WINCHESTER
ENERGY LIMITED

ACN 168 586 445

HALF YEAR FINANCIAL REPORT

Half year ended 30 June 2023

ASX Code: WEL

WINCHESTER ENERGY LIMITED
ACN 168 586 445

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CORPORATE INFORMATION

Directors

Mr John Kenny
Mr Tony Peng
Mr Larry Liu
Mr Douglas Holland

Company Secretary

Mr Lloyd Flint

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Auditors

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

ASX Code: WEL

DIRECTORS' REPORT

Your Directors submit their report for the period from 1 January 2023 to 30 June 2023.

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

Mr James Allchurch	Non-Executive Director (resigned 30 June 2023)
Mr John D Kenny	Non-Executive Director (appointed 2 July 2023)
Mr Tony Peng	Non-Executive Director
Mr Larry Liu	Non-Executive Director
Mr Douglas Holland	Executive Technical Director

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

Review of Operations

Winchester Energy Limited (Winchester or Company), as operator, continued oil and gas exploration and production operations within its oil and gas lease position in the East Permian Basin, Texas, USA during the half year ended 30 June 2023.

Oil and Gas Production

The following gross oil and gas production for the half-year ending 30 June 2023 (March and June 2023 quarters) was recorded for the Company across all oil wells in which Winchester has a working interest (WI). Winchester's WI average oil and gas production for the half-year ended June 30 2023 was 146 barrels of oil equivalent per day (boepd).

Oil Production (boe*)	June Quarter 2023	March Quarter 2023	December Quarter 2022	September Quarter 2022
Gross Oil Production	13,463	14,993	12,897	15,839
WEL WI Share+	12,482	13,965	11,916	15,108

** 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.*

+Winchester is entitled to its Working Interest share of revenue after royalty payments to the oil and gas rights owners.

Well Summary

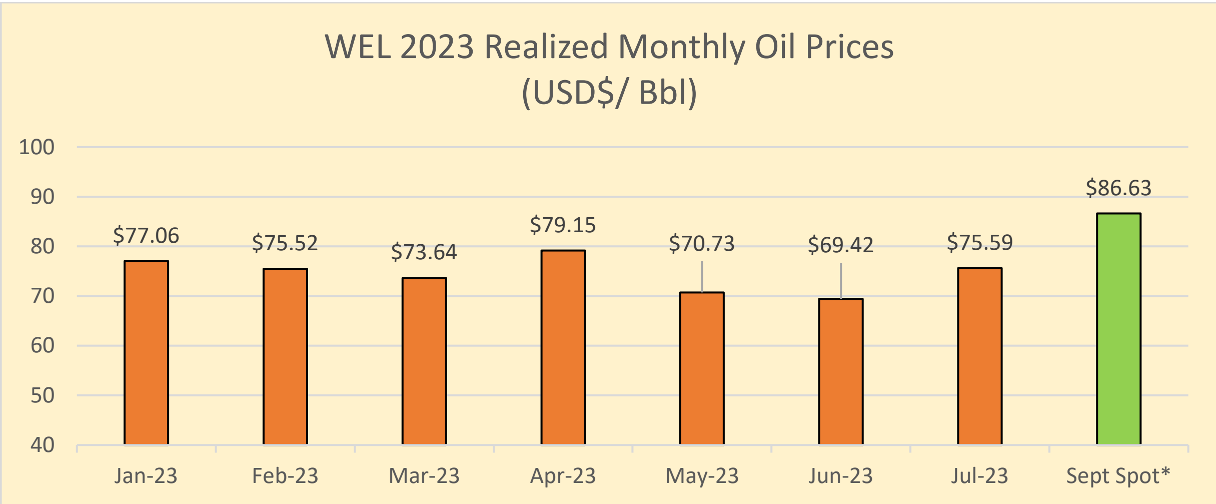
Well ID	Drilled/Workover	Formation	Oil Field	WEL WI	Status
White Hat 2002	Apr 2017	Strawn	Mustang	50%	Producing
White Hat 2003	Mar 2019	Strawn	Mustang	75%	Producing
White Hat 2005	Aug 2019	Strawn	Mustang	75%	Producing
White Hat 3902	Dec 2019	Ellenburger	-	100%	Producing
White Hat 2006	Jan 2020	Strawn	Mustang	75%	Producing
Arledge 1602	Jul 2019	Cisco Sands	Lightning	100%	Producing
McLeod 1703	Dec 2019	Cisco Sands	Lightning	100%	Producing
Bast 1	1985	Strawn	Bast	92%	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

