Department of Mines, Industry Regulation and Safety "DMIRS". The proposed exploration activities are planned to target similar conventional Permian sequences to those encountered at West Erregulla and Waitsia, as well as investigating the full potential of deeper and older hydrocarbon prospectivity.

Native Title negotiations have recommenced following the lifting of COVID-19 restrictions in WA, which restricted travel to regional areas, and are making good progress. A Native Title agreement is the final requirement before DMIRS can issue the exploration permit in 2022.

Farm-in Interest

The number of Waitsia/West Erregulla-sized prospects situated in the permit with the possibility of yielding gas or liquid hydrocarbons is generated growing interest among a range of potential partners. During the September quarter Warrego received farm-in inquiries related to EPA-0127. The Company agreed to provide data room access to interested parties on a confidential basis.

SPAIN

In line with its commitment to unlock value from its Spanish exploration and energy assets, Warrego is in discussions with various entities interested in acquiring all or part of its holdings in the Tesorillo and El Romeral projects.

EL ROMERAL (50.1% INTEREST IN OPERATOR³), ONSHORE SEVILLE REGION

El Romeral is an integrated gas production and power station operation located on 76,000 acres in the Guadalquivir basin, southern Spain, immediately east of Seville. El Romeral comprises three production licences, a 100%-owned 8.1 MW power station supplied by three producing wells. There are 13 prospects and multiple low-cost development opportunities with the potential to significantly increase gas production, electricity generation and revenue.

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

Subsequent to 30 June 2021 Warrego has agreed with its partner Prospec Energy plc a cost-effective operations enhancement programme to increase gas and electricity production to capitalise on strong electricity market conditions in Spain. We anticipate being able to further employ additional generation capacity to deliver additional electricity into the grid by end of Q1 22 on the back of increased gas production.

During the year, approvals from the national government and the Andalucian Regional Administration were received and the acquisition was formally completed on 28 February 2021.

The transition to a new governance and management structure has been completed with particular focus on health and safety at the El Romeral facility. A technical committee has been established to manage and coordinate local Spanish operations and key management activities. An application to extend the Romeral production licenses was submitted to the regulator during the fourth quarter of FY21.

TESORILLO (85% OWNERSHIP OF OPERATOR AND PERMITS), ONSHORE CADIZ PROVINCE

The Tesorillo Project in the Cadiz province of Southern Spain comprises two petroleum exploration licences, the Tesorillo and Ruedalabola Permits, that together cover 94,000 acres and include a known gas discovery at the El Almarchal-1 well. Tesorillo is estimated to contain 830 Bcf gross unrisked prospective resources on a best estimate basis⁴ and has excellent proximity to pipelines and infrastructure.

Warrego's UK team continued to liaise with various government agencies to progress drilling approvals. Warrego is targeting conventional sandstone reservoirs. An application for progression to a production permit for Tesorillo was submitted to the Ministry along with a field development plan for approval during the fourth quarter. There are no financial or drilling commitments attached to the permit.

¹ 'Certification confirms West Erregulla 2C of 513 Bcf gross', announced by WGO via the ASX on 18 May 2020

² 'West Erregulla Resource Statement', announced by STX via the ASX on 11 November 2019

³ Warrego holds 50.1% of the shares in the Operator of the project, Tarba Energia SL (Tarba). AIM-listed Prospec Energy PLC holds the remaining 49.9% of the shares.

⁴ The Contingent and Prospective Resource estimates for the Tesorillo asset referred to here were first released to the ASX by the Company on 7 May 2015.

CORPORATE

Placements and Share Purchase Plan

On 17 July 2020, Tranche Two of the May 2020 fundraising was completed with \$2,665,242 raised (20,501,865 fully paid ordinary shares) following shareholder approval at the 16 July 2020 online EGM. Tranche Two was part of the May 2020 \$15,000,000 institutional share placement over two tranches of the Company's shares at an issue price of \$0.13 per share. These funds were used to drill the WE-3 exploration/appraisal well and secure long lead items for WE-4.

On 14 October 2020, Warrego announced it would raise \$32,000,000 in order to fund the drilling of the WE-4 and WE-5 appraisal wells, 3D seismic over the remainder of EP469 and general working capital. The capital raising was conducted via a two-tranche placement to institutional and sophisticated investors with a share purchase plan (SPP) offered to shareholders at the same price as the placement at \$0.21 per share.

Tranche One of the placement was completed on 21 October 2020, raising a total of \$26,038,685 (123,993,739 fully paid ordinary shares). Tranche 2 was completed on 1 December 2020 raising a total of \$6,000,000 (28,571,428 fully paid ordinary shares). The SPP closed on 11 November 2020 raising a total of \$780,008 (3,714,322 fully paid ordinary shares).

On 25 June 2021, Warrego announced it would raise \$50 million via a two-tranche placement to existing and new institutional, professional and sophisticated investors at an offer price of \$0.22 per share. Tranche One was completed on 2 July 2021, raising a total of \$32.4 million (147.1 million fully paid ordinary shares). Tranche Two, which was approved by shareholders at an online general meeting of the Company on 10 August 2021, with a total of \$17.6 million raised (80.2 million fully paid ordinary shares issued).

Proceeds from the placement will be used to fund Warrego's 50% share of commitments for Phase 1 of the West Erregulla gas project including long lead items for the 87 TJ/d gas processing plant and the upstream gathering system, unbudgeted costs associated with there-entry, drilling, testing and completion of the currently suspended WE-3 well, 3D seismic over the balance of the EP469 permit, early-stage exploration activity of EPA127 and general working capital.

Recent capital raisings have rebalanced the register by increasing share trading liquidity and introducing a number of high quality local and international institutions.

Annual General Meeting

The Company held its Annual General Meeting as a virtual meeting on 25 November 2020 with all resolutions passed by an overwhelming majority including the re-election of Mark Routh as a Non-executive Director.

Reorganisation and Other Corporate Matters

Warrego's Australian headquarters moved from Sydney to Perth in August 2020 in order to facilitate commercial, development and gas marketing activities for West Erregulla gas. This initiative, in conjunction with staffing changes, has seen the company transition to Australian-based operations management with highly experienced Western Australian based personnel. The transition of Warrego to an Australian based Management team will also see a reduction in overhead costs once that transition is complete.

Mr David Biggs was appointed CEO Australia on 1 August 2020 to lead the Company's Perth-based Australian team focused on commercialising the West Erregulla gas field and developing complementary opportunities. Mr Biggs was previously the Managing Director and CEO of AWE Ltd, the discoverer of the deeper Perth Basin gas play.

In order to rebalance the 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 with effect from 1 September 2020. Mr Franks subsequently stepped down as Chief Financial Officer effective from 1 December 2020 and remains a senior executive of the Company focussing on the Group's European assets in his role as President-Europe.

Mr Jani Surjan, Perth-based Group Financial Controller, assumed the role of Chief Financial Officer from 1 December 2020.

On 1 September 2020 Mr Ian Kirkham stepped down as Company Secretary and resigned from the Company with Mr John Newman, Warrego's Perth-based General Counsel, being appointed to the role.

As part of an internal restructure, shares held in Warrego Energy EP469 Pty Ltd were transferred from Warrego Energy UK Ltd (originally held) to Warrego Australia Holdings Pty Ltd on 24 December 2020. All entities are 100% wholly owned and controlled by the parent entity Warrego Energy Limited. The transfer was part of a Group review to ensure assets and entities are aligned within the operating segments of the Group.

In addition to the above, the Group 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.

SUBSEQUENT EVENTS

No matter has arisen in the interval since 30 June 2021 and up to the date of this report that in the opinion of the directors has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods other than the following:

- Tranche One of the share placement was completed on 2 July 2021, raising a total of \$32.4 million (147.1 million fully paid ordinary shares).
- The Company held an Extraordinary General Meeting as a virtual meeting on 10 August 2021 with all resolutions passed by an overwhelming majority including the approval of Tranche 2 of the share placement and the approval of the Long Term Incentive (LTI) Plan including approval to issue performance rights under the LTI Plan.

- Tranche Two was completed on 17 August 2021, with \$17.6 million raised (80.2 million fully paid ordinary shares issued).
- Strike Energy Limited (ASX: STX), Warrego's joint venture partner in EP469, became a substantial shareholder of the Company in July 2021 with 93,312,610 shares representing 7.63% of issued capital as at the date of this Report.

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.

CLIMATE CHANGE RISK AND OPPORTUNITIES

In relation to climate change specifically the Company is aware of financial risks associated with climate change, for example in terms of policy and legislative changes which increase the cost of doing business, changes in technology that may impact the demand from our customers, reputational risk in being associated with a carbon generating product including increased risk in sourcing funds from banks and financial institutions.

The Company is seeking to mitigate the climate associated risks associated with WE Stage 1 with a pro-active emissions reduction strategy proposed by AGI Operations Pty Ltd (AGIG) to the Environmental Protection Authority for the processing of Stage 1 West Erregulla gas. The proposed Greenhouse Gas Management Plan commits to offsetting 60% of plant emissions from commencement of operations and 65% of plant emissions from 2028 representing and a further 5% reduction from 2038. Thereafter plant emissions will incrementally reduce to zero.

In order to assess our resilience to climate change risks Warrego has considered the scenarios published by the Australian Energy Market Operator (AEMO) which are specific to the Western Australian domestic gas market in the 2020 Western Australia Gas Statement of Opportunities. Our analysis suggests that our business is resilient over the outlook period and Warrego's position, consistent with gas producer practice, is that it does not take carbon pricing risk in its sales contract arrangements. Warrego is actively considering options for carbon management as the West Erregulla project moves towards an investment decision.

Warrego also sees an opportunity with respect to West Erregulla gas as being a transition fuel to a lower carbon economy and the transition from higher emission sources of CO₂. As an upstream oil and gas company with significant technical, operational, subsurface and commercial expertise the Company considers it is well positioned to leverage off its core skill set in relation to alternative energy sources and carbon abatement opportunities.

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.

COVID-19

Whilst the COVID-19 pandemic continues to present significant challenges throughout the Australian economy and energy sector this year, the Company remains well positioned to execute its strategy. There were no material impacts of COVID-19 on the Financial Report as at 30 June 2021, however the Company will continue to monitor any future consequences due to the potential uncertainty in the medium to long term.

INFORMATION ON DIRECTORS

GREG COLUMBUS, MBA

NON-EXECUTIVE CHAIRMAN (INDEPENDENT)

Greg has over 30 years of experience in the Energy, Oil and Gas sectors including technical, commercial and executive roles. He is an experienced director with commercial strategy, corporate finance and legal experience. Greg has over these years gained valuable business experience in delivering large, complex oil and gas projects and has, along the course of his career, also carved out strong strategic vision and been involved in numerous M&A activities.

He is also the Managing Director and a Main Board Director for Clarke Energy Group (A Kohler Company) for the past 18 years. Clarke Energy is a privately owned, multinational energy solutions company specialising in the engineering, installation and maintenance of power plants and gas compression stations, operating in 28 countries.

Greg is also a non-executive of Galilee Energy (ASX: GLL). He is also currently Chairman of Young Presidents Organisation Gold (YPOG) Chapter in South Australia.

