WINCHESTER
ENERGY LIMITED

ACN 168 586 445

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2022

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CORPORATE INFORMATION

Directors

Mr James Allchurch
Mr Larry Liu
Mr Tony Peng
Mr Douglas Holland

Company Secretary

Mr Lloyd Flint

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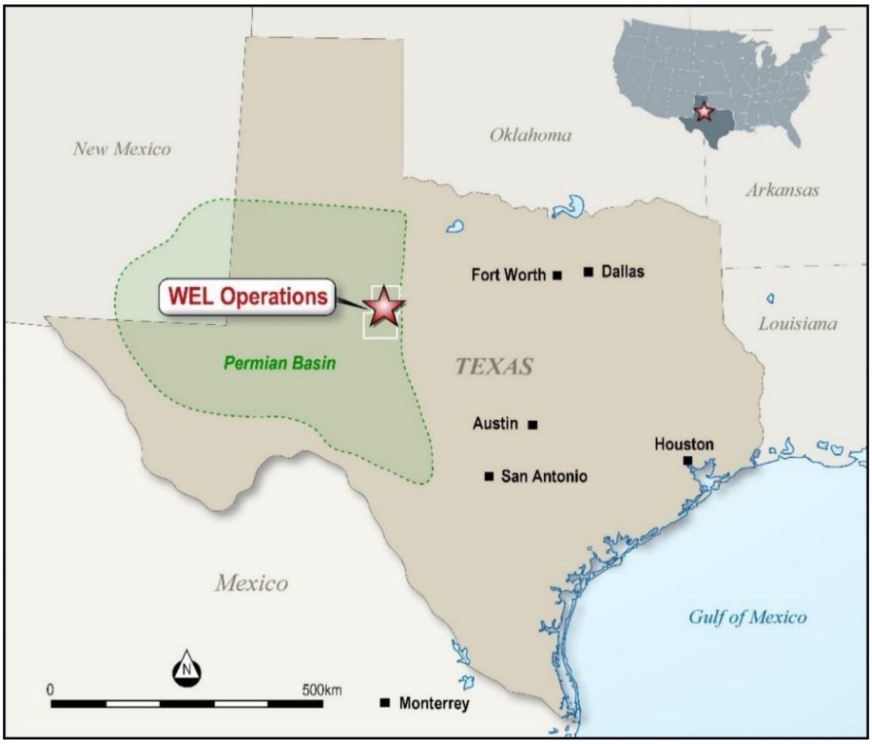
REVIEW OF OPERATIONS

The year ended 31 December 2022 has returned total Working Interest (WI) sales revenue from oil and gas production of AUD$8,562,408[1].

Three workovers were completed successfully and connected to sales at the newly acquired Group Prospect and development work is advanced at the exciting Varn Oil Field (2P Reserves of over 1,068,000 boe[2]), where the first water flood production well has unexpectedly produced primary oil.



Location of Winchester Operations in Texas, USA

Oil Production

Winchester recorded the following gross and working interest (WI) net oil and gas production for the year ended 31 December 2022 (across all oil wells in which Winchester has a WI).

Oil Production (boe)	Total year end 31 Dec 2022	December Quarter 2022	September Quarter 2022	June Quarter 2022	March Quarter 2022
Gross Oil Production	78,869	12,897	15,839	19,090	31,043
WEL WI Share*	73,210	11,916	15,108	17,873	28,313

**Winchester is entitled to its WI share of revenue after royalty payments to the oil and gas mineral rights owners.*

Winchester's average daily WI production in the December 2022 quarter was 130 barrels of oil equivalent per day (boepd)[3], comprising 83% liquids (oil).

Total WI sales revenue for the year ended 31 December 2022 from oil and gas production was US$5,651,189 (AUD$8,562,408[4]).

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[1] *Using exchange rate 1 AUD = 0.66 USD*

[2] *See ASX Release dated 3 December 2021*

[3] *boe (barrels of oil equivalent) - gas quantities are converted to boe using 6,000 cubic feet of gas to one barrel of oil. The 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency. Estimates are rounded to the nearest boe.*

[4] *Using exchange rate 1 AUD = 0.66 USD*

WINCHESTER ENERGY LIMITED

EXPLORATION & DEVELOPMENT OPERATIONS

Well Summary

Well ID	Drilled/Workover	Formation	Oil Field	WEL WI	Status
White Hat 2002	Apr 2017	Strawn	Mustang	50%	Producing
White Hat 2003	Mar 2019	Strawn	Mustang	75%	Producing
White Hat 2005	Aug 2019	Strawn	Mustang	75%	Producing
White Hat 3902	Dec 2019	Ellenburger	-	100%	Producing
White Hat 2006	Jan 2020	Strawn	Mustang	75%	Producing
Arledge 1602	Jul 2019	Cisco Sands	Lightning	100%	Producing
McLeod 1703	Dec 2019	Cisco Sands	Lightning	100%	Producing
Bast 2	1985	Strawn	Bast	94%	Producing
Bast A-1	1985	Strawn	Bast	93%	Producing
McLeod 1705	June 2021	Strawn	-	100%	Producing
White Hat 2106	July 2021	Ellenburger	-	100%	Producing
Group 4000 – 15A	November 2022	Cisco Sands	Group	75%	Producing
Group 4000 – 16A	July 2022	Cisco Sands	Group	75%	Producing
Group 4000 – 23A	August 2022	Cisco Sands	Group	75%	Producing
JVU#11WSW	October 2022	Strawn	Varn	100%	Water supply well
JVU#6	November 2022	Strawn	Varn	100%	Producing/awaiting flood

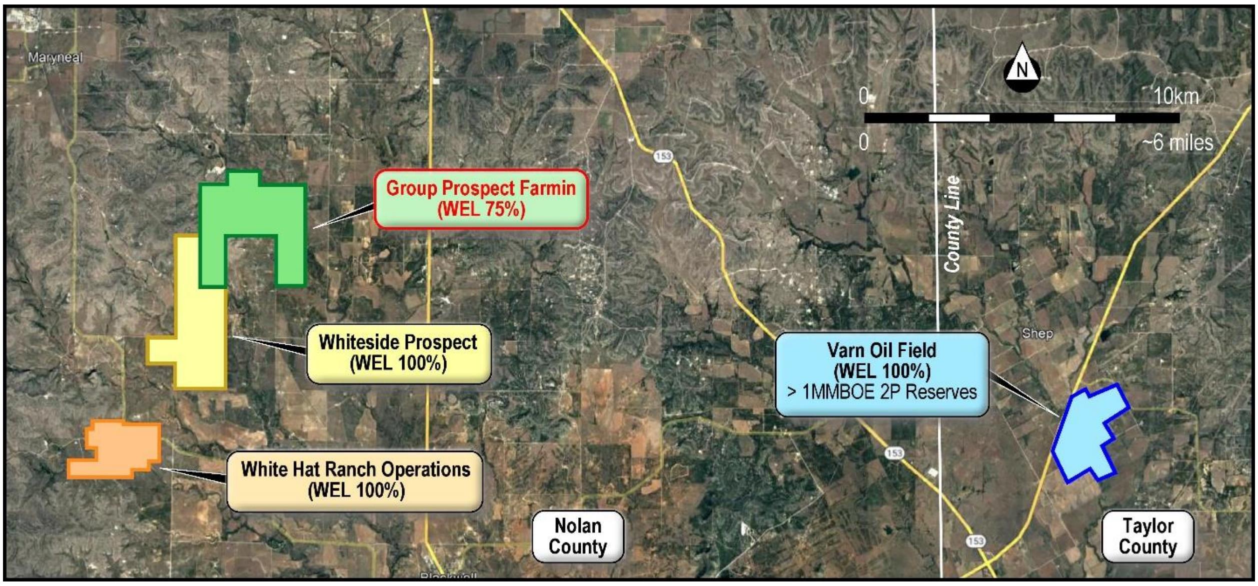
Group Prospect (75% WI)

On 29 June 2022, Winchester announced it had executed an agreement with private US-based oil company Westex Resources Inc (Westex) that allows Winchester to farm-in to the Group Prospect which is contiguous with its 100%-owned Whiteside Prospect in Nolan County, Texas.

The Group Prospect farm-in provided Winchester with an entry into an oil play contiguous to its existing land holding and will deliver an immediate incremental increase in the Company's oil production for minimal operational outlay.

Winchester has since re-completed and connected to sales three Group Prospect wells (Group 15A, Group 16A and Group 23A). In aggregate, the wells initially produced approximately 42 bopd with sustained production of 35 bopd as at January 2023.

The production at the Group Prospect has been derived from the inexpensive re-entry and re-completion of historic wells in the area, targeting known permeable oil reservoir zones which were not stimulated for oil production by previous operators.