Access to Strong Commodity Prices

All of Winchester's existing and forecast production is derived from conventional reservoirs and is unhedged and can be immediately brought online to deliver oil and gas sales thereby allowing Winchester to immediately benefit from current strong prices.

For the first half of 2023, Winchester realized an average oil price of $74.44 per barrel of oil (**bo**). Figure 1, below, shows WEL monthly realized oil prices. The current oil price is the highest in the past 8 months. The second half of 2023 shows signs of improved oil prices, with the first seven days of September 2023 having an average West Texas Intermediate (**WTI**)crude commodity price of US$86.63, a 16% increase over WEL's first half 2023 realized prices. Winchester has no existing hedges or oil pre-sales, and therefore, can fully benefit from increases in oil prices.

Figure 1: WEL 2023 Realized Monthly Oil Prices



** Sept Spot refers to average closing price for WTI oil contracts through the first 7 days of September*

Continued Operational Improvements

Winchester continues to deliver stable production, execute operational improvements, and reduce costs to maximize its reserve potential and increase its already high producing margins.

The Winchester team recently completed the first phase of a compression optimization project for its White Hat Ranch field, with the second phase underway. When completed, the compression project hopes to increase production in White Hat Ranch by reducing overall field pressure and eliminating fuel gas requirements, while reducing compression costs and increasing compressor runtime and reliability.

Figure 2: Electrically Driven "Smart Compressor" Installed at White Hat Ranch

Additionally in the first half of 2023, after a thorough review and restructuring, WEL successfully reduced chemical costs across its production by over 50%. Chemical costs represent one of the largest components of recurring operating costs.

For the second half of 2023, Winchester plans to further implement operational improvements in water handling and disposal, compression, and field labor to continue its trend of maximizing producing margins.

Growth Opportunites

In addition to its existing portfolio of seismically and technologically driven exploration and step-out development opportunities across its Permian, Eastern Shelf acreage, Winchester continues to add conventional, organic, engineering driven growth opportunities.

Winchester has recently completed technical studies to initiate secondary recovery operations in its legacy Mustang and Bast Fields. Economic assessments show the projects to yield high ROIs and work will begin in the second half of 2023. These projects, along with the expansion of the successfully initiated Varn water flood, will add significant low cost, stable production to Winchester.

In the first half of 2023, Winchester has also identified several behind pipe recompletion opportunities in its most recently acquired Group and Varn fields. "Behind pipe" or recompletion opportunities typically represent some of the most accretive and economically strong oil and gas capital projects since they access producible reserves in already existing wellbores through low-cost reworks. In the Group field, where three successful re-works have already been performed, WEL has identified five additional projects. In the Varn field, the successful drilling of the JVU #6 has identified two new potential behind pipe objectives. Recompletion work is slated to begin in the second half of 2023.

Net Lease Area

At 30 June 2023, the Company's lease holding totalled 3,688[1] net acres.

Risk Management

The Company manages risks in accordance with its risk management policy with the objective of ensuring all risks inherent in oil and gas exploration and production activities are identified, measured and then managed or kept as low as reasonably practicable. The Board performs risk assessments on a regular basis.

Key risks which may materially impact the execution and achievement of the business strategies and prospects for Winchester are summarised below and are risks largely inherent in the oil and gas industry. This should not be taken to be a complete or exhaustive list of risks nor are risks disclosed in any particular order. Many of the risks are outside the control of the Company and its officers.

Appropriate policies and procedures are continually being developed and updated to manage these risks.