Greg has committee experience, serving on audit and compliance, remuneration and health and safety committees. Greg is also a non-executive director of Galilee Energy Limited (ASX: GLL, appointed 17 September 2020).

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

DENNIS DONALD

GROUP CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

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.

Dennis holds a Master's Degree in Management Studies from Robert Gordon University.

OWAIN FRANKS

EXECUTIVE DIRECTOR - FINANCE, STRATEGY & DELIVERY (RESIGNED AS EXECUTIVE DIRECTOR ON 1 SEPTEMBER 2020, NOW PRESIDENT EUROPE)

Owain has been a director of Warrego since 2011. He was acting CFO from June 2018 until the reverse takeover. 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, MSC

NON-EXECUTIVE DIRECTOR (INDEPENDENT)

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 reverse takeover 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 BSc in Electrical Engineering from the University of Sussex and 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.

Subsequent to the end of the reporting period Mark was appointed Managing Director of Prospex Energy Plc on 26 July 2021⁵.

DAVID BIGGS, LLB

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

David has over 36 years of experience in the upstream oil and gas sector. David has worked extensively throughout Australia, New Zealand, Asia, the Middle East, Africa 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, 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 2021, the interest of directors in the shares and options of the Company were:

| DIRECTORS | NUMBER OF ORDINARY SHARES |
|----------------|---------------------------|
| Greg Columbus | 37,727,033 |
| Dennis Donald* | 145,176,736 |
| David Biggs** | 571,824 |
| Mark Routh | 14,114,064 |

*Dennis Donald was 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.

** Mr David Biggs appointed as Executive Director - CEO Australia 1 August 2020 (Non-executive Director prior 1 August 2020).

⁵Prospex Energy Plc. is in a joint venture relationship with the Company with respect to the El Romeral and Tesorillo assets in Spain. Given the non-material nature of the Company's assets in Spain the Company continues to regard Mark Routh as an independent Non-Executive Director but will continue to assess the situation if circumstances change.

INFORMATION ON COMPANY SECRETARY

JOHN NEWMAN, BEC, LLB

(APPOINTED ON 1 SEPTEMBER 2020)

John is a qualified lawyer and 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.

Earlier in his career John worked in-house as a lawyer for a peak Aboriginal representative body, the Northern Land Council based in Darwin where he represented traditional Aboriginal owners and for the Refugee and Immigration Legal Centre in Melbourne where he represented refugees and migrants including immigration detention cases.

INFORMATION ON CHIEF FINANCIAL OFFICER

JANI SURJAN, B.COM

(APPOINTED ON 1 DECEMBER 2020)

Jani Surjan is a Chartered Accountant with over 26 years of commercial and public practice experience predominantly within the oil and gas, health and aged care sectors. His early career included working with a chartered accounting firm for over 7 years.

Jani has held several senior finance positions including Chief Financial Officer for ASX Listed Nido Petroleum Limited and Financial Controller for ASX Listed Tap Oil Limited and St John of God Health Care Group. In these roles he was responsible for financial and accounting matters, joint venture reporting, treasury, negotiation of debt facilities, statutory reporting and taxation.

He graduated from Curtin University of Technology with a Bachelor of Commerce and completed various post graduate studies with professional bodies. These include the Institute of Chartered Accountants in Australia, the Tax Institute of Australia, the Australian Institute of Company Directors and Governance Institute of Australia.

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 | 15 | 15 |
| Dennis Donald | 15 | 15 |
| Owain Franks | 3 | 3 |
| Mark Routh | 15 | 15 |
| David Biggs | 15 | 15 |

The Audit Committee under the Chairmanship of Mark Routh met twice during the financial year ended 30 June 2021.

| DIRECTORS | NO. OF MEETINGS ATTENDED | NO. OF MEETINGS HELD WHILE IN OFFICE |
|---------------|--------------------------|--------------------------------------|
| Mark Routh | 2 | 2 |
| Greg Columbus | 2 | 2 |

The Remuneration and Nomination Committee under the Chairmanship of Greg Columbus met six times during the financial year ended 30 June 2021.

| DIRECTORS | NO. OF MEETINGS ATTENDED | NO. OF MEETINGS HELD WHILE IN OFFICE |
|---------------|--------------------------|--------------------------------------|
| Greg Columbus | 6 | 6 |
| Mark Routh | 6 | 6 |

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:

| | |
|-------------|--|
| John Newman | Company Secretary (appointed on 1 September 2020) |
| Jani Surjan | Chief Financial Officer (appointed on 1 December 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 Remuneration and Nomination 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 Company engaged an external consultant to conduct a benchmarking review of non-executive director and executive remuneration. The report did not make any remuneration recommendations for the purposes of the Corporations Act 2001. The report confirmed that the Company's remuneration practices are comparable to other peer entities with similar market capitalisation.

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 superannuation guarantee contributions) for the Chairman is \$75,000 per annum and each other 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.

As a one-off incentive, and in the context of the significant contribution Messrs Columbus, Biggs and Routh have made to the development of the Company as non-executive directors, the Company issued each of these directors 3,333,333 options over fully paid ordinary shares following shareholder approval at the EGM held on 16 July 2020.

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 or long term performance incentives
- 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 HSE performance, share price growth, reserve and resources growth, development milestones and governance improvements.

C) DETAILS OF REMUNERATION

| 1 JULY 2020 TO 30 JUNE 2021 | SHORT TERM SALARY, FEES & LEAVE \$ | BONUS PAYMENTS \$ | CONSULTANCY PAYMENTS \$ | TERMINATION BENEFITS \$ | POST EMPLOYMENT- SUPER- ANNUATION \$ | SHARE BASED PAYMENTS – EQUITY SETTLED \$ | OTHER LONG TERM BENEFITS \$ | TOTAL \$ |
|-----------------------------------|---|-------------------------|-------------------------------|-------------------------------|--|---|--------------------------------------|------------------|
| Non-executive directors | | | | | | | | |
| G. Columbus | 95,833 | - | - | - | - | 203,258 | - | 299,091 |
| M. Routh | 75,479 | - | - | - | - | 203,258 | - | 278,737 |
| D. Biggs ⁽ⁱ⁾ | 3,044 | - | - | - | 289 | 203,258 | - | 206,591 |
| Total | 174,356 | - | - | - | 289 | 609,774 | - | 784,419 |
| Executive directors | | | | | | | | |
| D. Donald | 433,295 | 220,875 | - | - | - | - | - | 654,170 |
| D. Biggs ⁽ⁱ⁾ | 343,749 | 124,688 | - | - | 22,917 | - | - | 491,354 |
| O. Franks ⁽ⁱⁱ⁾ | 48,594 | - | - | - | - | - | - | 48,594 |
| Total | 825,638 | 345,563 | - | - | 22,917 | - | - | 1,194,118 |
| Other key management | | | | | | | | |
| O. Franks (ii) | 96,843 | - | - | - | - | - | - | 96,843 |
| J. Surjan (iii) | 194,892 | 108,165 | - | - | 14,583 | - | - | 317,640 |
| J. Newman (iv) | 208,333 | 84,175 | - | - | 29,167 | - | - | 321,675 |
| I. Kirkham (v) | 79,538 | - | - | - | 7,556 | - | - | 87,094 |
| Total | 579,606 | 192,340 | - | - | 51,306 | - | - | 823,252 |
| Total | 1,579,600 | 537,903 | - | - | 74,512 | 609,774 | - | 2,801,789 |

(i) Mr David Biggs appointed as Executive Director – CEO Australia 1 August 2020 (Non-executive Director prior 1 August 2020)

(ii) Owain Franks resigned as Executive Director and appointed as Chief Financial Officer at the same time on 1 September 2020. Owain Franks stepped down as Chief Financial Officer on 1 December 2020 and remains as President Europe with the company.

(iii) Mr Jani Surjan appointed as Chief Financial Officer on 1 December 2020.

(iv) Mr John Newman appointed as Company Secretary on 1 September 2020.

(v) Mr Ian Kirkham resigned on 1 September 2020.

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

(i) Mr Duncan MacNiven resigned as Executive Director on 24 March 2020.

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

(iii) Mr Ian Kirkham resigned on 1 September 2020.

| | FIXED REMUNERATION | | AT RISK - STI | | AT RISK - LTI | |
|--------------------------------|--------------------|------|---------------|------|---------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Non-executive directors | | | | | | |
| G. Columbus | 32% | 100% | - | - | 68% | - |
| M. Routh | 27% | 100% | - | - | 73% | - |
| D. Biggs | 2% | 100% | - | - | 98% | - |
| Executive directors | | | | | | |
| D. Donald | 66% | 81% | 34% | 19% | - | - |
| D. Biggs | 75% | - | 25% | - | - | - |
| D. MacNiven | - | 78% | - | 22% | - | - |
| O. Franks | 100% | 81% | - | 19% | - | - |
| Other key management | | | | | | |
| D. MacNiven | - | 100% | - | - | - | - |
| O. Franks | 100% | - | - | - | - | - |
| J. Surjan | 66% | - | 34% | - | - | - |
| J. Newman | 74% | - | 26% | - | - | - |
| D. Casey | - | 83% | - | 17% | - | - |
| I. Kirkham | 100% | 84% | - | 16% | - | - |

There were \$537,903 (2020: \$366,655) of cash bonus payments during the financial year by the Group to key management personnel 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, Group Chief Executive Officer and Managing Director - TFR: \$490,000

David Biggs, Executive Director – CEO Australia – TFR: \$400,000

Jani Surjan, Chief Financial Officer – TFR: \$359,100

John Newman, Company Secretary – TFR: \$285,000

Common key management employment terms:

- Salary Review: at earlier of material change in Company activities or 30th June 2021.
- Termination notice given by the Company - 6 months
- Short Term Incentives (STI)
 - For KMP other than the Managing Director “at risk” STI up to a maximum of 35% of Base Salary
 - For the Managing Director “at risk” STI up to a maximum of 50% of Base Salary
- Long Term Incentives (LTI)
- LTI – A formal LTI Plan was developed during the year.

The purpose of the LTI Plan is to motivate and attract employees and enable them to share in the rewards of the future success of the Company. The Board is of the view that a LTI Plan will better enable the Company to motivate and reward employees in the long run.

The Key Features of the Company's LTI Plan are as follows:

LTI Award: Awards are proposed to be awarded on an annual basis in the form of Performance Rights.

Performance Rights: Performance rights issued pursuant to the LTI Plan are rights that vest and may be exercised into shares based on vesting conditions determined by the Board.

Eligibility: Executive KMP, senior managers and staff.

Vesting: The Board has determined that the Performance Rights will vest subject to the satisfaction of performance measures over the relevant performance periods. 50% of the Performance Rights will vest if the Company exceeds certain “Absolute TSR” hurdles and the other 50% will vest if the Company exceeds certain “Relative TSR” hurdles.

Upon vesting, each Performance Right will be exercisable over one (1) Share in the Company. Shares will be issued upon exercise of the Performance Rights for nil consideration, and exercise will occur immediately upon vesting of the Performance Right (subject to Corporations Act and Listing Rule limitations).