Location of WEL assets in Nolan and Taylor Counties, Texas

Varn Oil Field (100% WI)

Following the drilling of four initial 300ft surface wells and installation of wellheads by a surface rig, Winchester in late 2022 completed the first well associated with the Varn Oil Field waterflood programme, the JVU#11WSW water supply well.

Winchester also recently drilled, cased and completed JVU#6 to a total depth of 4,715ft. JVU#6 is the first designated producer well for the forthcoming Varn Oil Field waterflood operations where water will be injected into the Lower and Upper Fry formations via water injector wells to raise reservoir pressure thereby forcing oil towards pre-drilled producer wells.

JVU#6 returned net pay of over 26ft across the Lower and Upper Fry formations which, despite the Upper and Lower Fry formations having been depleted by historic production, prompted Winchester to perforate the zones for any potential bonus residual primary oil production.

After successfully swabbing oil and gas, JVU#6 was placed on pump and immediately produced approximately 80 bopd with gas. After production stabilized over ensuing days, JVU#6 is producing approximately 30-40 bopd plus gas.

To encounter primary production in JVU#6 is an unexpected bonus for the Company as oil is now going to sales.

Given the results at JVU#6 it is now considered relatively likely that the producer wells in the vicinity of JVU#6 will also have primary production.

Winchester is the operator at Varn, which is a waterflood field operation comprising 11 wells (five oil and gas producers, five water injectors and 1 water source well). The majority of these wells are planned for the central area where the Upper and Lower Fry Sand overlap while the rest of the wells capture oil from the more widespread Upper Fry Sand.

Calculated Varn Oil Field Reserves - Mire Petroleum Consultants

Reserves	Product	1P – Proved Reserve	2P – Proved + Probable Reserve	3P – Proved + Probable + Possible Reserve
Upper and Lower Fry Sands	BO	415,000	994,000	1,680,000
	MCF	169,000	442,000	894,000
	BOE	443,000	1,068,000	1,829,000

BO – barrels of oil
BOE – barrel of oil equivalent
MCF – thousand cubic feet of gas
Calculated Reserves incorporate WEL's net revenue interest of 77%
Further ASX Listing Rule 5.31 Information (Notes to Reserves) related to these reserves is provided in in the ASX release of 3 December 2021

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CORPORATE

As of 31 December 2022, Winchester Energy had 1,010,219,792 ordinary shares on issue and cash reserves of approximately AUD$1.1 million[5].

Oil and Gas Leases Held as at 31 December 2022

Winchester's lease holding at the end of the December 2022 quarter was 4,910[6] acres.

	WEL Interest	Lease/Prospect	Location
Held at end of Dec 22			
	100%	McLeod (HBP only)	Nolan County Texas
	100%	Coke	Coke County Texas
	100%	White Hat (HBP only)	Nolan County Texas
	100%	Arledge (HBP only)	Nolan County Texas
	92%	Bast (HBP only)	Nolan County Texas
	100%	Whiteside	Nolan County Texas
	100%	Varn Oil Field	Taylor County Texas
	75%	Group Prospect	Nolan County Texas

HBP – Held by Production (no lease costs or holding obligations as long as oil and gas production continues)

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which are identified by words such as "believes", "estimates", "expects', "targets", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this report, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Winchester, the Directors and management of Winchester. These risks, uncertainties and assumptions could cause actual results to differ materially from those expressed in any forward-looking statements. Winchester has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this report, except where required by law. Winchester cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

COMPETENT PERSON'S STATEMENT

The information in this report is based on information compiled or reviewed by Mr Keith Martens, consulting geologist/geophysicist to Winchester Energy. Mr Martens is a qualified petroleum geologist/geophysicist with over 45 years of Australian, North American and other international executive petroleum experience in both onshore and offshore environments. He has extensive experience of petroleum exploration, appraisal, strategy development and reserve/resource estimation. Mr Martens has a BSc. (Dual Major) in geology and geophysics from The University of British Columbia, Vancouver, Canada.

[5] *Using exchange rate 1 AUD = 0.654 USD*
[6] The Company's net acreage position varies modestly in accordance with earned interests in drilling units of the current operations.

DIRECTORS' REPORT

Your Directors submit their report for the year ended 31 December 2022.

The names of Directors in office at any time during or since the end of the period are:

Mr James Allchurch	Non-Executive Director
Mr Larry Liu	Non-Executive Director
Mr Tony Peng	Non-Executive Director
Mr Douglas Holland	Executive Technical Director – appointed 7 February 2022

Directors were in office for this entire period unless otherwise stated.

Information on Directors

Mr Douglas Holland – appointed 7 February 2022
Executive Technical Director

Mr Holland has over 25yrs experience in US oil and gas with major organisations such as EL Paso Corporation and Noble Energy. Since 2016, Mr Holland has managed high quality oil and gas assets on behalf of private equity groups. In 2019 Mr Holland, as Executive Vice President, played an active role in identifying, modelling and executing a US$100 million Purchase and Sale Agreement for an oil and gas asset with a major public operator on behalf of Churchill Oil and Gas LLC.

Current directorships held in other listed entities

Nil.

Former directorships in other listed entities in the last three years

Nil.

Mr Larry Liu
Independent Non-Executive Director

Mr Larry Liu obtained a Bachelor's Degree of Engineering from Southeast University, China and a MBA from a joint program between APESMA & Deakin University, Australia. He joined General Electric in 1997 from Contact Energy New Zealand, and served in various Asia Pacific leadership positions for GE. He was the general manager of South China, HK & Macau for GE Consumer & Industrial. He is now a professional investor.
Mr Liu is considered to be an independent director.

Current directorships held in other listed entities

None

Former directorships in other listed entities in the last three years

None

Mr Tony Peng
Non-Executive Director

Tony Peng is Houston-based and has an extensive experience in banking, investment and finance business for decades. He has worked for Bank of China for more than a decade as loan and asset management officer internationally. He has served as Chief Financial Officer for several energy companies with both public (i.e. China Recycling Energy Corp (Nasdaq: CREG), an alternative energy company during 2008-2010) and private (i.e. Amerril Energy LLC, an oil & gas E & P company focused on Texas' Eagle Ford Shale during 2012-2014) in the United States. Tony holds an MBA degree from University of Miami and a Bachelor's degree from Shanghai Fudan University with major in International Finance.
He is currently Chief Financial Officer for Helios Energy Ltd (ASX: HE8). Tony is not considered to be independent as he is a nominee of Helios Energy Ltd which has a holding in the share capital of Winchester Energy Ltd.

Current directorships held in other listed entities

None

Former directorships in other listed entities in the last three years

None

Mr James Allchurch – appointed 1 April 2020
Non-Executive Director

Mr Allchurch holds a BSc (Hons) and is a geologist with over 19 years' experience in mineral exploration, geotechnical assessment and mining operations. Mr Allchurch was the Managing Director of ASX-listed company Monto Minerals which controlled copper mining and tin exploration operations in Queensland and has held various Board positions over the previous 10 years including ASX-listed Bligh Resources and various private entities. More recently Mr Allchurch founded a Chilean cobalt mining exploration company, executing detailed exploration activities prior to a cash sale to a US-based fund.

Mr Allchurch spent six years working at Ascent Capital and has considerable expertise in the identification and assessment of resource projects over a broad range of commodities in geographies including Europe, Australia, Africa and South America.

Current directorships held in other listed entities

Mandrake Resources Limited – (Managing Director – appointed 4 August 2019)

Former directorships in other listed entities in the last three years

PepinNini Lithium Limited – (Non-Executive Director - resigned 11 November 2019).

Company Secretary

Mr Flint BAcc, MBA, CAANZ, FGIA. Mr Flint is an experienced professional gained over 25 years including periods as CFO and group Company Secretary for a number of listed ASX companies. Mr Flint provides financial and company secretarial services to a number of ASX listed companies.

Directors' shareholdings

The following table sets out each Director's relevant interest in the shares of the Company or a related body corporate as at the date of this report:

	Shares	Options	Performance Rights
Mr Larry Liu	34,408,672	5,000,000	-
Mr Tony Peng	-	5,000,000	-
Mr James Allchurch	5,870,154	15,000,000	-
Mr Douglas Holland	-	15,000,000	20,000,000

Principal activities

The principal activity of the Group during the financial period was acquiring oil and gas leases and working interests in areas situated on the Eastern Shelf of the Permian Basin in Texas, USA and exploring for oil and gas on those oil and gas leases.

Corporate

20,000,000 options with an exercise price of AUD$0.12 expired on 31 January 2022, 1,500,000 options with an exercise price of AUD$0.05c expired 11 June 2022 and 10,000,000 options with an exercise price of 10c expired 15 December 2022.

The Company settled technical advisor liabilities by the issue of 2,007,577 shares and 2,000,000 options with an exercise price of AUD0.054c expiring 31/12/25 to satisfy the Company's obligations.

Douglas Holland was appointed as Executive Technical Director on 7 February 2022.