	Risk	Description
1	Exploration	Exploration is a speculative activity with an associated risk of discovery to find any oil and gas in commercial quantities and a risk of development. If Winchester is unsuccessful in locating and developing or acquiring new reserves and resources that are commercially viable, this may have a material adverse effect on future business, results of operations and financial conditions. Winchester utilises established methodologies and experienced personnel to evaluate prospects and manage the risk associated with exploration. The Company also ensures that all major decisions are subjected to assurance reviews which includes external experts and contractors where appropriate.

[1] The Company's net acreage position varies modestly in accordance with earned interests in drilling units of the current operations.

	Risk	Description
2	Development and Production	Development and production of oil and gas projects may be exposed to low side reserve outcomes, cost overruns, production decrease or stoppage, which may result from facility shutdowns, mechanical or technical failure and other unforeseen events. Winchester undertakes technical, financial, business and other analysis in order to determine a project's readiness to proceed from an operational, commercial and economic perspective. Even if Winchester Energy recovers commercial quantities of oil and gas, there is no guarantee that a commercial return can be generated. Winchester has a project risk management and reporting system to monitor the progress and performance of material projects and is subject to regular review by senior management and the Board. All major development and investment decisions are subjected to assurance reviews which includes experts and contractors where appropriate.
3	Regulatory	Winchester operates in a highly regulated environment. Winchester endeavours to comply with the regulatory authorities' requirements. There is a risk that regulatory approvals are withheld, take longer than expected or unforeseen circumstance arise where requirements are not met and costs may be incurred to remediate non-compliance and/or obtain approval(s). Changes in Government, monetary, taxation and other laws in Australia or the USA or internationally may impact the Company's operations. Winchester monitors legislative and regulatory developments and works to ensure that all stakeholder concerns are addressed fairly and managed. Policies and procedures are independently reviewed and audited to help ensure they are appropriate and comply with all regulatory requirements.
4	Market	The oil market is subject to the fluctuations of supply and demand and price. To the extent that future actions of third parties contribute to demand destruction or there is an expansion of alternative supply sources, there is a risk that this may have a material adverse effect on price for the oil and gas produced and the Company's business, results of operations and financial condition. Winchester monitors developments and changes in the international oil market and conducts regular risk assessments.
5	Oil and Gas Prices	Future value, growth and financial condition are dependent upon the prevailing prices for oil and gas. Prices for oil and gas are subject to fluctuations and are affected by numerous factors beyond the control of Winchester. Winchester monitors and analyses the oil and gas markets and seeks to reduce price risk where reasonable and practical. The Company has policies and procedures for entering into hedging contracts to mitigate against the fluctuations in oil price and exchange rates. The Company has no hedging in place at present.
6	Operating	There are a number of risks associated with operating in the oil and gas industry. The occurrence of any event associated with these risks could result in substantial losses to the Company that may have a material adverse effect on Winchester's business, results of operations and financial condition. To the extent that it is reasonable to do so, Winchester mitigates the risk of loss associated with operating events through insurance contracts. Winchester operates with a comprehensive range of operating and risk management plans and an HSEC management system to ensure safe and sustainable operations.
7	Counterparties	The ability of the Company to achieve its stated objectives will depend on the performance of the counterparties under various agreements it has entered into. If any counterparties do not meet their obligations under the respective agreements, this may impact on operations, business, and financial conditions. Winchester monitors performance across material contracts against contractual obligations to minimise counterparty risk and seeks to include terms in agreements which mitigate such risks.
8	Reserves	Oil and gas reserves are expressions of judgement based on knowledge, experience, and industry practice. These estimates may alter significantly or become uncertain when new information becomes available and/or there are material changes of

	Risk	Description
		circumstances which may result in Winchester altering its plans which could have a positive or negative effect on Winchester's operations. Reserve management is consistent with the definitions and guidelines in the Society of Petroleum Engineers 2007 Petroleum Resources Management Systems. The assessment of Reserves and Resources is also subject to independent review from time to time.
9	Environmental	Winchester's exploration, development and production activities are subject to state, national and international environmental laws and regulations. Oil and gas exploration, development and production can be potentially environmentally hazardous giving rise to substantial costs for environmental rehabilitation, damage control and losses. Winchester has a comprehensive approach to the management of risks associated with health, safety, environment, and community which includes standards for asset reliability and integrity, as well as technical and operational competency and requirements.