For the purposes of the LTI Plan:

- “Absolute TSR” means total shareholder return (TSR) as applied to the Company defined as (A) the Share Price at the end of the applicable Measurement Period minus the Share Price at the beginning of the applicable Measurement Period, plus dividends and distributions made during the applicable Measurement Period, divided by (B) the Share Price at the beginning of the applicable Measurement Period, expressed as a percentage return.
- “Relative TSR” means the change in TSR over a Measurement Period when compared to a comparator group of companies, measured as Warrego's percentile ranking in the comparator group, where TSR for Warrego and for each company with this comparator group is its Absolute TSR.
- “Comparator Group” means Strike Energy Limited, Cooper Energy Limited, Galilee Energy Limited, Senex Energy Limited, Empire Energy Limited, Blue Energy Limited, Central Petroleum Limited, Comet Ridge Limited and Armour Energy Limited.
- “Measurement Period” means the period of 3 years from the date of grant of the Performance Rights. The grant date of the Performance Rights is the date of approval of the relevant grant by the Board of the Company.
- “Share Price” is determined as the 20 day VWAP as at the first day of the Measurement Period and the last day of the Measurement Period.

Proposed Level of Awards under LTI Plan:

The Board has determined the following level of awards:

- Managing Director: an award equivalent to 100% of Total Fixed Remuneration
- Senior Managers and Executive KMP: an award equivalent to 70% of Total Fixed Remuneration.
- Other employees: an award equivalent to 30% of Total Fixed Remuneration.

There were no formal awards for the reporting period as the Board determined that no award would occur until shareholders had approved the LTI Plan.

Subsequent to year end formal awards under the LTI Plan were issued following shareholder approval of the LTI Plan at the Company's EGM held on 10 August 2021. These awards were issued in recognition for performance during the 2020 / 2021 Financial Year.

Given that the LTI Plan has been approved, future awards under the program including for the 21/22 Financial Year will be issued annually within the performance period with the 21/22 grant expected to occur in the Q2 FY22.

SHARE-BASED COMPENSATION

During the year 9,999,999 options at an exercise price of \$0.28 each were issued to Non-Executive Directors resulting in \$609,774 (2020: nil) of share-based compensation.

SHARE HOLDINGS

The number of shares in the Company held during the 2021 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/ON APPOINTMENT | PURCHASED DURING THE YEAR | SOLED DURING THE YEAR | REVERSE TAKEOVER CONSIDERATION SECURITIES | BALANCE AT THE END OF THE YEAR/ON VACATING OFFICE |
|----------------------------|---|---------------------------|-----------------------|---|---|
| G. Columbus | 33,131,793 | 4,595,240 | - | - | 37,727,033 |
| D. Donald ⁽ⁱ⁾ | 141,617,879 | - | - | 3,558,857 | 145,176,736 |
| D. Biggs ⁽ⁱⁱ⁾ | 476,585 | 95,239 | - | - | 571,824 |
| M. Routh | 14,114,064 | - | - | - | 14,114,064 |
| O. Franks ⁽ⁱⁱⁱ⁾ | 18,510,558 | - | - | - | 18,510,558 |
| J. Surjan ^(iv) | - | - | - | - | - |
| J. Newman ^(v) | - | - | - | - | - |
| I. Kirkham ^(vi) | 4,744,604 | - | - | - | 4,744,604 |
| | 212,595,483 | 4,690,479 | - | 3,558,857 | 220,844,819 |

⁽ⁱ⁾ Dennis Donald was 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.

⁽ⁱⁱ⁾ David Biggs appointed as Executive Director – CEO Australia 1 August 2020 (Non-executive Director prior 1 August 2020)

⁽ⁱⁱⁱ⁾ Owain Franks resigned as Executive Director and appointed as Chief Financial Officer at the same time on 1 September 2020. Owain Franks stepped down as Chief Financial Officer on 1 December 2020.

^(iv) Jani Surjan appointed as Chief Financial Officer on 1 December 2020.

^(v) John Newman appointed as Company Secretary on 1 September 2020.

^(vi) Mr Ian Kirkham resigned on 1 September 2020.

OPTION HOLDINGS

The number of options in the Company held during the 2021 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/ON APPOINTMENT | GRANTED DURING THE YEAR | VESTED AND EXERCISABLE | EXERCISED DURING THE YEAR | EXPIRED / OTHER CHANGE | BALANCE AT THE END OF THE YEAR/ON VACATING OFFICE |
|----------------------------|---|-------------------------|------------------------|---------------------------|------------------------|---|
| G. Columbus ⁽ⁱ⁾ | - | 3,333,333 | 3,333,333 | - | - | 3,333,333 |
| D. Donald | - | - | - | - | - | - |
| D. Biggs ⁽ⁱⁱ⁾ | - | 3,333,333 | 3,333,333 | - | - | 3,333,333 |
| M. Routh ⁽ⁱ⁾ | - | 3,333,333 | 3,333,333 | - | - | 3,333,333 |
| O. Franks | - | - | - | - | - | - |
| J. Surjan | - | - | - | - | - | - |
| J. Newman | - | - | - | - | - | - |
| I. Kirkham | - | - | - | - | - | - |
| | - | 9,999,999 | - | - | 9,999,999 | 9,999,999 |

⁽ⁱ⁾ Issue of options to Non-executive Directors (or their nominee) in recognition for their continued service to the company in accordance with shareholder approval of Resolutions 6, 7 and 8 at Extraordinary General Meeting 16 July 2020.

⁽ⁱⁱ⁾ David Biggs appointed as Executive Director – CEO Australia 1 August 2020 (Non-executive Director prior 1 August 2020)

ADDITIONAL INFORMATION

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

| Name | 2021 \$ | 2020 \$ | 2019 \$ | 2018 [^] \$ | 2017 [^] \$ |
|--|-------------|-------------|-------------|-------------------------|-------------------------|
| Reserve growth | - | - | - | - | - |
| Loss after income tax attributable to parent | (6,386,088) | (4,448,104) | (7,532,858) | (19,815,033) | (2,056,516) |
| June volume-weighted average share price | 24.4c | 15.8c | 9.4c | 6.0c | 56c |
| Total shareholder return | 54% | 68% | 57% | (92.7)% | (153.8)% |

[^] 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 AUDITORS

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 director's 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 \$160,000.

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.

AUDITORS

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 Cost Partnership to BDO Audit Pty Ltd on 9 September 2020.

NON-AUDIT SERVICES

The Group may decide to employ the auditors 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 auditors, BDO Audit Pty Ltd, for the audit services provided during the year are set out below.

| | 2021 \$ | 2020 \$ |
|---|---------------|---------------|
| Audit services | | |
| BDO – Audit and review of financial reports | 87,300 | 67,500 |
| Non BDO Audit Services | - | 5,000 |
| Total | 87,300 | 72,500 |

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.

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

GROUP CEO & MANAGING DIRECTOR

24 September 2021

AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
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 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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, 24 September 2021

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 2021

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|--------------------|--------------------|
| Revenue | | 488,382 | - |
| Cost of sales | | (398,783) | - |
| Gross Profit | | 89,599 | - |
| Interest income | | 5,038 | 8,958 |
| Other income | | - | 9,211 |
| Expenses | | | |
| Directors' fees | | (179,492) | (222,881) |
| Employee benefit expenses | | (1,178,204) | (1,542,426) |
| Superannuation | | (128,436) | (53,436) |
| Accounting, audit and tax services | | (603,273) | (97,577) |
| Professional services | | (1,169,819) | (826,944) |
| Share-based payments | | (630,237) | (9,776) |
| Exploration and evaluation expenditure | | (301,415) | (229,164) |
| Business development costs | | (811,197) | - |
| Other expenditure - El Romeral completion | | (157,656) | - |
| Depreciation and amortisation | | (120,888) | (117,919) |
| Finance expenses | | (40,158) | (191,912) |
| Foreign exchange losses | | (5,842) | (8,373) |
| General and administrative expenses | | (1,154,108) | (1,205,865) |
| Total expenses | | (6,480,725) | (4,506,273) |
| Loss before income tax | | (6,386,088) | (4,488,104) |
| Income tax expense | 5 | - | - |
| Loss after tax attributable to members of Warrego Energy Limited | | (6,386,088) | (4,488,104) |
| Other comprehensive (loss)/income - Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation loss | | (79,172) | (37,044) |
| Other comprehensive loss for the year, net of tax | | (79,172) | (37,044) |
| Total comprehensive loss for the year, net of tax | | (6,465,260) | (4,525,148) |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|-------------|-------------|
| Loss for the year attributable to: | | | |
| Non-controlling interests | | (305,715) | (114,353) |
| Owners of Warrego Energy Limited | | (6,080,373) | (4,373,751) |
| | | (6,386,088) | (4,488,104) |
| Total comprehensive loss for the year attributable to: | | | |
| Non-controlling interests | | (305,715) | (114,353) |
| Owners of Warrego Energy Limited | | (6,159,545) | (4,410,795) |
| | | (6,465,260) | (4,525,148) |
| Loss per share from continuing operations attributable to the ordinary equity holders of the Company: | | | |
| Basic loss per share (cents per share) | 28 | (0.18) | (0.13) |
| Diluted loss per share (cents per share) | 28 | (0.18) | (0.13) |

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 2021

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 13,720,858 | 15,261,819 |
| Other current assets | 7 | 876,462 | 1,655,882 |
| Restricted cash | 23 | 694,441 | 139,533 |
| Total current assets | | 15,291,761 | 17,057,234 |
| Non-current assets | | | |
| Exploration and evaluation expenditure | 8 | 49,795,495 | 13,400,589 |
| Oil & gas properties | 9 | 2,620,015 | - |
| Property, plant and equipment | 10 | 456,839 | 15,468 |
| Right-of-use assets | 15 | 387,615 | - |
| Goodwill | 12 | 7,045,872 | 7,045,872 |
| Total non-current assets | | 60,305,836 | 20,461,929 |
| Total assets | | 75,597,597 | 37,519,163 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | 6,512,285 | 2,132,721 |
| Lease liabilities | 15 | 95,320 | - |
| Provisions | 16 | 293,652 | 171,653 |
| Other current liabilities | 17 | 840,840 | - |
| Total current liabilities | | 7,742,097 | 2,304,374 |
| Non-current liabilities | | | |
| Lease liabilities | 15 | 315,692 | - |
| Provisions | 16 | 2,513,048 | 435,275 |
| Other non-current liabilities | 18 | 1,116,470 | - |
| Payable to associate | | 361,435 | 105,383 |
| Total non-current liabilities | | 4,306,645 | 540,658 |
| Total liabilities | | 12,048,742 | 2,845,032 |
| NET ASSETS | | | |
| EQUITY | | | |
| Contributed equity | 19(a) | 138,483,843 | 103,774,096 |
| Reverse acquisition reserve | | (53,288,653) | (53,288,653) |
| Foreign currency translation reserve | | (94,111) | (14,939) |
| Options reserve | 20 | 640,013 | 113,549 |
| Accumulated losses | 21 | (22,528,905) | (16,552,305) |
| Equity attributable to owners of the Parent | | 63,212,187 | 34,031,748 |
| Non-controlling interests | | 336,668 | 642,383 |
| Total equity | | 63,548,855 | 34,674,131 |