Incentive securities being 20,000,000 performance rights and 37,500,000 options approved by shareholders were issued to directors (refer Notes 17 and 18).

Operating Results

Net loss of the Group for the period ended 31 December 2022 after providing for income tax was US$574,616 (2021: Loss US$1,436,170). Net Assets of the entity as at 31 December 2022 were US$9,090,290 (2021: US$9,541,142).

Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs occurred during the year ended 31 December 2022.

Significant events subsequent to reporting date

2,250,000 options exerciseable at AUD10c each expired 16 February 2023. A further 10,202,115 shares were issued to a consultant in lieu of cash to settle the Company's obligations.

Other than the above, there have been no significant events after the reporting date.

Likely developments and expected results

Each year the Board will undertake a formal strategic planning process to provide guidance to management about the Company's strategic direction. The Company plans to continue with its current operations whilst continuing to review new opportunities. The achievement of the expected results is dependent on range of factors, some of which are outside the Company's control.

Environmental regulation and performance

The Company has a policy of complying with its environmental performance obligations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

Dividends

In respect of the year ended 31 December 2022, no dividends have been paid or declared since 1 January 2022 (2021: nil) and the Directors do not recommend the payment of a dividend in respect of the financial period.

Indemnification and insurance of officers and auditors

During or since the financial period, the Company has paid premiums in respect of a contract insuring all Directors of the Company against legal costs incurred in defending proceedings for conduct involving, (a) wilful breach of duty or (b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The Company has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

Shares under option

Unissued ordinary shares of Winchester Energy Limited under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number under option
14 June 2019	14 June 2024	$A0.05	6,200,000
14 June 2019	14 June 2024	$A0.10	7,700,000
18 June 2021	31 December 2025	$A0.054	2,500,000
4 February 2022	31 December 2025	$A0.054	2,000,000
26 August 2021	26 July 2025	$A0.016[1]	37,500,000
8 November 2021	31 December 2023	$A0.05	1,600,000
8 November 2021	31 December 2024	$A0.055	1,600,000
8 November 2021	31 December 2025	$A0.06	800,000
24 May 2022	23 May 2025	$A0.035	25,000,000
24 May 2022	31 May 2027	$A0.06	12,500,000

[1] Subject to achieving a 20 day VWAP of AUD$0.032c during the period prior to expiry.

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the period and the number of meetings attended by each Director was as follows:

	Board of Directors		Audit & Risk committee		Remuneration committee	
	Held	Attended	Held	Attended	Held	Attended
Mr Douglas Holland[1]	5	5	-	-	-	-
Mr Larry Liu	6	6	-	-	-	-
Mr Tony Peng	6	6	-	-	-	-
Mr James Allchurch	6	6	-	-	-	-

[1] Appointed 7 February 2022

Diversity

The Company believes that the promotion of diversity on its Board and within the organisation generally is good practice and is committed to managing diversity as a means of enhancing the Company's performance. There are currently no women on the Company's board or filling senior management positions within the Company, however the Company (as set out in the Diversity Policy) will focus on participation of women on its Board and within senior management and has set objectives for achieving gender diversity.

Auditor independence and non-audit services

The auditor's independence declaration is included on page 20 of the annual financial report.

The following non-audit services were provided by the entity's auditor, BDO. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor independence and non-audit services

BDO received or are due to receive the following amounts for the provision of non-audit services:

	2022 US$	2021 US$
Taxation advice	5,152	4,045
	5,152	4,045

Remuneration Report (Audited)

1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of Winchester Energy Limited.

For the purposes of this report, the term "Senior Management" includes the Managing Director, Directors and other senior executives of the Company.

Directors		
Mr Douglas Holland	Executive Technical Director	Appointed 7 February 2022
Mr Larry Liu	Non-Executive Director	Appointed 10 December 2014
Mr Tony Peng	Non-Executive Director	Appointed 1 September 2019
Mr James Allchurch	Non-Executive Director	Appointed 1 April 2020

2. Remuneration Policy

The remuneration policy has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and where relevant, offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board believes the current remuneration policy to be appropriate and effective in its ability to attract and retain the most valued executives and Directors to run and manage the Group. The Company has not sought advice from third party remuneration consultants and have relied on publicly available information to benchmark outcomes.

The remuneration policy, setting the terms and conditions for the executive Directors and other senior executives, was developed by the Board. All executives receive consultancy fees based on hours of service per month which is based on factors such as length of service and experience. The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

Executive Directors and senior management do not receive a superannuation guarantee contribution and do not receive any other retirement benefits except for James Allchurch who receives a superannuation guarantee contribution payment as part of his salary.

Remuneration Report (Audited) (continued)

3. Summary of Senior Management contractual arrangements

The Company's KMP are employed under individual consulting agreements, which contain standard terms and conditions on notice and termination provisions, restraint and confidentiality provisions and leave entitlements. Specific terms and conditions of service agreements of KMP at the end of the financial year are summarised in the table below:

Name	Position	Notice Period	Restraint of Trade
Mr Douglas Holland[1]	Technical Director	3 months	None
Mr Larry Liu	Non-Executive Director	3 months	None
Mr Tony Peng	Non-executive director	n/a	None
Mr James Allchurch	Non-executive director	n/a	None

[1]Appointed 7 February 2022

4. Director remuneration arrangements

Technical Director

The Technical Director was appointed on 7 February 2022 and is entitled to a monthly fixed remuneration of US$22,550 (per deed of amendment dated 7 February 2022 pursuant to appointment as Executive Technical Director). The actual amount earned during the period is included in the remuneration table of the Annual Report.

Other Key Management Personnel

The Constitution provides that the Directors will be paid by way of remuneration for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Directors prior to the first annual general meeting of the Company or pursuant to a resolution passed at a general meeting of the Company (subject to complying with the Corporations Act and the Listing Rules, as applicable).

The Shareholders of the Company set the maximum aggregate remuneration payable to Directors at the level of A$1,000,000 per annum.

Each of the Directors had been entitled to the following remuneration over the 12 month period ended 31 December 2022:

Name	Currency	Annual Fees
Mr Douglas Holland (appointed 7 February 2022)	US$	270,600
Mr Larry Liu	AUD$	54,000
Mr Tony Peng	AUD$	54,000
Mr James Allchurch	AUD$	110,952

Where a Director performs duties or provides services other than acting as a Director he or she may be paid fees or other amounts as the Directors determine. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Remuneration Report (Audited)

5. Key management personnel remuneration

The remuneration for each Director and key management personnel of the Company during the year ended 31 December 2022 was as follows:

2022		Short term benefits			Post-employment	Long term benefits					
		Salary & fees[1]	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Share based payments Options	Rights	Termination payments	Total	Performance related
Directors		US$	US$	US$	US$	US$	US$	US$	US$	US$	%
D Holland[2]	2022	287,145	-	83,620	-	-	62,656	39,222	-	472,642	22%
	2021	-	-	-	-	-	-	-	-	-	-
L Roe[3]	2022	-	-	-	-	-	-	-	-	-	-
	2021	109,411	-	-	6,725	-	-	-	-	116,137	0%
N. Henry[4]	2022	-	-	-	-	-	-	-	-	-	-
	2021	72,000	-	-	-	-	-	-	-	72,000	0%
L Liu[5]	2022	37,514	-	-	-	-	23,487	-		61,001	39%
	2021	27,052	-	-	-	-	-	-	-	27,052	0%
T Peng	2022	37,800					23,487	-		61,287	38%
	2021	27,300	-	-	-	-	-	-	-	27,300	0%
J Allchurch[6]	2022	157,816	-	-	2,563	-	73,087	-	-	233,466	31%
	2021	133,136	-	-	2,638	-	-	-	-	135,773	0%
Total	**2022**	**520,275**	**-**	**83,620**	**2,563**	**-**	**182,717**	**39,222**	**-**	**828,397**	**27%**
Total	2021	368,899	-	-	9,363	-	-	-	-	378,262	0%

1. Salary and fees were converted to USD using the average rate for the period ending 31 December or period earned.
2. Doug Holland was appointed on 7 February 2022.
3. Laurence Roe resigned 30 April 2021.
4. Neville Henry resigned 31 January 2021.
5. Larry Liu was also paid $AUD3,000 which was an increase in fees backdated to November 2022.
6. James Allchurch provided services other than acting as a Director. He was paid USD$80,738 in addition to entitlement tabled above in this regard.

Remuneration Report (Audited) (continued)

6. Additional statutory disclosures

Key management personnel equity holdings

The following table sets out each Director's relevant interest in the shares of the Company or a related body corporate as at 31 December 2022.

2022	Balance at 1 January No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Douglas Holland	-[1]	-	-	-
Mr Larry Liu	34,408,672	-	-	34,408,672
Mr Tony Peng	-	-	-	-
Mr James Allchurch	5,870,154	-	-	5,870,154

1 Held as at appointment.

Key management personnel option holdings

The following table sets out each Director's relevant interest in the options of the Company or a related body corporate as at 31 December 2022.