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.

Corporate

2,250,000 options with an exercise price of AUD$0.10 expired on 16 February 2023 and 6,200,000 options with an exercise price of AUD$0.05 expired 13 June 2023.

On 9 February 2023 the Company settled technical advisor liabilities by the issue of 10,202,115 shares to satisfy the Company's obligations.

James Allchurch resigned as a Non-Executive Director on 30 June 2023.

John Kenny was appointed as a Non-Executive Director on 2 July 2023.

Financial Results

Revenue from continuing operations for half year to 30 June 2023 was US$1,452,019 (2022: US$3,621,275). The company reported a net (loss)/profit before tax of US$(1,227,365) for the half year ended 30 June 2023 (2022: US$802,744). Impairment expense for the period was US$599,972 (2022: US$671,514). The result included a depreciation and depletion expense of US$448,194 (2022: US$482,139) and share based expenses of US$31,824 (2022: US$198,218). The cash position at 30 June 2023 was US$358,467 (31 December 2022: US$738,991).

Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs that occurred during the half year ended 30 June 2023.

Events after the reporting date

John Kenny was appointed as a non-executive director on 2 July 2023.

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

Dividends

In respect of the period ended 30 June 2023, no dividends have been paid or declared since incorporation and the Directors do not recommend the payment of a dividend in respect of the financial period.

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of the half-year report.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors

Mr Douglas Holland
Director
13 September 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; and

(b) in the Directors' opinion:
- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s303 (5) of the Corporations Act 2001.

On behalf of the Directors

Mr Douglas Holland
Directors
13 September 2023

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

As lead auditor for the review of Winchester Energy Limited for the half-year ended 30 June 2023, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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,

13 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 30 June 2023

	Note	30 June 2023 US$	30 June 2022 US$
Revenue from contracts with customers		1,452,019	3,621,275
Interest income		295	1,439
Foreign exchange (expenses)/Income		-	352
Operating costs		(481,736)	(584,933)
Administration expenses	3	(828,511)	(874,418)
Depletion, Depreciation and Amortization		(448,194)	(482,139)
Impairment expense		(599,972)	(671,514)
Share based payments	9	(31,824)	(198,218)
Provision for rehabilitation expense		(288,837)	-
Finance costs		(3,635)	(9,099)
(Loss)/Profit before income tax		**(1,230,396)**	**802,745**
Income tax benefit	4	-	-
(Loss)/Profit for the period after income tax		**(1,230,396)**	**802,745**
Other comprehensive profit/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		3,031	(75,426)
Total comprehensive (loss)/profit for the period		**(1,227,365)**	**727,319**

Profit/(loss) per share for the half year attributable to the members of Winchester Energy Ltd	Cents	Cents
Basic (Loss)/Profit per share (cents per share)	(0.12)	0.08
Diluted (Loss)/Profit per share (cents per share)	(0.12)	0.08

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 30 June 2023

	Note	30 June 2023 US$	31December 2022 US$
ASSETS			
Current assets			
Cash and cash equivalents		358,467	738,991
Trade and Other receivables		475,914	518,153
Total current assets		**834,381**	**1,257,144**
Non-current assets			
Right of use asset		50,219	70,309
Property, plant and equipment	5	1,496,346	1,989,252
Exploration and evaluation expenditure	6	6,742,255	6,758,094
Oil & Gas properties	7	99,438	110,899
Total non-current assets		**8,388,258**	**8,928,554**
TOTAL ASSETS		**9,222,639**	**10,185,698**
LIABILITIES			
Current liabilities			
Trade and other payables		925,764	1,018,568
Lease liability		44,512	40,783
Total current liabilities		**970,276**	**1,059,351**
Non-current liabilities			
Lease liability		12,020	36,057
Provision for rehabilitation		288,837	-
Total non-current liabilities		**300,857**	**36,057**
TOTAL LIABILITIES		**1,271,133**	**1,095,409**
NET ASSETS		**7,951,506**	**9,090,290**
EQUITY			
Issued capital	8	40,437,639	40,380,883
Option Premium Reserve		1,894,344	1,894,344
Share based payment reserve	9	1,488,603	1,456,778
Foreign currency translation reserve		(3,238,424)	(3,241,455)
Accumulated losses		(32,630,656)	(31,400,260)
TOTAL EQUITY		**7,951,506**	**9,090,290**