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

WARREGOENERGY.COM

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

| | ISSUED CAPITAL \$ | FOREIGN CURRENCY TRANSLATION RESERVE \$ | OPTIONS RESERVE \$ | REVERSE ACQUISITION RESERVE \$ | ACCUMULATED LOSSES \$ | TOTAL \$ | NON-CONTROLLING INTERESTS \$ | TOTAL EQUITY \$ |
|---|----------------------|--|-----------------------|-----------------------------------|--------------------------|--------------------|---------------------------------|--------------------|
| Balance at 30 June 2019 | 79,073,008 | 22,105 | | (53,288,653) | (12,182,781) | 13,623,679 | 23,064 | 13,646,743 |
| 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) |
| Total comprehensive loss for the year | - | (37,044) | - | - | (4,373,751) | (4,410,795) | (114,353) | (4,525,148) |
| Transactions with owners in their capacity as owners | | | | | | | | |
| 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) |
| Total transactions with owners in their capacity as owners | 24,701,088 | - | 113,549 | - | 4,227 | 24,818,864 | - | 24,818,864 |
| Additional contribution of equity by NCI | - | - | - | - | - | - | 733,672 | 733,672 |
| Balance at 30 June 2020 | 103,774,096 | (14,939) | 113,549 | (53,288,653) | (16,552,305) | 34,031,748 | 642,383 | 34,674,131 |
| Net loss for the year | - | - | - | - | (6,386,088) | (6,386,088) | - | (6,386,088) |
| Other comprehensive loss | - | (79,172) | - | - | - | (79,172) | - | (79,172) |
| Total comprehensive loss for the year | - | (79,172) | - | - | (6,386,088) | (6,465,260) | - | (6,465,260) |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Share based payments | - | - | 630,237 | - | - | 630,237 | - | 630,237 |
| Exercise of options | 830,661 | - | (103,773) | - | 103,773 | 830,661 | - | 830,661 |
| Issue of share capital | 35,963,936 | - | - | - | - | 35,963,936 | - | 35,963,936 |
| Transaction costs arising on share issue | (2,084,850) | - | - | - | - | (2,084,850) | - | (2,084,850) |
| Total transactions with owners in their capacity as owners | 34,709,747 | - | 526,464 | - | 103,773 | 35,339,984 | - | 35,339,984 |
| Additional contribution of equity by NCI | - | - | - | - | 305,715 | 305,715 | 305,715 | - |
| Balance at 30 June 2021 | 138,483,843 | (94,111) | 640,013 | (53,288,653) | (22,528,905) | 63,212,187 | 336,668 | 63,548,855 |

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 2021

| | Notes | 2021 \$ | 2020 \$ |
|---|-------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts from customers and other (inclusive of goods and services tax) | | 345,633 | - |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (3,697,801) | (4,306,781) |
| Payments for exploration and evaluation expenditure-expensed | | (1,037,310) | - |
| Interest received | | 4,415 | 9,046 |
| Net cash outflow from operating activities | 27 | (4,385,063) | (4,297,735) |
| Cash flows from investing activities | | | |
| Payments for plant and equipment | | (102,408) | (6,002) |
| Payments for exploration and evaluation expenditure | | (31,591,144) | (10,721,216) |
| Proceeds from release of security deposits | | 33,410 | - |
| Payments for security deposit | | (582,878) | (20,000) |
| Payments for El Romeral acquisition | | (41,455) | (1,227,292) |
| Net cash outflow from investing activities | | (32,284,475) | (11,974,510) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares (net of costs) | | 34,103,348 | 23,559,086 |
| Proceeds received in advance for shares not yet issued | | 840,840 | - |
| Proceeds from associates | | 255,535 | 743,683 |
| Payments for lease liabilities | | (66,889) | (102,564) |
| Net cash inflow from financing activities | | 35,132,834 | 24,200,205 |
| Net (decrease)/increase in cash and cash equivalents | | (1,536,704) | 7,927,960 |
| Cash and cash equivalents at beginning of the year | | 15,261,819 | 7,342,791 |
| Net foreign exchange difference | | (4,257) | (8,932) |
| Cash and cash equivalents at end of the year | 6 | 13,720,858 | 15,261,819 |

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. Its registered office is Level 6 London House, 216 St George's Terrace Perth, WA 6000.

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 29.

(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 2021 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) RECOGNITION OF REVENUE

General

Revenue derived from contracts with customers is recognised on the basis of fulfilment of the performance obligations with customers. This is in accordance with the core principles of AASB 15 – Revenue from Contract with Customers.

Revenue reflects the transfer of goods or services to customers at an amount that reflects the consideration to which Warrego expects to be entitled in exchange for such goods or services.

Five steps are established for the recognition of revenue:

1. Identify the customer contract.
2. Identify the performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognise the revenue on the basis of fulfilment of each obligation.

Based on this recognition model, sales of goods are recognised when products are delivered to the customer and have been accepted by them, even if they have not been invoiced, or when services are rendered, and there is a reasonable assurance that the related accounts receivable will be collected. Net revenues for the year include the estimate of the energy supplied that has not yet been invoiced.

Sale of electricity

The Group revenue is derived primarily from the sale of electricity and return subsidy from Spanish government. The revenue is generated from a single customer under a contract.

Sales revenue (electricity generation from hydrocarbon fuels produced at power plant) is recognised over time, when the supply of electricity, associated risks and rewards of ownership pass to the purchaser.

Return Subsidy

The remuneration for the electricity distribution and transmission activity is established annually by the Ministry, which recognises remuneration for investment and for operation and maintenance.

The commissioning of distribution facilities to deliver electricity to supply points is considered to be a single performance obligation and, therefore, the remuneration for the regulated electricity transmission and distribution activity is recognised as revenue.

The regulatory framework of the electricity sector in Spain regulates a payment procedure for the redistribution among companies in the sector of the net revenues obtained, so that each company receives the remuneration recognised for its regulated activities.

(D) 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. Subsequent to year end, the Company raised a total of \$50 million (227.3 million fully paid ordinary shares) from a Two Tranche share placement.

(E) 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.

(F) 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.

The following Accounting Standards and Interpretations are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

(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 lease liabilities.

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 |
|------|---------|----------------|---------|----------------|
| 2021 | 51,281 | 94,457 | 119,183 | 188,582 |
| 2020 | 105,612 | 195,112 | 72,650 | 118,884 |

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 |
|-----------------------------------|-------------------------|-------------------|-----------------|----------------------|---------------------------|-----------|--------------------------------|
| 2021 Financial liabilities | | | | | | | |
| Trade and other payables | 6,512,285 | 6,512,285 | - | - | - | 6,512,285 | - |
| Other current liabilities | 840,840 | 840,840 | - | - | - | 840,840 | - |
| Other non-current liabilities | 1,116,470 | - | 1,116,470 | - | - | 1,116,470 | - |
| Payable to associate | 361,435 | - | 361,435 | - | - | 361,435 | - |
| Lease liabilities | 411,012 | 95,320 | 315,692 | - | - | 411,012 | - |
| | 9,242,042 | 7,448,445 | 1,793,597 | - | - | 9,242,042 | - |
| 2020 Financial liabilities | | | | | | | |
| Payables | 2,132,721 | 2,132,721 | - | - | - | 2,132,721 | - |
| Payable to associate | 105,383 | - | 105,383 | - | - | 105,383 | - |
| | 2,132,721 | 2,132,721 | 105,383 | - | - | 2,238,104 | - |

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:

| 2021 | WEIGHTED AVERAGE INTEREST RATE | FIXED INTEREST RATE MATURITY LESS THAN 1 YEAR \$ | NON-INTEREST BEARING 1 TO 5 YEARS \$ | TOTAL \$ |
|-------------------------------|--------------------------------|--|--------------------------------------|------------|
| Financial assets | | | | |
| Cash and cash equivalents | 0.01% | 13,720,858 | - | 13,720,858 |
| Trade and other receivables | - | - | 726,563 | 726,563 |
| Restricted cash | 0.01% | 694,441 | - | 694,441 |
| Total financial assets | | 14,415,299 | 726,563 | 15,141,862 |
| Financial liabilities | | | | |
| Trade and other payables | - | - | 6,512,285 | 6,512,285 |
| Other current liabilities | - | - | 840,840 | 840,840 |
| Other non-current liabilities | - | - | 1,116,470 | 1,116,470 |
| Payable to associate | - | - | 361,435 | 361,435 |
| Lease liabilities | - | - | 411,012 | 411,012 |
| Total financial liabilities | - | - | 9,242,042 | 9,242,042 |

| 2020 | WEIGHTED AVERAGE INTEREST RATE | FIXED INTEREST RATE MATURITY LESS THAN 1 YEAR \$ | NON-INTEREST BEARING 1 TO 5 YEARS \$ | TOTAL \$ |
|------------------------------|--------------------------------|--|--------------------------------------|------------|
| Financial assets | | | | |
| 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 |
| Financial liabilities | | | | |
| Trade and other payables | - | - | 2,132,721 | 2,132,721 |
| Total financial liabilities | - | - | 105,383 | 105,383 |
| Total financial liabilities | - | - | 2,238,104 | 2,238,104 |

FINANCIAL INSTRUMENTS

(i) Derivative financial instruments

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

(ii) Financial liabilities

Financial liabilities are expected to be paid as follows:

| | 2021 \$ | 2020 \$ |
|-------------------------|-----------|-----------|
| Less than 6 months | 7,399,961 | 2,132,721 |
| Between 6 and 12 months | 48,484 | - |
| Between 1 and 5 years | 1,793,597 | 105,383 |

(iii) Fair value measurement

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

The fair value of lease liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

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 2021, the only item affected by a change in interest rate would be the cash and cash equivalents and restricted cash.

| INTEREST RATE RISK SENSITIVITY ANALYSIS CHANGE IN LOSS BEFORE TAX AND EQUITY | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Increase in interest rates by 0.25% | 34,782 | 31,999 |
| Decrease in interest rates by 0.25% | (34,782) | (31,999) |

Management considers the 0.25% used in the interest rate sensitivity analysis to be reasonable.

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 | |
|--------------------------------------|---------------------------|-----------|---|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| GBP/AUD exchange rate – increase 10% | 232,512 | 111,379 | (232,512) | (111,379) |
| GBP/AUD exchange rate – decrease 10% | (232,512) | (111,379) | 232,512 | 111,379 |
| EUR/AUD exchange rate – increase 10% | 446,985 | 238,446 | (446,985) | (238,446) |
| EUR/AUD exchange rate – decrease 10% | (446,985) | (238,446) | 446,985 | 238,446 |

Assets and other equity have not been significantly sensitive to movements in AUD and GBP and EUR exchange rates as a result of GBP and EUR decreased and increased by 2.81% and 3.42% respectively (2020: increased by 0.92% and decreased by 0.97% respectively). Management considers the 10% used in the foreign currency sensitivity analysis to be reasonable.

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.