2022	Balance at 1 January No.	Options lapsed	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Douglas Holland	2,500,000[1]	-	12,500,000	-	15,000,000
Mr Larry Liu	500,000	(500,000)	5,000,000	-	5,000,000
Mr Tony Peng	-	-	5,000,000	-	5,000,000
Mr James Allchurch[1]	1,125,000	(1,125,000)	15,000,000	-	15,000,000

1 Held as at appointment.

Key management personnel performance rights holdings

The following table sets out each Director's relevant interest in the performance rights of the Company or a related body corporate as at 31 December 2022.

2022	Balance at 1 January No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Douglas Holland	-[1]	20,000,000	-	20,000,000
Mr Larry Liu	-	-	-	-
Mr Tony Peng	-	-	-	-
Mr James Allchurch[1]	-	-	-	-

1 Held as at appointment.

Remuneration Report (Audited) (continued)

Share based payment

Share based payment arrangements with KMPs in the current financial year are detailed as follows:

Options

37,500,000 options were issued to directors. 25,000,000 of the options have an exercise price of AUD$0.03c with a 3 year term. 12,500,000 of the options have an exercise price AUD$0.06c and a 5 year term. The AASB 2 fair value of the option was calculated using Black-Scholes modelling. The following inputs were used in the calculation:

	3 year Incentive Options	5 year Incentive Options
Valuation date (equal to grant date under AASB 2)	24 May 2022	24 May 2022
Exercise price	AUD 3.0cents	AUD 6.0 cents
Expiration date	24 May 2025	24 May 2027
Share price at valuation date	AUD$0.014	AUD$0.014
Risk free rate of interest	2.84%	3.04%
Company share price volatility	100%	100%
Fair value per option	AUD$0.00668	AUD$0.00756
Total Fair value USD	USD$117,436	USD$65,281

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described in policies above. The Options vested upon grant. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

3 year Incentive Options

Name	Number of Options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise Price AUD$	Fair value per option at grant date US$	Total Value of options granted US$
Mr D Holland	5,000,000	24/5/22	24/5/22	24/5/25	$0.03	0.0046	23,487
Mr L Liu	5.000,000	24/5/22	24/5/22	24/5/25	$0.03	0.0046	23,487
Mr T Peng	5,000,000	24/5/22	24/5/22	24/5/25	$0.03	0.0046	23,487
Mr J Allchurch	10,000,000	24/5/22	24/5/22	24/5/25	$0.03	0.0046	46,975

5 year Incentive Options

Name	Number of Options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise Price AUD$	Fair value per option at grant date US$	Total Value of options granted US$
Mr D Holland	7,500,000	24/5/22	24/5/22	24/5/27	$0.06	0.0052	39,168
Mr J Allchurch	5,000,000	24/5/22	24/5/22	24/5/27	$0.06	0.0052	26,112

Remuneration Report (Audited) (continued)

Performance Rights

Pursuant to shareholder approval, the Company has issued 20,000,000 Performance Rights to Douglas Holland (or his nominee) on the terms and conditions set out below. The Performance Rights are split into three tranches and vest as follows:

Class	Performance Rights	Vesting Milestone[1]	Expiry Date
Tranche A	5,000,000	Upon the organic (ie exclusive of any purchased production assets) production of 750 barrels of oil equivalent per day (boepd) for 15 consecutive days.	Two (2) years from the date of issue
Tranche B	5,000,000	Upon the organic (ie exclusive of any purchased production assets) production of 1,250 barrels of oil equivalent per day (boepd) for 15 consecutive days.	Three (3) years from the date of issue
Tranche C	10,000,000	Upon the organic (ie exclusive of any purchased production assets) production of 2,000 barrels of oil equivalent per day (boepd) for 15 consecutive days.	Four (4) years from the date of issue

[1] If the holder (or the effective holder where a nominee has been appointed) of the Performance Right's engagement with the Company (or one of its subsidiaries) is terminated for whatever reason, any unvested Performance Rights held by that relevant holder will automatically lapse.

The fair value of the option was calculated using the underlying share price. The hurdles to vest are non-market hurdles and hence Monte Carlo or Barrier methods have not been utilised. Therefore, the Performance Rights are analogous to zero-exercise price options and the underlying share price was utilised. The share based payment cost will be realised over the term of the rights.

The Performance Rights were ascribed the following value and cost realised in the current period:

Class	Number of Performance Rights	Valuation Methodology	Closing Price as at 24 May 2022		Fair Value $USD	Recognised as remuneration in 2022 $USD
			$AUD	$USD		
Tranche A	5,000,000	Non-market – underlying share price	0.014	$0.0097	48,356	14,708
Tranche B	5,000,000	Non-market – underlying share price	0.014	$0.0097	48,356	9,805
Tranche C	10,000,000	Non-market – underlying share price	0.014	$0.0097	96,712	14,708

There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such performance rights.

Additional information

The earnings of the consolidated entity for the five years to 31 December 2022 are summarised below:

	2022	2021	2020	2019	2018
Revenue	5,651,189	4,153,333	2,224,758	2,757,119	1,193,179
Loss after income tax	(574,616)	(1,436,170)	(3,332,964)	(2,316,573)	(15,747,488)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022	2020	2019	2018	2017
Share price at financial year end ($)	0.010	0.014	0.022	0.055	0.020
Basic loss per share (cents per share)	(0.06)	(0.17)	(0.48)	(0.52)	(5.52)

Remuneration Report (Audited) (continued)

Loans to key management personnel

No loans were provided to key management personnel during the period.

Other Transactions with KMP

During the year Winchester Energy LLC paid US$6,916 to Michelle Holland and Braedon Holland (wife and daughter of Douglas Holland respectively) for office administration services. The payments are determined on market based remuneration levels.

Voting at the Annual General Meeting

At the Annual General Meeting held on 6 May 2022, 99.91% of proxy votes cast voted in favour of the 2021 remuneration report.

End of audited remuneration report

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

Corporate Governance Statement

Under ASX Listing Rule 4.10.3 the Company's Corporate Governance Statement can be located at the URL on the Company's website: http://www.winchesterenergyltd.com/corporate-governance

On behalf of the Directors

James Allchurch
Director
31 March 2023

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company; and

(d) the Directors have been given the declarations required by s.295A of the Corporations Act.

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

On behalf of the Directors

Mr James Allchurch
Director
31 March 2023

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Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF WINCHESTER ENERGY LIMITED

As lead auditor of Winchester Energy Limited for the year ended 31 December 2022, 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 Winchester Energy Limited and the entities it controlled during the period.

Ashleigh Woodley

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 US$	2021 US$
Revenue from sales of oil and natural gas	5	5,651,189	4,153,333
Interest income		2,271	39,561
Foreign exchange gain/(loss)		352	6,415
Operating costs		(1,039,814)	(1,180,712)
Impairment expense	13/14	(2,090,416)	(1,228,727)
Depreciation expense		(285,862)	(112,125)
Depletion Expense		(787,086)	(1,186,200)
Administration expenses		(1,746,715)	(1,852,663)
Share-based payment expense	18	(230,904)	(17,815)
Finance costs		(14,093)	(8,553)
Other expenses		(33,538)	(48,684)
Loss before income tax	6	**(574,616)**	**(1,436,170)**
Income tax benefit	7	-	-
Loss for the year after income tax		**(574,616)**	**(1,436,170)**
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	19	(126,342)	(107,247)
Total comprehensive loss for the year		**(700,958)**	**(1,543,417)**