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 half year ended 30 June 2023

	Ordinary Shares	Accumulated losses	Option Premium reserve	Share based payment reserve	Foreign Currency Translation Reserve	Total
	US$	US$	US$	US$	US$	US$
Balance at 1 January 2022	**40,361,681**	**(30,825,644)**	**1,894,344**	**1,225,874**	**(3,115,113)**	**9,541,142**
Profit for the period	-	802,745	-	-		802,745
Other comprehensive Profit/(loss)	-	-	-	-	(75,426)	(75,426)
Total comprehensive Profit/(loss) for the period	-	802,745	-	-	(75,426)	727,319
Transactions with owners in their capacity as owners						
Share based payment transactions	-	-	-	198,218	-	198,218
Issue of share capital (net of costs)	20,095	-	-	-	-	20,095
Balance at 30 June 2022	**40,381,776**	**(30,022,899)**	**1,894,344**	**1,424,092**	**(3,190,539)**	**10,486,774**
Balance at 1 January 2023	**40,380,883**	**(31,400,260)**	**1,894,344**	**1,456,778**	**(3,241,455)**	**9,090,290**
(Loss) for the period	-	(1,230,396)	-	-	-	(1,230,396)
Other comprehensive Profit/(loss)	-	-	-	-	3,031	3,031
Total comprehensive Profit/(loss) for the period	-	(1,230,396)	-	-	3,031	(1,227,365)
Transactions with owners in their capacity as owners						
Share based payment transactions	-	-	-	31,825	-	31,825
Issue of share capital (net of costs)	56,756	-	-	-	-	56,756
Balance at 30 June 2023	**40,437,639**	**(32,630,656)**	**1,894,344**	**1,488,603**	**(3,238,424)**	**7,951,506**

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 half year ended 30 June 2023

	Note	30 June 2023 US$	30 June 2022 US$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,487,537	3,286,089
Payments to suppliers and employees (inclusive of GST)		(1,340,145)	(1,339,766)
Interest paid		(3,062)	(4,862)
Net cash generated by operating activities		144,330	1,941,461
Cash flows from investing activities			
Payment for exploration and development activities		(293,128)	(359,946)
Interest received		295	1,439
Purchase of property, plant, equipment and software		(214,743)	(979,276)
Net cash used in investing activities		(507,576)	(1,337,783)
Cash flows from financing activities			
Lease liability payments		(20,309)	(17,841)
Net cash generated by financing activities		(20,309)	(17,841)
Net (decrease)/increase in cash and cash equivalents		(383,555)	585,837
Cash and cash equivalents at beginning of the period		738,991	2,564,936
Effect of exchange rate changes on balance of cash held in foreign currencies		3,031	(75,074)
Cash and cash equivalents at the end of the period		**358,467**	**3,075,699**

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 CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

1. Summary of Significant Accounting Policies

a) Basis of preparation and compliance statement

The consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with the Corporations Act 2001 and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The accounting policies adopted are consistent with those adopted and disclosed in the Company's Annual Report for the year ended 31 December 2022 unless otherwise stated.

Going Concern

The financial statements have been prepared on the basis that the Consolidated Entity is a going concern, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The ability of the Group to continue as a going concern is dependent on the Group securing additional funding through the issue of equity, raising of debt, joint venturing assets, trading profitably 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 been significant volatility in world oil and gas pricing. Notwithstanding that the oil and gas prices have recovered, these conditions also indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management have prepared a cash flow forecast for a period of 12 months beyond the sign off date of this half-year report and believes there is sufficient funds to meet the Groups working capital requirements.

The financial statements have been prepared on the basis that the Group is a going concern for the following reasons:

- The Group is currently generating cashflow from operating wells;
- The Group has a recent 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.