LEASE TERM:

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

BUSINESS COMBINATIONS:

A Purchase Price Allocation (PPA) was performed by independent valuers in order to determine the acquisition-date fair value of the El Romeral identifiable assets acquired and liabilities assumed. The PPA further determined the useful lives of the identifiable assets acquired. The directors are satisfied with the allocation and the useful lives of the identifiable assets (refer Note 13 for further disclosure).

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 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 12. 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.

SHARE-BASED PAYMENT TRANSACTIONS:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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 together with the project in Seville Spain, the Group has a 50.1% interest in the El Romeral gas production and power station operation. Revenue is derived from one single customer in the Spanish segment.

GEOGRAPHICAL INFORMATION

| | AUSTRALIA \$ | SPAIN \$ | TOTAL \$ |
|---|-----------------|-------------|-------------|
| 2021 | | | |
| Revenue from external customers | - | 488,382 | 488,382 |
| Segment expenses | (683,442) | (1,101,052) | (1,784,494) |
| Corporate and unallocated expenses | | | (5,095,014) |
| Total operating expenses | | | (6,879,508) |
| Segment other income | 53 | 13 | 66 |
| Corporate and unallocated other income | | | 4,972 |
| Total other income | | | 5,038 |
| Segment loss before income tax | (683,389) | (612,657) | (1,296,046) |
| Corporate and unallocated loss before tax | | | (5,090,042) |
| Total loss before tax | | | (6,386,088) |

| | AUSTRALIA \$ | SPAIN \$ | TOTAL \$ |
|---|-----------------|-------------|-------------|
| 2020 | | | |
| Revenue from external customers | - | - | - |
| Segment expenses | (139,619) | (229,168) | (368,787) |
| Corporate and unallocated expenses | | | (4,137,486) |
| Total operating expenses | | | (4,506,273) |
| Segment other income | 744 | 4 | 748 |
| Corporate and unallocated other income | | | 17,421 |
| Total other income | | | 18,169 |
| 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) |

Assets and liabilities information of consolidated entity's operating segments

| | AUSTRALIA \$ | SPAIN \$ | TOTAL \$ |
|----------------------------|-----------------|-------------|-------------|
| CONSOLIDATED | | | |
| 2021 | | | |
| Segment non-current assets | 55,853,198 | 3,993,249 | 59,846,447 |
| Corporate and unallocated | | | 459,389 |
| Total non-current assets | | | 60,305,836 |
| Segment assets | 57,876,915 | 4,469,845 | 62,346,760 |
| Corporate and unallocated | | | 13,250,837 |
| Total assets | | | 75,597,597 |
| Segment liabilities | 6,557,957 | 2,675,288 | 9,233,245 |
| Corporate and unallocated | | | 2,815,497 |
| Total liabilities | | | 12,048,742 |

| | AUSTRALIA \$ | SPAIN \$ | TOTAL \$ |
|----------------------------|-----------------|-------------|-------------|
| CONSOLIDATED | | | |
| 2020 | | | |
| 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 |

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

| | 2021 \$ | 2020 \$ |
|--|-------------|-------------|
| Loss from continuing operations before income tax expense | 6,386,088 | 4,488,104 |
| Tax benefit at the Australian tax rate of 26% (2020:26%) | 1,660,383 | 1,234,229 |
| Tax effect of non-deductible expenses | (63,106) | (65,094) |
| Tax effect of equity raising costs debited to equity | - | 185,379 |
| Tax effect of tax base reset on consolidation | 227,919 | - |
| Under/over provision in prior years | (3,446,023) | - |
| Impact of change in tax rates | 1,022,534 | - |
| Utilisation of tax losses not brought to account/(tax losses and temporary differences not brought to account) | 598,293 | (1,354,514) |
| Income tax expense | - | - |

(B) TAX LOSSES

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| Unused tax losses for which no deferred tax asset has been recognised | 82,704,847 | 51,519,698 |
| Potential tax benefit @ 26% (2020: 26%) | 21,503,260 | 13,395,121 |

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. The unrecognised tax loss balance in note 5(b) above reflects the entire carried forward tax loss balance for the Warrego global group. The ability of Warrego to utilise the Australian tax losses, which comprise \$82,704,847 of the total tax loss balance, will be subject to satisfaction of loss utilisation rules, as well as application of an available fraction in the case of "transferred" losses that have been transferred to the tax consolidated group when entities have joined the group. Accordingly, some of these losses may not be available to offset future taxable income, or may only be able to be utilised at a reduced rate. The specific impact that the loss utilisation and available fraction rules may have on Warrego's ability to utilise losses will largely depend on future events. However, as at 30 June 2021, analysis undertaken indicates that approximately \$17.36m of transferred losses are likely to be of little value as the available fraction applying to those losses is low.

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

| | 2021 \$ | 2020 \$ |
|-------------------------------|------------|------------|
| Cash at bank and in hand | 3,673,765 | 394,162 |
| Deposits at call | 8,896,813 | 12,265,975 |
| Share of joint operation cash | 1,150,280 | 2,601,682 |
| Total cash balances | 13,720,858 | 15,261,819 |

The deposits at call are interest bearing with floating interest rates averaging 0.01% per annum (2020: 0.05%).

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

| | 2021 \$ | 2020 \$ |
|------------------------------------|------------|------------|
| Trade and sundry debtors | 210,410 | 3,799 |
| Prepayments | 149,899 | 1,300,623 |
| Interest receivable | 1,024 | 1,024 |
| Share of joint venture receivables | 348,810 | 169,425 |
| Other current assets | 166,319 | 181,011 |
| | 876,462 | 1,655,882 |

None of the trade and sundry debtors above are past due date (2020: 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

| | 2021 \$ | 2020 \$ |
|-------------------------------------|------------|------------|
| Opening balance | 13,400,589 | 1,768,865 |
| Additions during the year at cost | 35,146,511 | 11,185,715 |
| Provision for well site restoration | 1,273,248 | 434,841 |
| Foreign currency translation | (24,853) | 11,168 |
| Closing balance | 49,795,495 | 13,400,589 |

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:

- rights to tenure of the area and participating interest are current; and
- 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. OIL & GAS PROPERTIES

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Cost | 2,680,790 | - |
| Accumulated depreciation, depletion and amortisation | (60,775) | - |
| Net book amount | 2,620,015 | - |
| Reconciliation of movement in oil and gas properties | | |
| Opening balance | - | - |
| EI Romeral acquisition at fair value | 2,619,584 | - |
| Depreciation, depletion and amortisation | (60,775) | - |
| Movement in foreign currency translation | 61,206 | - |
| Closing balance | 2,620,015 | - |

Oil and gas properties are carried at cost and consist of gas resources, gas extraction wells and gas pipelines acquired in EI Romeral acquisition (refer to Note 13 Business Combinations). Any restoration assets arising as a result of recognition of a restoration provision is also included in the carrying amount of oil and gas assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income as incurred.

Oil and gas assets relating to the EI Romeral power plant is amortised on a straight-line basis to write off the net cost of each class over their expected useful lives as follows:

| | |
|----------------------|-------------|
| Gas extraction wells | 23 years |
| Connection stations | 11-16 years |
| Gas pipelines | 46 years |

Amortisation is charged only once production has commenced. No amortisation is charged on areas under development where production has not commenced.

10. PROPERTY, PLANT AND EQUIPMENT

| | LAND AND BUILDING \$ | POWER PLANT \$ | IT AND OFFICE EQUIPMENT \$ | FURNITURE AND FIXTURES \$ | LEASEHOLD IMPROVEMENT \$ | TOTAL \$ |
|---|-------------------------|-------------------|-------------------------------|------------------------------|-----------------------------|-------------|
| As at 30 June 2021 | | | | | | |
| Gross carrying amount | 173,734 | 224,381 | 108,945 | 4,461 | 31,845 | 543,366 |
| Accumulated depreciation | (2,606) | (12,893) | (61,863) | (62) | (9,103) | (86,527) |
| Net book amount | 171,128 | 211,488 | 47,082 | 4,399 | 22,742 | 456,839 |
| Reconciliation of movement in property, plant and equipment | | | | | | |
| Opening net book amount | - | - | 15,468 | - | - | 15,468 |
| Additions | - | - | 61,253 | 4,461 | 31,845 | 97,559 |
| EI Romeral acquisition at fair value | 168,469 | 219,474 | - | - | - | 387,943 |
| Depreciation charge for the year | (2,597) | (12,845) | (29,728) | (62) | (9,103) | (54,335) |
| Movement in foreign currency translation | 5,256 | 4,859 | 89 | - | - | 10,204 |
| Closing net book amount | 171,128 | 211,488 | 47,082 | 4,399 | 22,742 | 456,839 |

| | LAND AND BUILDING \$ | POWER PLANT \$ | IT AND OFFICE EQUIPMENT \$ | FURNITURE AND FIXTURES \$ | LEASEHOLD IMPROVEMENT \$ | TOTAL \$ |
|---|-------------------------|-------------------|-------------------------------|------------------------------|-----------------------------|-------------|
| As at 30 June 2020 | | | | | | |
| Gross carrying amount | - | - | 138,174 | 97,262 | 168,168 | 403,604 |
| Accumulated depreciation | - | - | (122,706) | (97,262) | (168,168) | (388,136) |
| Net book amount | - | - | 15,468 | - | - | 15,468 |
| Reconciliation of movement in property, plant and equipment | | | | | | |
| Opening net book amount | - | - | 19,601 | - | - | 19,601 |
| Additions | - | - | 6,002 | - | - | 6,002 |
| Depreciation charge for the year | - | - | (10,199) | - | - | (10,199) |
| Movement in foreign currency translation | - | - | 64 | - | - | 64 |
| Closing net book amount | - | - | 15,468 | - | - | 15,468 |

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life to the Group. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The depreciation rates used for each class of depreciable assets as follows:

| | |
|-------------------------------|---------------|
| Buildings | 10 - 25 years |
| Power plant | 6 - 16 years |
| IT and office equipment | 3 years |
| Office furniture and fittings | 5 years |
| Leasehold improvement | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

11. 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.

SHARE OF EP469 JOINT OPERATION - FINANCIAL POSITION

| | 2021 \$ | 2020 \$ |
|--|-------------|-------------|
| Cash | 1,150,280 | 2,601,682 |
| Current assets | 348,810 | 169,425 |
| Exploration and evaluation expenditure | 40,581,968 | 9,904,935 |
| Current liabilities | (4,775,762) | (1,478,798) |
| Net assets | 37,305,296 | 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.

12. 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:

| | 2021 \$ | 2020 \$ |
|----------|------------|------------|
| Goodwill | 7,045,872 | 7,045,872 |

Goodwill arises as a result of a business combination and has an indefinite useful life which is not subject to amortisation. Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill of \$7.0 million as at 30 June 2021 (2020: \$7.0 million) is allocated to the Australian reporting segment.

IMPAIRMENT OF GOODWILL

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is tested at least annually for impairment and more frequently if events or changes in circumstances indicate that it might be impaired.

IMPAIRMENT LOSSES OR REVERSAL OF IMPAIRMENT LOSSES

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its CGU (including any amount of allocated goodwill) exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated to reduce goodwill first (if goodwill is included within the carrying amount of the CGU) and then allocated to reduce the carrying amount of the assets in the CGU on a pro-rata basis.