Loss per share for the year		Cents	Cents
Basic loss per share (cents per share)	9	**(0.06)**	**(0.17)**
Diluted loss per share (cents per share)	9	**(0.06)**	**(0.17)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. All figures are stated in US dollars (US$).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 US$	2021 US$
ASSETS			
Current assets			
Cash and cash equivalents	10	738,991	2,564,936
Trade and other receivables	11	518,153	739,364
Total current assets		**1,257,144**	**3,304,300**
Non-current assets			
Right of use asset		70,309	110,489
Property, plant and equipment	12	1,989,252	651,605
Exploration and evaluation expenditure	13	6,758,094	5,651,137
Oil & Gas properties	14	110,899	625,944
Total non-current assets		**8,928,554**	**7,039,175**
TOTAL ASSETS		**10,185,698**	**10,343,475**
LIABILITIES			
Current liabilities			
Trade and other payables	15	1,018,568	688,679
Lease liability		40,783	36,814
Total current liabilities		**1,059,351**	**725,493**
Non-current liabilities			
Lease liability		36,057	76,840
Total non-current liabilities		**36,057**	**76,840**
TOTAL LIABILITIES		**1,095,409**	**802,333**
NET ASSETS		**9,090,290**	**9,541,142**
EQUITY			
Issued capital	16	40,380,883	40,361,681
Option reserve	17	1,894,344	1,894,344
Share based payments	18	1,456,778	1,225,874
Foreign currency translation reserve	19	(3,241,455)	(3,115,113)
Accumulated losses	20	(31,400,260)	(30,825,644)
TOTAL EQUITY		**9,090,290**	**9,541,142**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. All figures are stated in US dollars (US$).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Ordinary Shares	Accumulated losses	Option Premium reserve	Share based payment reserve	Foreign Currency Translation Reserve	Total
	US$	US$	US$		US$	US$
Balance at 31 December 2020	**37,010,043**	**(29,389,474)**	**1,891,620**	**946,346**	**(3,007,866)**	**7,450,669**
Profit/(Loss) for the year	-	(1,436,170)	-	-	-	(1,436,170)
Other comprehensive income/(loss), net of tax	-	-	-	-	(107,247)	(107,247)
Total comprehensive loss for the year	-	(1,436,170)	-	-	(107,247)	(1,543,417)
Transactions with owners in their capacity as owners						
Share based payment transactions	-	-	-	279,528	-	279,528
Issue of share capital (net of costs)	3,351,638	-	2,724	-	-	3,354,362
Balance at 31 December 2021	**40,361,681**	**(30,825,644)**	**1,894,344**	**1,225,874**	**(3,115,113)**	**9,541,142**
Profit/(Loss) for the year	-	(574,616)	-	-	-	(574,616)
Other comprehensive income/(loss), net of tax	-	-	-	-	(126,342)	(126,342)
Total comprehensive loss for the year	-	(574,616)	-	-	(126,342)	(700,958)
Transactions with owners in their capacity as owners						
Share based payment transactions	-	-	-	230,904	-	230,904
Issue of share capital (net of costs)	19,202	-	-	-	-	19,202
Balance at 31 December 2022	**40,380,883**	**(31,400,260)**	**1,894,344**	**1,456,778**	**(3,241,455)**	**9,090,290**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes. All figures are stated in US dollars (US$).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 US$	2021 US$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,874,723	3,917,071
Payments to suppliers and employees (inclusive of GST)		(2,821,771)	(2,885,005)
Interest paid		(8,926)	(7,081)
Net cash generated by operating activities	10(a)	3,044,026	1,024,985
Cash flows from investing activities			
Payment for exploration activities		(3,057,170)	(2,160,996)
Payments to acquire exploration assets	28	-	(424,157)
Purchase of property, plant, equipment	12	(1,651,378)	(687,843)
Interest received		2,272	39,561
Net cash (used in) investing activities		(4,706,276)	(3,233,434)
Cash flows from financing activities			
Proceeds from issue of shares and options		-	3,764,364
Costs associated with issue of securities		(893)	(485,479)
Payment of lease liability		(36,814)	(89,664)
Net cash (used in)/generated by financing activities		(37,707)	3,189,221
Net decrease in cash and cash equivalents		(1,699,957)	980,772
Cash and cash equivalents at beginning of the period		2,564,936	1,609,521
Effect of exchange rate changes on balance of cash held in foreign currencies		(125,988)	(25,357)
Cash and cash equivalents at the end of the year	**10**	**738,991**	**2,564,936**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. All figures are stated in US dollars (US$).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. Corporate Information

Winchester Energy Limited (**the Company**) is a limited company incorporated and domiciled in Australia.

The consolidated financial statements of the Company as at 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities").

The registered office and principal place of business of Winchester Energy Limited is located at Level 1, , 10 Outram Street, West Perth WA 6005 Australia.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

This report presents financial information for the year ended 31 December 2022.

2. Summary of Significant Accounting Policies

a) Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

For the purposes of preparing the financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 31 March 2022.

The financial statements have been prepared on the basis of historical cost. All amounts are presented in US dollars, unless otherwise noted.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

At 31 December 2022, the Group had a cash and cash equivalent balance of $738,991 (2021: $2,564,936), had net working capital of $197,793 (2021: $2,578,807) and incurred a net loss of $574,616 (2021: loss $1,436,170).

The ability of the Group to continue as a going concern is dependent on the Group securing additional funding through the issue of equity, the raising of debt, joint venturing assets or the sale of assets as and when the need to raise working capital arises to continue to fund its planned operational activities.

There has also been significant volatility in world oil and gas pricing. Notwithstanding that oil and gas prices have recovered, these conditions indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has prepared a cash flow forecast for a period of 12 months beyond the sign off date of this financial report and believes there are sufficient funds to meet the Group's working capital requirements. The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Group has a proven history of successfully raising capital;
- The Directors believe that there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities; and
- Cash spending can be reduced or slowed below its current rate if required.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. Summary of Significant Accounting Policies (continued)

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Functional and presentation currency

Items included in the consolidated annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which entity operates (functional currency). The Company's functional currency is Australian dollars and other entities are US dollars. The consolidated financial statements are presented in US dollars.

b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Winchester Energy Limited (the "**Company**" or "**parent entity**") as at 31 December 2022 and the results of all subsidiaries for the year then ended. Winchester Energy Limited and its subsidiaries together are referred to in this financial report as the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

c) Foreign currency translation

Functional and presentational currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars. The parent entity's functional currency is Australian dollars and is translated into US dollars for purposes of consolidation.

Transactions and balances
Foreign currency transactions are translated into functional currency using average exchange rates for the period, or where possible, the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities denominated in functional currencies are translated at the year-end exchange rate.

Group companies
The functional currency of the overseas subsidiaries is US dollars. The Directors assess the appropriate functional currency of these entities on an ongoing basis.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

2. Summary of Significant Accounting Policies (continued)

d) Application of new and revised Accounting Standards

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.
New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group have not had a material impact on the amounts presented in the Group's financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current of future reporting periods and on foreseeable future transactions.

e) Income Tax

The income tax expense or benefit (revenue) 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 base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting period end.
Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

f) Cash and Cash Equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

g) Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (ie. only the passage of time is required before payment of consideration is due).

For trade and other receivables, the group applies a simplified approach in calculating expected credit losses (ECL's). The Group does not track credit risk. Instead, ECL's are recognised based on lifetime ECL's at each reporting date. The Group has established a matrix that is based on its historical credit loss adjusted for forward looking factors specific to debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 90 days past due. The Group may in certain cases, consider a financial asset to be in default when information to hand indicates that the Group is unlikely to receive outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. Summary of Significant Accounting Policies (continued)

h) Revenue Recognition

Revenue from sales of oil & gas

Revenue from sales of oil & natural gas is recognised at the amount that reflects the consideration to which the Group is expected to be entitled, after deducting sales taxes, excise duties and similar levies, when the group transfers control of the goods to the customer.

Prices are based on market prices. Each sale of oil and gas is bid on by buyers in the market place and the best price is accepted. The Group is not contracted to sell to any one buyer and the Company's performance obligations are considered to relate only to the sale of oil and natural gas and each barrel of oil is considered a separate obligation. Collection is by the respective buyer and shipping costs is a cost to buyer of the product. Transfer of control takes place when the goods are physically transferred into a truck from storage tank and the customer accepts the product. There is minimal risk of a change in agreed price at point of sale on final testing on quality relative to forecast quality at the time of asking for bids on product. Invoices are typically paid on 30 day terms. Where the Group is not the operator of a well, the Group is entitled to its share of the revenue based on the Group's working interest.

Significant judgements, estimates and assumptions

Judgement is involved in assessing whether the group is the principal or agent in revenue transactions. The Group has concluded that it is the principal in the significant majority of its revenue arrangements since it controls the goods or services before transferring them to the customer.

i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

j) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days of recognition.

k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of financial position over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

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

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. Summary of Significant Accounting Policies (continued)

m) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure, including costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) The expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

(ii) Activities in the area of interest have not at the reporting date, 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 of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, and accumulated costs in respect of that area are written off in the financial period the decision is made.

n) Oil & Gas properties

Upon the commencement of commercial production from each identifiable area of interest, the exploration & evaluation expenditure incurred up to this point is tested for impairment and then classified to oil & gas properties.

Oil and gas properties are stated at cost less accumulated depletion and impairment charges. Oil and gas properties include construction, installation or completion of production and infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation assets, development wells and the cost of dismantling and restoration. Subsequent capital costs, including major maintenance, are included in the asset's carrying amount 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. Otherwise costs are charged to the income statement during the financial year in which they are incurred.

When production commences, the accumulated costs for the relevant area of interest are amortised on a unit of production method based on the ratio of actual production to remaining proved reserves (P1) as estimated by independent petroleum engineers over the life of the area according to the rate of depletion of the economically recoverable reserves.

The carrying amount of producing assets is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, an asset's estimated future cash flows are 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. Where an asset does not generate cash flows that are largely independent from other assets or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. For producing assets, the estimated future cash flows for the value-in-use calculation are based on estimates, the most significant of which are 1P hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Under a fair value less costs to sell calculation, future cash flows are based on estimates of 1P hydrocarbon reserves. Estimates of future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. Future commodity prices are reviewed at least annually.

An assets carrying amount is written down to the recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

2. Summary of Significant Accounting Policies (continued)

o) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives applied to the Group's major category of property, plant and equipment are as follows:

Class of fixed asset	Useful life
Plant and equipment	Over 5 to 15 years
Leasehold improvements	Life of lease
Motor vehicles	4 years
Computer Equipment	2.5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

p) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. 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 Statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial Assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups and for exploration and oil & gas properties, the cash generating unit is identified by field basis. Impairment losses are recognised in the statement of financial position. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

q) Contributed Equity

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

2. Summary of Significant Accounting Policies (continued)

r) Financial Instruments

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

The Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

s) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the statement of financial position date are recognised in respect of employees' services rendered up to statement of financial position date and measured at amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the statement of financial position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

t) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

Fair value measurement hierarchy

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

t) Fair Value Measurement (continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

u) Share based payments

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise 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, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

i. Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation on asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. Exploration wells are impaired down to nil where plugged and abandoned

ii. Oil & gas properties

As discussed in note 2(n) producing assets are amortised on a unit of production basis on P1 reserves. P1 reserve has been determined by an independent expert. The method of amortisation necessitates the estimation of oil & gas reserves over which the carrying value of the relevant asset will be expensed to profit or loss. See 3(iii) for judgements relating to reserve estimates. Producing assets are assessed for impairment when facts or circumstances suggest that carrying amount of a producing asset may exceed its recoverable amount. See note 2(n) for details.

iii. Reserve estimates

Estimation of reported recoverable quantities of proved and probable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact assets' carrying amounts, provision for restoration and recognition of deferred tax assets due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, amortisation and impairment charged to the income statement.

iv. Share-based Payments

Share-based payment transactions with Directors, employees and consultants are measured by reference to the fair value of the securities at the date they were granted. The fair value of the expense to be recognised in the statement of comprehensive income is ascertained using an appropriate pricing model, generally a Black-Scholes pricing mechanism, depending on the terms and conditions upon which the equity securities were granted. The Group also applies assumptions around the likelihood of such securities vesting which will have an impact on the expense recorded during the financial year. The measurement of share-based payments entered into during the financial period are disclosed in notes 17 and 18.

4. Financial Risk Management

The Group activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Group Finance Department under the authority of the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit allowances, and future cash flow forecast projections.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022
4. Financial Risk Management

Categories of Financial Instruments:

	2022 US$	2021 US$
Financial Assets		
Cash and cash equivalents	738,991	2,564,936
Trade and other receivables	518,153	739,364
	1,257,144	3,304,300
Financial Liabilities		
Trade and other payables	1,018,568	688,679
Lease liability	76,841	113,656
	1,095,409	802,335

(i) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group operates internationally but has minimal exposure to foreign exchange risk as the majority of transactions, assets and liabilities are in its functional currency.

(ii) Interest rate risk

At the end of the reporting period, the interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Company was as follows:

	2022		2021	
	Average interest rate	Balance US$	Average interest rate	Balance US$
Financial assets				
Cash and cash equivalents	0.15%	738,991	0.15%	2,564,936
Financial liabilities				
Lease Liability	10%	(76,841)	10%	(113,656)
		662,150		2,451,280

Other than cash, all the Group's financial assets are non-interest bearing.

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2022, for the balances above, if interest rates had changed by +/- 350 basis points from the year end rates with all other variables held constant, pre-tax profit/(loss) for the year would have been $23,175 lower/higher (2021: $24,512 lower/higher).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. Financial Risk Management (Continued)

(iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Certain businesses within the Group are largely reliant on a small number of customers which increases the concentration of credit risk. However, as the Group deals mainly with large reputable clients, the concentration of credit risk is minimised. Management does not expect any losses as a result of counterparty default.

At reporting date, there was no significant concentration of credit risk at Group level as all cash and cash equivalents and term deposits were held in AA & A+ credit rated banks (S&P). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position.

Receivables balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant. The receivable balances are held in the same currency as the functional currency of the entities to which they relate therefore there is no foreign currency risk.

2022	Current	More than 30 days due	More than 60 days due	More than 120 days due	Total
Expected loss rate	0%	44%	0%	0%	
Carrying value trade and Other Receivables	484,111	34,042	-	-	518,153
Loss allowance	-	14,978	-	-	14,978
2021					
Expected loss rate	0%	40%	0%	0%	
Carrying value trade and Other Receivables	700,545	38,819	-	-	739,364
Loss allowance	-	15,528	-	-	15,528

(iv) Liquidity risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Group being unable to meet its obligations in an orderly manner as they arise.

The Group's liquidity position is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost-effective manner. The Group is primarily funded through on-going cash flow, debt funding and equity capital raisings, as and when required.

Management regularly monitors actual and forecast cash flows to manage liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity Group's based on their contractual maturities.

2022	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Trade and Other Payables	1,018,568	1,018,568	1,018,568	-	-	-
Lease Liability	76,841	79,239	3,895	7,790	67,554	-
	1,095,409	1,097,807	1,022,463	7,790	7,790	-

2021	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Trade and Other Payables	688,679	688,679	676,382	12,297	-	-
Lease Liability	113,656	128,876	-	11,352	34,389	83,135
	802,335	817,555	676,382	23,649	34,389	83,135

(v) Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

(vi) Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of its equity balance.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

4. Financial Risk Management (continued)

The Company's Board of Directors review the capital structure of the Company and as a part of this review, considers the cost of capital and the risk associated with each class of capital. There were no changes in the Company's approach to capital management during the year.

The Company's capital structure does not include debt currently but does include cash and cash equivalents and equity attributable to the equity holders of the parent comprising issued capital, reserves and retained earnings.

The Company is not subject to externally imposed capital requirements. The gearing ratio at the end of the reporting period was as follows:

	2022 US$	2021 US$
Cash and cash equivalents	738,991	2,564,936
Less Debt	-	-
Net cash/(debt)	738,991	2,564,936
Net cash/(debt) plus equity	9,829,281	12,958,973
Net cash to net debt plus equity	8%	20%

5. Segment information

The Company's operating segments are based on the information that is available to the chief operating decision maker and the Board of Directors. Segment results are reviewed regularly by the chief operating decision maker and the Board of Directors.

The Company believes that the aggregation of the market sectors for segment reporting purposes is appropriate. Accordingly, all market sectors have been aggregated to form one reportable segment. The Company's corporate administration function has been in Australia and the Company's operations are in the USA. For the purposes of this disclosure, the operations carried out are in respect of the acquisition and drilling program of the Company's oil and gas leases of which US$1,989,252 was capitalised as equipment, US$6,758,094 was capitalised as exploration and evaluation expenditure and US$110,899 was capitalised as oil and gas properties in the statement of financial position. The remaining items in the statement of profit or loss and statement of financial position are in relation to the Company's administrative functions in Australia and USA.

Following is an analysis of entity's results from operations and asset for each of the geographic location.

Geographical information	Segment revenue (US$)		Segment Profit/(Loss) (US$)		Segment Assets (US$)		Segment Liabilities (US$)	
	2022	2021	2022	2021	2022	2021	2022	2021
Australia	2,271	39,561	(852,157)	(741,577)	643,430	1,766,385	110,860	37,127
USA[1]	5,651,189	4,153,333	277,542	(694,593)	9,542,268	8,577,090	984,549	765,208
Total	5,653,460	4,192,894	(574,616)	(1,436,170)	10,185,698	10,343,475	1,095,409	802,335

1. Revenue generated of US$5,321,189 (2021: US$3,811,538) has been generated from 1 major customer. Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled.

The accounting policies of the reportable segments are the same as the Company's accounting policies.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

6. Loss before income tax

Loss before tax is arrived after charging following expenses	2022 US$	2021 US$
Consultancy fees – technical and corporate	417,565	573,229
Legal Fees	16,431	61,064
Expenses relating to short term leases	15,283	4,941

7. Income taxes

a) Income tax recognised in profit or loss

The major components of income tax expense are:

	2022 US$	2021 US$
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of profit or loss and other comprehensive income.	-	-

b) Reconciliation income tax expense:

	2022 US$	2021 US$
Accounting (loss) before income tax	(574,616)	(1,436,170)
Income tax benefit calculated at rate of 27.5% (2021 : 27.5%)	(158,019)	(394,947)
Effect of revenue losses not recognised as deferred tax assets	158,019	394,947
Income tax reported in the consolidated Statement of profit or loss and other comprehensive income.	-	-

The deferred tax assets on revenue losses in Australia and USA have not been recognised as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. At reporting date, group has unrecognised losses of US$18,566,927 (2021: US$16,164,560) and unrecognised net deferred tax asset of US$5,105,905 (2021: US$4,445,254).