A reversal of impairment losses other than goodwill is recognised in the income statement when the recoverable amount of an asset or CGU exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

RECOVERABLE AMOUNT

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal ("FVLCD") and its value-in-use ("VIU"), using an asset's estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Recoverable amounts represent the carrying values of assets before deducting the carrying value of restoration liabilities. All producing oil and gas asset amounts are calculated using the value-in-use ("VIU") method, whilst all exploration and evaluation asset amounts use the fair value less costs of disposal ("FVLCD") method.

Under the fair value less costs of disposal ("FVLCD") calculation, future cash flows are estimated using an income approach based on estimates of hydrocarbon reserves, in addition to other relevant factors such as value attributable to additional resource and exploration opportunities beyond reserves based on production plans. Management have tested the sensitivity of the range of the fair value measurements under this approach by applying discount factors of between 8% and 15% with no resulting impairment of goodwill.

13. BUSINESS COMBINATION

Tarba Energía SL ("Tarba") entered into an Asset Purchase Agreement ("APA") with Petroleum Oil & Gas España, S.A. ("Petroleum") in December 2019 to acquire El Romeral for an initial consideration of €750,000 (\$1,159,196).

Further deferred consideration of €250,000 per well drilled will be due to Petroleum on drilling each of the next three wells. The parties have agreed an economic date commencing July 2019, which resulted in an adjustment of €100,789 (\$157,656) to the income statement.

Prospex, which is the Company's partner via Tarba in the Tesorillo gas project in Spain, has taken up a 49.9% interest and the Company has taken up the remaining 50.1% interest in the project.

During the year, national government approval for transfer was received and completion of the transaction was subject to formal approval from the Andalucian Regional Administration, which was approved and completed on 28 February 2021 (acquisition date).

The acquisition has the features of a business combination in accordance with AASB 3 Business Combinations, primarily due to the El Romeral acquisition comprising three production licences providing gas to a 100%-owned 8.1 MW power station supplied by three producing wells. There are multiple prospects and low-cost development opportunities with the potential to increase gas production, electricity generation and revenue.

The following table summarises the fair value of the consideration (initial consideration paid and contingent consideration payable) as well as the assets and liabilities recognised from the acquisition.

| | \$ |
|--|------------------|
| Fair value of initial consideration* | 1,159,196 |
| Fair value of contingent consideration | 1,090,588 |
| Total | 2,249,784 |

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED:

| | |
|--|------------------|
| Land & buildings | 168,469 |
| Oil and gas properties | 1,861,841 |
| Oil and gas properties restoration asset | 757,743 |
| Power plant | 219,474 |
| Provision for restoration | (757,743) |
| Total net assets | 2,249,784 |
| Warrego Energy Ltd - 50.1% | 1,127,141 |
| Non-controlling interest (Prospex) - 49.9% | 1,122,643 |
| Total | 2,249,784 |

THE CASH OUTFLOW ON THE ACQUISITION IS AS FOLLOWS:

| | |
|--|-----------|
| Cash paid** | 1,227,292 |
| Net consolidated cash outflow on acquisition | 1,227,292 |

* Exchange rate at date of acquisition - 0.6470 (AUD/EUR)

** Exchange rate at date of cash payment of initial consideration - 0.6111 (AUD/EUR)

The net assets recognised in the financial statements were based on an independent valuation to assess the fair value of the assets and liabilities, which the valuation was completed in July 2021.

The fair value of contingent consideration being (€250,000 per well drilled due to Petroleum on drilling each of the next three wells at 100% probability) is recognised as a financial liability (Other non-current liabilities) in the statement of financial position. The fair value as at 30 June 2021 is \$1,116,470. Refer to note 18 for further information.

From the date of the Acquisition, El Romeral contributed a revenue of \$488,382 and net loss after tax of \$331,819. If the Acquisition had

occurred at the start of the reporting period, the Group's consolidated revenue and net profit after tax for the financial year ended 2021 would have been \$999,031 and \$6,481,050 respectively.

There were no transaction costs incurred during the financial year with respect to the acquisition of El Romeral.

The non-controlling interest in the acquiree is measured at the proportionate share of the acquiree's identifiable assets.

14. TRADE AND OTHER PAYABLES

| | 2021 \$ | 2020 \$ |
|-----------------------------------|------------|------------|
| Trade and other payables | 1,736,523 | 653,923 |
| Share of joint operation payables | 4,775,762 | 1,478,798 |
| Total trade and other payables | 6,512,285 | 2,132,721 |

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.

15. LEASES

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

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| Opening balance – office building | - | - |
| Initial recognition on transition to AASB 16 on 1 July 2019 | - | 251,348 |
| Additions | 469,611 | - |
| Depreciation charge for the year | (81,996) | (107,720) |
| Termination of lease | - | (143,628) |
| Closing balance – office building | 387,615 | - |

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

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| Opening balance | - | - |
| Initial recognition on transition to AASB 16 on 1 July 2019 | - | 251,348 |
| Additions | 469,611 | - |
| Finance expenses | 8,290 | 4,055 |
| Lease payment | (66,889) | (102,564) |
| Termination of lease | - | (143,628) |
| Lease modification gains | - | (9,211) |
| Closing balance | 411,012 | - |

| | 2021 \$ | 2020 \$ |
|-------------------------|------------|------------|
| Current | 95,320 | - |
| Non-current | 315,692 | - |
| Total lease liabilities | 411,012 | - |

Maturity analysis of lease liabilities are as follows:

| AT 30 JUNE 2021 | UP TO 3 MONTHS \$ | BETWEEN 3 AND 12 MONTHS \$ | BETWEEN 1 AND 2 Y EARS \$ | BETWEEN 2 AND 5 YEARS \$ |
|--------------------|-------------------------|----------------------------------|---------------------------------|--------------------------------|
| Lease liabilities | 23,067 | 72,253 | 100,862 | 214,830 |

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 \$469,611.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred. The expense associated with these leases is as follows:

| | 2021 \$ | 2020 \$ |
|------------------------------|------------|------------|
| Short-term leases | 75,224 | 66,017 |
| Leases with low value assets | - | 466 |
| | 75,224 | 66,483 |

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

16. PROVISIONS

CURRENT

| | 2021 \$ | 2020 \$ |
|--------------------------|------------|------------|
| Employee benefits | 226,534 | 171,653 |
| Other taxes | 67,118 | - |
| Total current provisions | 293,652 | 171,653 |

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| EMPLOYEE BENEFITS | | |
| Provision for annual leave – opening balance | 171,653 | 95,044 |
| Charge/(release) to profit or loss | 54,881 | 76,609 |
| Provision for annual leave – closing balance | 226,534 | 171,653 |

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| POWER GENERATION TAX AND ROYALTIES | | |
| Provision for other taxes – opening balance | - | - |
| Charge to profit or loss | 67,118 | - |
| Provision for other taxes – closing balance | 67,118 | - |

NON-CURRENT

| | 2021 \$ | 2020 \$ |
|------------------------------|------------|------------|
| Employee benefits | 1,324 | 434 |
| Well site restoration | 2,511,724 | 434,841 |
| Total non-current provisions | 2,513,048 | 435,275 |

| EMPLOYEE BENEFITS | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Provision for long service leave – opening balance | 434 | 23,205 |
| Charge/(release) to profit or loss | 890 | (22,771) |
| Provision for long service leave – closing balance | 1,324 | 434 |

| WELL SITE RESTORATION | 2021 \$ | 2020 \$ |
|---|------------|------------|
| Provision for well site restoration – opening balance | 434,841 | - |
| Capitalise in exploration and evaluation expenditure | 1,273,249 | 434,841 |
| Capitalise in oil and gas properties | 803,634 | - |
| Provision for well site restoration – closing balance | 2,511,724 | 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.

17. OTHER CURRENT LIABILITIES

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Funds from share placement issue (shares not yet issued) | 840,840 | - |

Funds from share placement issue (shares not yet issued) relates to Tranche One of the share placement which was completed on 2 July 2021, raising a total of \$32.4 million (147.1 million fully paid ordinary shares)

18. OTHER CURRENT LIABILITIES

| | 2021 \$ | 2020 \$ |
|--------------------------|------------|------------|
| Contingent consideration | 1,116,470 | - |

Tarba Energía SL ("Tarba") entered into an Asset Purchase Agreement ("APA") with Petroleum Oil & Gas España, S.A. ("Petroleum") in December 2019 to acquire El Romeral for an initial consideration of €750,000 (\$1,159,196) with further deferred consideration of €250,000 per well drilled will be due to Petroleum on drilling each of the next three wells.

The fair value of contingent consideration (€250,000 per well drilled due to Petroleum on drilling each of the next three wells at 100% probability) is recognised as a financial liability. The fair value as at 30 June 2021 is \$1,116,470 and the plan is to commence drilling the three wells in the first half of FY22. Refer to note 13 for further information on Business Combinations.

19. CONTRIBUTED EQUITY

(A) SHARE CAPITAL

| | 2021 SHARES NUMBER | 2020 SHARES NUMBER | 2021 \$ | 2020 \$ |
|-----------------|-----------------------|-----------------------|-------------|-------------|
| Ordinary shares | 996,599,596 | 803,974,528 | 138,483,843 | 103,774,096 |

MOVEMENTS IN SHARE CAPITAL

| DATE | DETAILS | NUMBER OF SHARES | ISSUE PRICE | \$ |
|------------------|--|---------------------|----------------|-------------|
| 1 July 2020 | Opening balance | 803,974,528 | | 103,774,096 |
| | Less: opening unlisted shares | | | (170,825) |
| 17 July 2020 | Share placement | 20,501,865 | 0.1300 | 2,665,242 |
| 17 July 2020 | 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 | 7,117,714 | 0.0240 | 170,825 |
| 21 October 2020 | Share placement | 123,993,739 | 0.2100 | 26,038,685 |
| 11 November 2020 | Share purchase plan | 3,714,322 | 0.2100 | 780,008 |
| 01 December 2020 | Share placement | 28,571,428 | 0.2100 | 6,000,000 |
| 25 March 2021 | Shares issued on exercise of unlisted options | 52,000 | 0.1235 | 6,422 |
| 30 April 2021 | Shares issued in payment of commission | 2,000,000 | 0.2400 | 480,000 |
| 26 May 2021 | Shares issued on exercise of unlisted options | 6,674,000 | 0.1235 | 824,239 |
| | Less: Transaction costs arising on share issue | | | (2,084,849) |
| 30 June 2021 | Closing balance | 996,599,596 | | 138,483,843 |

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 2020 | Opening balance | 6,726,000 | 31 May 2021 | 0.1235 |
| 17 July 2020 | Issue of options* | 9,999,999 | 16 July 2023 | 0.2800 |
| 25 March 2021 | Exercise | (52,000) | | 0.1235 |
| 26 May 2021 | Exercise | (6,674,000) | | 0.1235 |
| 30 June 2021 | Closing balance | 9,999,999 | | |

* Issue of options to Non-executive Directors (or their nominee) in recognition for their continued service to the company in accordance with shareholder approval of Resolutions 6,7 and 8 at Extraordinary General Meeting 16 July 2020.