8. Auditor's remuneration

a) BDO Audit (WA) Pty Ltd

	2022 US$	2021 US$
Audit and other assurance services	46,072	49,235
Other services – taxation advice, independent expert report	5,151	4,045
Total remuneration of BDO	51,223	53,280

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

9. Loss per share

	2022 Cents per share	2021 Cents per share
Basic loss per share (using weighted average number of shares)	(0.06)	(0.17)
Diluted loss per share (using weighted average number of shares)	(0.06)	(0.17)

a) Earnings used in calculating earnings per share

	2022 US$	2021 US$
For basic earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	(574,616)	(1,436,170)
For diluted earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	(574,616)	(1,436,170)

b) Weighted average number of shares used

	2022 No. Shares	2021 No. Shares
Weighted average number of shares used in calculating basic and diluted earnings per share	1,008,404,722	840,638,803
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	1,008,404,722	840,638,803

10. Cash and cash equivalents

	2022 US$	2021 US$
Cash at bank	738,991	2,564,936
	738,991	2,564,936

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. Cash and cash equivalents (continued)

a) Reconciliation of net (loss) after tax to net cash flows from operation

	2022 US$	2021 US$
Net (loss)	(574,616)	(1,436,170)
Adjustments for:		
Depreciation of non-current assets	285,862	112,125
Interest received classified as investing cash flow	(2,271)	(39,561)
Depletion expense	787,086	1,186,200
Impairment expense	2,090,416	1,228,727
Share based payments	230,904	17,815
Non cash liabilities settled	20,096	
Other	(356)	(6,415)
Changes in assets and liabilities		
(Increase)/Decrease in trade receivables	223,535	(236,262)
Increase/(Decrease) in trade and other creditors	(16,630)	198,526
Net cash flow (used in)/from operating activities	3,044,026	1,024,985

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. There were no non-cash investing or financing activities during the year.

11. Trade and other receivables

	2022 US$	2021 US$
Trade Receivables	505,677	729,211
GST receivables	12,476	10,153
	518,153	739,364

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. Property, Plant & Equipment

	2022 US$	2021 US$
Lease & well equipment		
Balanceat 1 January	651,604	-
Additions	1,655,605	687,843
Depreciation expense	(245,682)	(36,239)
Written down	(72,275)	-
Balance at 31 December	1,989,252	651,604
Cost	2,303,276	719,946
Accumulated depreciation	(314,024)	(68,342)
Net carrying amount	1,989,252	651,604

13. Exploration and evaluation expenditure

	2022 US$	2021 US$
Balance at 1 January	5,651,137	5,114,838
Exploration and evaluation expenditure capitalised during the period	2,990,768	536,297
Impairment	(1,883,812)	-
Closing balance	6,758,094	5,651,137

In certain circumstances costs have been written off where it was perceived there might be diminished prospectively of securing production and more prospective leases pursued. Whilst all leases have been maintained in accordance with lease terms, no leases have been abandoned during the current year. On balance, it may well be that some leases will be allowed to lapse going forward. In this regard, an impairment charge of $1,883,812 was recorded (2021: nil). A review carried out by management on relevant wells has determined that no other leases exceed their recoverable value. Judgements taken into account on transfer to Oil and Gas Properties are included at note 3.ii.

14. Oil & Gas properties

	2022 US$	2021 US$
Balance at 1 January	625,944	861,663
Additions	478,644	2,179,208
Depletion expense	(787,086)	(1,186,200)
Impairment	(206,604)	(1,228,727)
Closing balance	110,899	625,944

15. Trade and other payables

	2022 US$	2021 US$
Trade Payables	927,409	676,381
Other	91,160	12,298
	1,018,569	688,679

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value. Current payables are on 30-45 day payment terms.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

16. Issued capital

Fully paid ordinary shares	2022		2021	
1,010,219,792 (2021 – 1,008,212,215) fully paid ordinary shares	US$	Number of Shares	US$	Number of Shares
Balance at 1 January	40,361,680	1,008,212,215	37,010,043	689,899,548
Shares issued in lieu of services provided	20,096	2,007,577	75,476	5,812,667
Placement – May 2021	-	-	3,761,640	312,500,000
Costs of issues	(893)	-	(485,479)	-
Balance at 31 December 2022	40,380,883	1,010,219,792	40,361,680	1,008,212,215

17. Option Reserves

	2022		**2021**	
	US$	**Number of Options**	**US$**	**Number of Options**
Balance at 1 January	1,894,344	91,650,000	1,891,620	45,400,000
Consultant options	-	2,000,000	-	2,250,000
Placement fee options - $AUD0.0001 per option	-		2,724	37,500,000
Employee options	-	[1]37,500,000	-	2,500,000
Service options	-		-	4,000,000
Lapsed during the year	-	(31,500,000)		-
Balance at 31 December	1,894,344	99,650,000	1,894,344	91,650,000

* Refer to Share Based Payments Reserve Note 18 below.
The Option reserve records the subscription price paid by the holder on the issue of options.

18. Share Based Payments Reserves

	2022 US$	2021 US$
Balance at 1 January	1,225873	946,346
Consultant options	[1]8,966	[4]2,316
Placement fee options	-	244,615
Employee options	[1]182,717	15,498
Service options	-	17,098
Performance rights	[2]39,222	-
Balance at 31 December	1,456,778	1,225,873

The Share Based Payments reserve records the share-based payment transactions with Directors, employees and consultants measured by reference to the fair value of the securities at the date they were granted. The fair value of the expense to be recognised in the statement of comprehensive income or costs of issues of securities.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

18. Share Based Payments Reserves (continued)

2022

Note 1 37,500,000 options were issued to directors. 25,000,000 of the options have an exercise price of AUD$0.03c with a 3 year term. 12,500,000 of the options have an exercise price AUD$0.06c and a 5 year term. The AASB 2 fair value of the option was calculated using Black-Scholes modelling. The following inputs were used in the calculation:

	3 year Incentive Options	5 year Incentive Options
Valuation date (equal to grant date under AASB 2)	24 May 2022	24 May 2022
Exercise price	AUD 3.0cents	AUD 6.0 cents
Expiration date	24 May 2025	24 May 2027
Share price at valuation date	AUD$0.014	AUD$0.014
Risk free rate of interest	2.84%	3.04% p.a.
Company share price volatility	100%	100% p.a.
Fair value per option	AUD$0.00668	AUD$0.00756
Total Fair value USD	USD$117,436	USD$65,281

The issue of these options was recognised as share based payments expense.
The option recipients were as follows:

3 year Incentive Options

Name	Number of Options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise Price AUD$	Fair value per option at grant date US$	Total Value of options granted US$
Mr D Holland	5,000,000	24/5/22	24/5/22	24/5/25	$0.03	0.0046	23,487
Mr L Liu	5.000,000	24/5/22	24/5/22	24/5/25	$0.03	0.0046	23,487
Mr T Peng	5,000,000	24/5/22	24/5/22	24/5/25	$0.03	0.0046	23,487
Mr J Allchurch	10,000,000	24/5/22	24/5/22	24/5/25	$0.03	0.0046	46,975

5 year Incentive Options

Name	Number of Options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise Price AUD$	Fair value per option at grant date US$	Total Value of options granted US$
Mr D Holland	7,500,000	24/5/22	24/5/22	24/5/27	$0.06	0.0052	39,168
Mr J Allchurch	5,000,000	24/5/22	24/5/22	24/5/27	$0.06	0.0052	26,113

Note 2 Pursuant to shareholder approval, the Company has issued 20,000,000 Performance Rights to Douglas Holland (or his nominee) on the terms and conditions set out below. The Performance Rights are split into three tranches and vest as follows:

Class	Performance Rights	Vesting Milestone	Expiry Date
Tranche A	5,000,000	Upon the organic (ie exclusive of any purchased production assets) production of 750 barrels of oil equivalent per day (boepd) for 15 consecutive days.	Two (2) years from the date of issue
Tranche B	5,000,000	Upon the organic (ie exclusive of any purchased production assets) production of 1,250 barrels of oil equivalent per day (boepd) for 15 consecutive days.	Three (3) years from the date of issue
Tranche C	10,000,000	Upon the organic (ie exclusive of any purchased production assets) production of 2,000 barrels of oil equivalent per day (boepd) for 15 consecutive days.	Four (4) years from the date of issue

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

18. Share Based Payments Reserves (continued)

The fair value of the option was calculated using the underlying share price. The hurdles to vest are non-market hurdles and hence Monte Carlo or Barrier methods have not been utilised. Therefore, the Performance Rights are analogous to zero-exercise price options and the underlying share price was utilised. The share based payment cost will be realised over the term of the rights.