(C) DIVIDENDS

There were no dividends paid or declared by the Group during the year (2020: nil).

20. OPTIONS RESERVE

| | 2021 \$ | 2020 \$ |
|--|-----------|---------|
| Opening balance | 113,549 | - |
| Unlisted alignment options issued to Lead Manager | - | 108,000 |
| Unlisted options under Employee Incentive Plan issued to employees | 630,237 | 9,776 |
| Exercised options | (103,773) | (4,227) |
| Closing balance | 640,013 | 113,549 |

TYPE OF SHARE-BASED PAYMENT PLAN**a) Alignment options**

On 7 June 2019, Alignment Options (AP) were issued to the Lead Manager and nominees over ordinary shares provided over \$4,000,000 is raised from the share placement in addition to the management fee in accordance with the share placement Engagement Letter.

The fair value of the AP was based on the best available estimate in accordance with the term of and conditions set out in share placement Engagement Letter. As a result, the good and services received was determined at \$108,000 based on 6% of the difference between the targeted and successful capital raised amount.

b) Incentive options

During the year, incentive options has been granted to the non-executive directors of the company which options issued over ordinary shares in Warrego Energy Limited in recognition of their contributions to the development of the company. The options were issued for nil consideration and vested on grant date.

The fair value of at grant date is determined using the Black-Scholes option pricing model which takes into account the issue price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

OPTION PRICING MODEL AND TERMS OF OPTIONS

| GRANT DATE | NUMBER OF OPTIONS ISSUED | EXERCISE PRICE | EXPIRY DATE | SPOT PRICE AT GRANT DATE | EXPECTED VOLATILITY | EXPECTED DIVIDEND YIELD | RISK-FREE RATE | EXPECTED LIFE YEARS | ESTIMATED FAIR VALUE | TYPE OF SHARE-BASED PAYMENT PLAN |
|--------------|--------------------------|----------------|--------------|--------------------------|---------------------|-------------------------|----------------|---------------------|----------------------|----------------------------------|
| 7 June 2019 | 7,000,000 | \$0.1235 | 31 May 2021 | \$0.1000 | - | - | - | 1.98 | \$0.0154 | (a) |
| 17 July 2020 | 9,999,999 | \$0.2800 | 16 July 2023 | \$0.1600 | 80.00% | 0% | 0.85% | 3 | \$0.0610 | (b) |

The options vested on grant date

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| Weighted average exercise price at 1 July | \$0.1235 | \$0.1235 |
| Weighted average exercise price granted during the period | \$0.2800 | - |
| Weighted average exercise price exercised during the period | \$0.1235 | \$0.1235 |
| Weighted average exercise price outstanding at 30 June | \$0.2800 | \$0.1235 |
| Weighted average exercise price exercisable at 30 June | \$0.2800 | \$0.1235 |
| Weighted average contractual life | 2.04 years | 0.92 years |

21. ACCUMULATED LOSSES

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Opening balance | 16,552,305 | 12,182,781 |
| Net loss for the year | 6,386,088 | 4,488,104 |
| Transfer from options reserve | (103,773) | (4,227) |
| Transfer of losses attributable to NCI | (305,715) | (114,353) |
| Closing balance | 22,528,905 | 16,552,305 |

22. 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 |
| Mark Routh | Non-executive Director |
| David Biggs | Executive Director – CEO Australia (Non-executive Director prior to 1 August 2020) |
| Owain Franks | Executive Director - Finance, Strategy & Delivery (resigned as Executive Director 1 September 2020, now President Europe) |

(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:

| | |
|--------------|---|
| Owain Franks | Former Chief Financial Officer (resigned 1 December 2020) |
| Jani Surjan | Chief Financial Officer (appointed 1 December 2020) |
| John Newman | Company Secretary (appointed 1 September 2020) |
| Ian Kirkham | Company Secretary and Chief Financial Officer (resigned 1 September 2020) |

(C) KEY MANAGEMENT PERSONNEL COMPENSATION

| | 2021 \$ | 2020 \$ |
|----------------------|-----------|-----------|
| Salary & fees | 1,579,600 | 1,821,441 |
| Bonus payments | 537,903 | 366,655 |
| Superannuation | 74,512 | 39,722 |
| Share-based payments | 609,774 | - |
| Long service leave | - | 25,329 |
| | 2,801,789 | 2,253,147 |

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

23. RESTRICTED CASH

| | 2021 \$ | 2020 \$ |
|---|----------------|----------------|
| Obligations under a bank corporate credit card facility with the Commonwealth Bank of Australia | 50,000 | 50,000 |
| Bankers' guarantee issued as security for the performance by the Company of its obligations under a lease of office premises at Level 6, 216 St George's Terrace, Perth | 42,669 | - |
| 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 |
| AGIG – Security Deposit (Long Lead Items) | 494,070 | - |
| Cash pledged as deposit for Spanish Ministry compliance programme | 107,702 | 56,124 |
| Total | 694,441 | 139,533 |

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

24. CONTINGENCIES

A) CONTINGENT ASSETS

The Group has no contingent assets to report as at 30 June 2021 (2020: nil).

B) CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2021 other than future royalty commitments to third parties in relation to the El Romeral asset, however at this stage, any liability that may arise as a result of this, cannot be measured reliably (2020: nil).

25. 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.

| | 2021 \$ | 2020 \$ |
|----------------------------|------------------|-------------------|
| Permit commitments | | |
| Less than one year | 9,935,300 | 25,385,406 |
| Between one and five years | - | 3,480,491 |
| Total | 9,935,300 | 28,865,897 |

26. AUDITOR'S REMUNERATION

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

| | 2021 \$ | 2020 \$ |
|---|---------------|---------------|
| Audit services | | |
| BDO – Audit and review of financial reports | 87,300 | 67,500 |
| Non BDO Audit Services | - | 5,000 |
| Total | 87,300 | 72,500 |

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

| | 2021 \$ | 2020 \$ |
|--|--------------------|--------------------|
| Loss for the year | (6,386,088) | (4,488,104) |
| Non-cash movement | | |
| Depreciation and amortisation | 196,874 | 117,919 |
| Finance expenses associated with convertible notes | - | 134,604 |
| Finance expenses associated with lease liabilities | 8,290 | 4,055 |
| Finance expenses associated with oil & gas restoration asset | 27,802 | - |
| Lease modification gain | - | (9,211) |
| Share-based payments | 630,237 | 9,776 |
| Foreign exchange losses | 5,842 | 8,373 |
| Movement in working capital | | |
| Increase/(decrease) in other current assets | (382,661) | 17,853 |
| Increase in trade and other payables | 1,514,641 | (93,000) |
| Net cash outflow from operating activities | (4,385,063) | (4,297,735) |

NON-CASH TRANSACTIONS AFFECTING INVESTING AND FINANCING ACTIVITIES

(a) On 17 July 2020, 7,117,714 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 30 April 2021, 2,000,000 ordinary shares were issued at \$0.24 each in payment of \$480,000 related to commission with respect to EP469 farmout.

28. 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

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Basic loss per share / Diluted loss per share | | |
| Loss from continuing operations attributable to the ordinary equity holders of the Company | 6,386,088 | 4,488,104 |
| Loss attributable to ordinary equity holders of the Company | 6,386,088 | 4,488,104 |

(D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

| | 2021 NUMBER | 2020 NUMBER |
|---|----------------|----------------|
| Weighted average number of shares used as denominator in calculating: | | |
| Basic loss per share | 3,643,758,887 | 3,406,403,608 |
| Diluted loss per share | 3,643,758,887 | 3,406,403,608 |

29. PARENT ENTITY INFORMATION

| | PARENT ENTITY | |
|---------------------------------------|---------------|--------------|
| | 2021 \$ | 2020 \$ |
| Loss after income tax | 14,654,517 | 2,195,549 |
| Total comprehensive loss for the year | 14,654,517 | 2,195,549 |
| Statement of financial position | | |
| Total current assets | 12,666,591 | 12,660,363 |
| Total assets | 65,721,344 | 43,964,651 |
| Total current liabilities | 1,855,472 | 422,698 |
| Total liabilities | 2,172,488 | 1,749,698 |
| Equity | | |
| Issued capital | 138,483,843 | 103,774,096 |
| Option reserve | 1,158,538 | 632,074 |
| Accumulated losses | (76,093,525) | (62,191,217) |
| Total equity | 63,548,856 | 42,214,953 |

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 2021 and 30 June 2020. Contingent liabilities

Contingent liabilities

The Group had no contingent assets or liabilities as at 30 June 2021 and 30 June 2020 as detailed in Note 24.

Capital commitments - Plant and equipment

The Parent Entity had no capital commitments for plant and equipment as at 30 June 2021 and 30 June 2020.

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.

30. CONTROLLED ENTITIES

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

| SUBSIDIARIES | PLACE OF INCORPORATION | 2021 INTEREST % | 2020 INTEREST % | PARENT |
|--|------------------------|-----------------|-----------------|------------------------|
| Warrego Energy UK Ltd | United Kingdom | 100 | 100 | Warrego Energy Limited |
| Warrego Energy Europe Ltd ^{^^^} | Edinburgh, Scotland | 100 | - | Warrego Energy Limited |
| Warrego Energy Netherlands B.V. ^{^^^} | Netherlands | 100 | - | Warrego Energy Limited |
| Warrego Energy EP469 Pty Ltd | WA, Australia | 100 | 100 | Warrego Energy Limited |
| Warrego Australia Holdings Pty Ltd | WA, Australia | 100 | 100 | Warrego Energy Limited |
| West Erregulla 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 ^{^^} | Victoria, Australia | - | 100 | Warrego Energy Limited |
| Warrego Energy (Investments) Pty Ltd ^{^^} | Victoria, Australia | - | 100 | Warrego Energy Limited |
| Tarba Energia (formerly Schuepbach Energy Espania) | Cadiz, Spain | 85 50.1 | 85 50.1 | Warrego Energy Limited |

[^] Warrego has 85% working interest in Tesorillo and Ruedalabola and 50.1% working interest in El Romeral. ^{^^} Deregistered during the year. ^{^^^} Dormant subsidiaries

^{^^^} As part of an internal restructure, shares held in Warrego Energy EP469 Pty Ltd were transferred from Warrego Energy UK Ltd (originally held) to Warrego Australia Holdings Pty Ltd on 24 December 2020. All entities are 100% wholly owned and controlled by the parent entity Warrego Energy Limited. The transfer was part of a Group review to ensure assets and entities are aligned within the operating segments of the Group.

The ownership interests held in the subsidiaries are ordinary shares or participating interests as the case may be. 26. Interests in Joint Operations

31. 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 | |
|--------------------------|----------|--------|
| | 2021 % | 2020 % |
| Cardium, Alberta, Canada | 40 | 40 |
| EP469, Perth, Australia | 50 | 50 |

32. SUBSEQUENT EVENTS

Other than disclosed below no matter has arisen in the period since 30 June 2021 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:

- Tranche One of the share placement was completed on 2 July 2021, raising a total of \$32.4 million (147.1 million fully paid ordinary shares).
- The Company held an Extraordinary General Meeting as a virtual meeting on 10 August 2021 with all resolutions passed by an overwhelming majority including the approval of Tranche 2 of the share placement and the approval of the Long Term Incentive (LTI) Plan including approval to issue performance rights under the LTI plan.
- Tranche Two of the share placement was completed on 17 August 2021, with \$17.6 million raised (80.2 million fully paid ordinary shares issued).
- Strike Energy Limited (ASX: STX), Warrego's joint venture partner in EP469, became a substantial shareholder of the Company in July 2021 with 93,312,610 shares representing 7.63% of issued capital as at the date of this Report.