The Performance Rights were ascribed the following value and cost realised in the current **period:**

Class	Number of Performance Rights	Valuation Metodology	Closing Price as at 24 May 2022 $AUD	Fair Value	Recognised as remuneration in 2022 $USD
Tranche A	5,000,000	Non-market – underlying share price	$0.014	$70,000	14,708
Tranche B	5,000,000	Non-market – underlying share price	$0.014	$70,000	9,806
Tranche C	10,000,000	Non-market – underlying share price	$0.014	$140,000	14,708

Reserve movement for the year of USD$39,222 has been allocated to the consolidated statement of profit and loss and other comprehensive income.

19. Foreign currency translation reserve

	2022 US$	2021 US$
Balance at 1 January	(3,115,113)	(3,007,866)
Movement in foreign currency translation reserve	(126,342)	(107,247)
Balance at 31 December	**(3,241,455)**	**(3,115,113)**

Exchange rate differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 2 (c).

20. Accumulated Losses

	2022 US$	2021 US$
Balance at 1 January	(30,825,644)	(29,389,474)
Movement in accumulated losses	(574,616)	(1,436,170)
Balance at 31 December	**(31,400,260)**	**(30,825,644)**

21. Key management personnel

Key management personnel compensation	2022 US$	2021 US$
Short-term employee benefits	603,895	368,899
Post-employment benefits	2,563	9,363
Share-based payment	221,939	-
	828,397	378,262

Refer to the remuneration report contained in the Directors' Report for details of remuneration paid or payable to each member of the Company's key management personnel.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022

22. Commitments

Capital expenditure commitments
There are no capital commitments at 31 December 2022.

Other expenditure commitments
There are no other expenditure commitments at 31 December 2022.

23. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

	2022 US$	2021 US$
Assets		
Current assets	609,555	1,756,233
Non-current assets	33,875	-
Total assets	643,430	1,756,233
Liabilities		
Current liabilities	(110,861)	(49,457)
Non-current liabilities		-
Total liabilities	(110,861)	(49,457)
Equity		
Issued capital	40,380,883	40,361,681
Accumulated losses	(39,957,980)	(38,637,528)
Option premium reserve	1,894,344	1,894,344
Share based payment reserve	1,456,778	1,226,353
Foreign currency translation	(3,241,455)	(3,115,592)
Total equity	532,570	1,729,258

Financial Performance

	2022 US$	2021 US$
Loss for the year	(852,157)	(741,577)
Other comprehensive loss	(468,295)	(2,474,807)
Total comprehensive loss	(1,320,452)	(3,216,384)

24. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	**Principal activity**	**Place of incorporation**	**Proportion of ownership interest and voting power held by the Group**	
			2022	**2021**
Winchester Energy LLC	Oil and Gas Exploration	USA	100%	100%
Winchester Energy USA Holding Inc.	Oil and Gas Exploration	USA	100%	100%

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

25. Contingent assets and liabilities

There are no contingent assets or liabilities at 31 December 2022.

26. Fair values of financial instruments

Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements

Fair values of financial instruments not measured at fair value

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

27. Related party transactions

Remuneration arrangements and related party transactions of key management personnel (KMP) are disclosed in the annual report for the year ended 31 December 2022 and as per note 21 above.

During the year Winchester Energy LLC paid US$6,916 to Michelle Holland and Braedon Holland (wife and daughter of Douglas Holland respectively) for office administration services. The payments are all "arms length" transactions determined on a market based remuneration levels.

The Directors were all granted securities during the year. Please refer to the remuneration report and notes 17 and 18 above for detail on the issue of options and performance rights issued to the Directors during the year.

28. Events after reporting date

2,250,000 options exerciseable at AUD10c each expired 16 February 2023. A further 10,202,115 shares were issued to a consultant in lieu of cash to settle the Company's obligations.

Other than the above, no matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

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INDEPENDENT AUDITOR'S REPORT

To the members of Winchester Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Winchester Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

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

Carrying Value of Exploration and Evaluation Assets

Key audit matter	***How the matter was addressed in our audit***
At 31 December 2022 the carrying value of capitalised exploration and evaluation expenditure represents a significant balance as disclosed in Note 13. The carrying value of exploration and evaluation expenditure represents a significant asset of the company and judgement is applied in consideration whether facts or circumstances indicate that the exploration expenditure should be tested for impairment. As a result, the asset was required to be assessed for impairment indicators in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*. This resulted in the Group recognising an impairment charge as disclosed in Note 13. The Group's accounting policy with respect to Exploration and Evaluation assets is disclosed in Note 2 (m) and Note 3 (i).	Our procedures included but were not limited to: ➢ Obtaining from management a schedule of areas of interest held by the Group and selecting a sample of leases and concessions to assess whether the Group had rights to tenure over the relevant exploration areas; ➢ Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, reviewing budgets and the Group's ASX announcements; ➢ Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; ➢ Evaluating and assessing the accuracy of the Group's calculation on the impairment recognised for the year ended 31 December 2022; ➢ Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required; and ➢ Assessing the adequacy of the related disclosures in Note 2(m), Note 3 (i) and Note 13 to the financial statements.

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 31 December 2022, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (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 pages 10 to 16 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Winchester Energy Limited, for the year ended 31 December 2022, 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 (WA) Pty Ltd

BDO

Ashleigh Woodley

Director

Perth, 31 March 2023

ADDITIONAL SHAREHOLDER INFORMATION

Ordinary share capital

The Shareholder information set out below was applicable as at 16 March 2022.

Details relating to the tenements held by the Company or its subsidiaries are set out in the Director's Report in accordance with ASX Listing Rule 5.37.

Distribution of ordinary shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	25	4,892	0.00%
1,001 - 5,000	6	19,890	0.00%
5,001 - 10,000	22	180,519	0.02%
10,001 - 100,000	396	20,662,220	2.02%
100,001 - 9,999,999,999	544	999,554,386	97.96%
Totals	**993**	**1,020,421,907**	**100.00%**

Unmarketable parcels

Based on the price of $0.0065 per security, number of holders with an unmarketable holding: 364, with a total of 12,774,303 shares, amounting to 1.25% of Issued Capital

Voting Rights

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Substantial Shareholder

Per substantial shareholder filings:

	Fully Paid	
	Number	Percentage
HELIOS ENERGY LTD	92,950,000	9.20%
Mr Yang Xiangyang (Mandarin) / Mr Yeung Heung Yeung (Cantonese) and China Leader Group Pty Ltd	67,916,667	6.72%

Twenty Largest Holders of Quoted Equity Securities

		Fully Paid	
		Number	%
1	HELIOS ENERGY LTD	92,950,000	9.11%
2	CHINA LEADER GROUP LIMITED	67,916,667	6.66%
3	MR HUGH WALLACE-SMITH	41,343,479	4.05%
4	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	34,312,500	3.36%
5	MB NO 2 CO PTY LTD <STOJKOV A/C>	22,805,251	2.23%
6	INVENTIVE HOLDINGS LIMITED	21,074,380	2.07%
7	MARTENS PETROLEUM CONSULTING PTY LTD	20,826,057	2.04%
8	MR DEAN ROBERT TAIT	19,000,000	1.86%
9	CHATSWORTH STIRLING PTY LTD	17,072,657	1.67%
10	CITICORP NOMINEES PTY LIMITED	16,670,217	1.63%
11	DR TYRONE MICHAEL CARLIN	16,650,000	1.63%
12	PETRA COTES PTY LTD <MACONDO A/C>	16,557,878	1.62%
13	CHETAN ENTERPRISES PTY LTD <HEGDE SUPER FUND A/C>	15,880,000	1.56%
14	JDK NOMINEES PTY LTD	15,855,837	1.55%
15	DARBY SMSF PTY LTD <DARBY SUPER FUND A/C>	13,883,333	1.36%
16	AZUREE PTY LTD	12,450,003	1.22%
17	BELLARINE GOLD PTY LTD <RIBBLESDALE SUPER FUND A/C>	12,341,390	1.21%
18	MR JOHN LANGLEY HANCOCK	12,300,000	1.21%
19	MR KANE CHRISTOPHER WEINER	11,605,460	1.14%
20	SSF AUST PTY LTD <SCHMARR FAMILY S/F A/C>	10,718,158	1.05%
TOTAL		**492,213,267**	**48.24%**
Grand Total		**1,020,421,907**	**100.00%**

Restricted Securities

There are no restricted securities.

Market buyback

There is no current market buyback.

Unquoted equity securities

Options

There are 11 holders of 97,400,000 unlisted Options with various exercise prices ($0.016 to $0.06) expiring on various dates (13/6/23 to 31/5/27):

Holder Name	Holding	% IC
CPS CAPITAL GROUP PTY LTD	31,256,250	32.1%

Performance rights

There is 1 holder of 20,000,000 unlisted Performance Rights with various non market related hurdles and terms:

Holder Name	Holding	% IC
Douglas Holland	20,000,000	100%