33. CORPORATE INFORMATION

The financial report of Warrego Energy Limited for the period ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 24 September 2021.

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 2021 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
GROUP CEO & MANAGING DIRECTOR

29 September 2021

AUDITOR'S REPORT



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- 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.

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.

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.



Evaluation and Exploration assets

| Key audit matter | How the matter was addressed in our audit |
|--|---|
| <p>As disclosed in note 8 of the financial report, the group has incurred significant exploration and evaluation expenditure which has been capitalised in the statement of financial position. The carrying value of exploration and evaluation assets, as disclosed in note 8, is \$49,795,495 as at 30 June 2021 and represents a significant asset to 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 in accordance with 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"> • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether there are indicators that suggest that the exploration and expenditure assets should be tested for impairment. <p>As a result we have considered this to be a key audit matter.</p> | <p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining a schedule of areas of interest held by the group and assessing whether the right to tenure was current. • Considering 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. • 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. • Considering whether there are any indicators to suggest that impairment testing was required. • Assessing the adequacy of the related disclosures in note 8 of the financial report. |

Accounting for the acquisition of El Romeral

| Key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>As disclosed in note 13 of the financial report, the group acquired a 50.1% interest in El Romeral during the year.</p> <p>Accounting for this transaction is complex, requiring the group to exercise judgement in identifying and</p> | <p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Reviewing the purchase transaction and related agreements to obtain an understanding of the transaction and reviewing management's assessment to evaluate that the acquisition should be accounted for as business |



| Key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>determining the fair value of the assets and liabilities acquired.</p> <p>The audit of the accounting for this acquisition is a key audit matter due to the magnitude of the transaction and the significant judgement and complexity involved in accounting for the transaction.</p> | <p>combination under AASB 3 <i>Business Combinations</i> and also identify date of control of the business combination transaction.</p> <ul style="list-style-type: none"> • Assessing the competence, capabilities and objectivity of the external valuation experts engaged by management. • Evaluating and challenging the assumptions made and methodology used in the determination of the fair value of assets and liabilities acquired including testing the calculation of the purchase price allocation. • Assessing the adequacy of the related disclosures in note 13 of the financial report. |

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 2021, 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 (<http://www.auasb.gov.au/Home.aspx>) at:

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 the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Warrego Energy Limited, for the year ended 30 June 2021, 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

Leah Russell
Director

Sydney, 24 September 2021

4

ADDITIONAL INFORMATION

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

1. SHAREHOLDERS

A) DISTRIBUTION OF SHARE HOLDER AS AT 28 SEPTEMBER 2021

FULLY PAID ORDINARY SHARES

| HOLDINGS RANGES | HOLDERS | TOTAL UNITS | % |
|-------------------------|--------------|----------------------|----------------|
| 1 - 1,000 | 456 | 178,825 | 0.010 |
| 1,001 - 5,000 | 880 | 2,613,300 | 0.210 |
| 5,001 - 10,000 | 443 | 3,580,851 | 0.290 |
| 10,001 - 100,000 | 1,407 | 58,967,181 | 4.820 |
| 100,001 - 9,999,999,999 | 624 | 1,157,782,169 | 94.6600 |
| Totals | 3,810 | 1,223,122,326 | 100.000 |

There were 830 shareholders holding an unmarketable parcel of shares representing a cumulative total of 810,660 ordinary shares.

B) TOP TWENTY SHAREHOLDERS AS AT 28 SEPTEMBER 2021

FULLY PAID ORDINARY SHARES

| TOP TWENTY SHAREHOLDERS AS AT 28 SEPTEMBER 2021 | NUMBER OF ORDINARY SHARES HELD | % OF SHARES HELD |
|---|--------------------------------|------------------|
| Condor Energy Investments LLP | 143,994,473 | 11.773% |
| Mira Lasnubes LLP | 143,994,473 | 11.773% |
| Zero Nominees Pty Ltd | 93,562,610 | 7.649% |
| Citicorp Nominees Pty Limited | 68,086,985 | 5.567% |
| CS Third Nominees Pty Limited | 47,988,246 | 3.923% |
| UBS Nominees Pty Ltd | 42,427,375 | 3.469% |
| HSBC Custody Nominees | 41,314,486 | 3.378% |
| Discovery Investments Pty Ltd | 35,828,956 | 2.929% |
| J P Morgan Nominees Australia | 27,357,066 | 2.237% |
| BNP Paribas Nominees Pty Ltd | 25,696,818 | 2.101% |
| Brazil Farming Pty Ltd | 20,547,896 | 1.680% |
| Brispot Nominees Pty Ltd | 19,771,946 | 1.617% |
| Mr James Clarke | 19,152,474 | 1.566% |
| Rookharp Capital Pty Limited | 16,720,917 | 1.367% |
| Mr Dwain Franks | 14,512,723 | 1.187% |
| Broadgate Investments Pty Ltd | 13,910,585 | 1.137% |
| BNP Paribas Nominees Pty Ltd | 11,802,689 | 0.965% |
| Brazil Farming Pty Ltd | 9,305,459 | 0.761% |
| Treasury Services Group Pty Ltd | 7,253,833 | 0.593% |
| Mr Mark Routh | 7,105,922 | 0.581% |
| TOTAL SECURITIES OF TOP 20 HOLDINGS | 810,335,932 | 66.251% |
| Total of Securities | 1,223,122,326 | |

2. VOTING POWER

Option holders, employee share rights holders and employee performance 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 |
| Strike Energy Limited | 93,312,610 |
| Regal Funds Management Pty Ltd | 64,128,295 |

4. UNQUOTED SECURITIES

The unquoted securities issued but not quoted as at 28 September are as follows:

| DESCRIPTION | HOLDERS | TOTAL NUMBER |
|---|---------|--------------|
| Fully Paid Ordinary Shares (unlisted), issued under the Employee Incentive Plan | 12 | 750,000 |
| 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 |
| Employee Performance Rights (2021 Approved LTI Plan) | 6 | 5,762,960 |

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 2021 | |
|--------------------------|-------------------------------------|--------------------------------|--------------------------|-----------------|
| | | | | 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 [^] | Cadiz, Spain | Via Tarba Energia SRL | 85.0% | 68,800 |
| Ruedalabola [^] | Cadiz, Spain | Via Tarba Energia SRL | 85.0% | 10,200 |
| El Romeral 1* | Guadalquivir Basin, Spain | Via Tarba Energia SRL | 50.1% | 76,600 (total*) |
| El Romeral 2* | Guadalquivir Basin, Spain | Via Tarba Energia SRL | 50.1% | |
| El Romeral 3* | Guadalquivir Basin, Spain | Via Tarba Energia SRL | 50.1% | |
| 19-25-3W5M | Cardium, Alberta, Canada | Direct JV interest | 40% | 640 |

[^] Warrego's 85% working interest will reduce to 50.1% upon completion of the Prospek 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 43.4 million barrels of oil equivalent (mmboe) at 30 June 2021. 2C increased by 0.4mmboe with the incorporation of the El Romeral Asset in Spain following the completion of the sale and purchase agreement.

| CONTINGENT RESOURCES (WARREGO SHARE) | | |
|--|--------------------|--------------------|
| ALL PROJECTS BY PRODUCT | GAS (bcf) | TOTAL (mmboe*) |
| Contingent resource (2C) | PERTH BASIN | PERTH BASIN |
| | 257 | 43 |
| | SPAIN (El Romeral) | SPAIN (EL ROMERAL) |
| | 2.5 | 0.4 |
| ALL PROJECTS BY REGION (mmboe) | TOTAL | TOTAL |
| Contingent resource (2C) | 259.5 | 43.4 |
| <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 | | |
| | GAS (bcf) | TOTAL (mmboe) |
| 30 June 2020 | 257 | 43 |
| PERTH BASIN | 257 | 43 |
| Revision to previous estimates | - | - |
| Extension and discoveries | - | - |
| Acquisition and divestments | - | - |
| SPAIN (EL ROMERAL) | 0 | 0 |
| Revision to previous estimates | - | - |
| Extension and discoveries | - | - |
| Acquisition and divestments | 2.5 | 0.4 |
| 30 June 2021 | 259.5 | 43.4 |

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 2021 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 a consultant of Warrego Energy and has worked in the petroleum industry as a practicing geologist for over 35 years. Mr Veenhof has approved this statement as a whole and consented to the inclusion of this statement in the report in the form and context in which it appears.

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

John Newman

REGISTERED OFFICE

Level 6, London House, 216 St Georges Terrace, Perth, WA 6000

T: +61 8 6373 5171

E: office@warregoenergy.com

WARREGO ENERGY LIMITED

ACN 125 394 667

SHARE REGISTRY

Boardroom Limited
Level 12, 225 George St, Sydney NSW 2000

GPO Box 3993
Sydney NSW 2001

T: +61 2 9290 9600

F: +61 2 9290 9655

HOME STOCK EXCHANGE

ASX Limited
20 Bridge Street, Sydney NSW 2000

ASX Code: WGO

AUDITORS

BDO
Level 11, 1 Margaret Street, Sydney NSW 2000

GLOSSARY

| | | | |
|-----------------|-------------------------------------|------------|--------------------------------------|
| 2P | Proved + Probable Reserves | GSA | Gas Sales Agreement |
| 2C | Best Estimate Contingent Resources | JV | Joint Venture |
| 2U | Best Estimate Prospective Resources | km | kilometres |
| 3D | Three-dimensional seismic survey | m | metres |
| ASX | Australian Securities Exchange | MDRT | Measured Depth below Rotary Table |
| Bbl/d | Barrels per day | Mmboe | Millions barrels of oil equivalent |
| Bcf | Billion cubic feet | MW | Mega Watt |
| CEO | Chief Executive Officer | NSAI | Netherland, Sewell & Associates, Inc |
| CO ₂ | Carbon Dioxide | PJ | Petajoules |
| EP | Exploration Permit | PLT | Production Logging Tool |
| E&P | Exploration & Production | Psia | Pounds per square inch absolute |
| EPA | Exploration Permit Application | Psig | Pounds per square inch gauge |
| ESG | Environment, Social, Governance | TD | Total Depth |
| FEED | Front End Engineering and Design | TJ/d | Terajoules per day |
| FWHP | Flowing Well Head Pressure | TVDSS | Total Vertical Depth Subsea |
| FTHP | Flowing Tube Head Pressure | UK | United Kingdom |
| FY | Financial Year | WA | Western Australia |
| GJ | Gigajoules | WE-2,3,4,5 | West Erregulla wells |

WARREGO ENERGY LIMITED

ANNUAL REPORT

2021

WARREGOENERGY.COM