Should the Consolidated 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.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

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.

Amended accounting standards

The impact of other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

2. Segment information

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

The Company has one reportable segment being the Oil and Gas operations 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 $6,742,255 is capitalised as exploration and evaluation expenditure and $99,438 is capitalised as oil and gas properties in the statement of financial position. The remaining unallocated 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.

	Segment Revenue (US$)		Segment Profit/(loss) (US$)		Segment Assets (US$)		Segment Liabilities (US$)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Unallocated	295	1,439	(207,078)	(526,755)	208,740	643,430	21,634	110,860
USA	1,452,019	3,621,275	(1,023,318)	1,329,499	9,013,899	9,542,268	1,249,499	984,549
Total	**1,452,314**	**3,622,714**	**(1,230,396)**	**802,745**	**9,222,639**	**10,185,698**	**1,271,133**	**1,095,409**

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

3. Administration expenses

	30June 2023 US$	30 June 2022 US$
Consultancy fees	154,766	231,024
Legal Fees	22,942	7,272
Rent	27,700	8,994
Accounting & compliance expense	41,100	53,793
Employee benefit expense	532,013	428,623
Other expenses	49,990	144,713
Total	828,511	874,418

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

4. Income taxes

a) Income tax recognised in profit or loss

The major components of income tax expense are:

	30 June 2023 US$	30 June 2022 US$
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of profit or loss and other comprehensive income.	-	-

b) Reconciliation of income tax expense:

	30June 2023 US$	30 June 2022 US$
(Loss)/Profit before income tax	(1,230,396)	802,744
Income tax benefit calculated at rate of 27.5% (2022: 27.5%)	(338,359)	220,755
Effect of revenue losses not recognised as deferred tax assets	338,359	(220,755)
Income tax reported in the consolidated Statement of profit or loss and other comprehensive income.	-	-

5. Property Plant and equipment

	30 June 2023 US$	31 December 2022 US$
Opening balance	1,989,252	651,604
Additions	214,743	1,655,605
Depreciation expense	(175,878)	(245,682)
Impairment	(531,771)	(72,275)
Balance at period end	**1,496,346**	**1,989,252**
Cost	2,518,019	2,303,276
Accumulated depreciation	(489,902)	(314,024)
Impairment	(531,771)	-
Net carrying amount	**1,496,346**	**1,989,252**

Impairment relates to property plant and equipment on wells that are no longer producing.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

6. Exploration and evaluation expenditure

	30 June 2023 US$	31 December 2022 US$
Opening balance	6,758,094	5,651,137
Exploration and evaluation expenditure capitalised during the period	60,191	2,990,768
Transferred to oil and gas properties	(76,030)	-
Impairment	-	(1,883,812)
Closing balance	**6,742,255**	**6,758,094**

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 period. On balance, it may well be that some leases will be allowed to lapse going forward. In this regard, an impairment charge of US$nil during the period was recorded (2022: US$671,514). A review carried out by management on relevant wells has determined that no other leases exceed their recoverable value.

7. Oil & Gas properties

	30 June 2023 US$	31 December 2022 US$
Opening balance	110,899	625,944
Additions	202,818	478,644
Transferred from Exploration and evaluation expenditure	76,030	
Depletion expense	(252,226)	(787,086)
Impairment	(38,082)	(206,604)
Closing balance	**99,438**	**110,899**

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

8. Issued capital

	30 June 2023 US$		31 December 2022 US$	
Fully paid ordinary shares	Number of Shares	Share capital US$	Number of Shares	Share capital US$
Opening balance	1,010,219,792	40,380,883	1,008,212,215	40,361,680
Shares in lieu of services[1]	10,202,115	56,756	2,007,577	20,096
Costs of issue	-	-	-	(893)
Closing balance	**1,020,421,907**	**40,437,639**	**1,010,219,792**	**40,380,883**

Note 1
Technical advisor liabilities were settled by the issue of 10,202,115 shares to settle an AUD$130,000 liability. The fair value of shares at settlement resulted in a gain of AUD$48,383 on settlement.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitles their holder to one vote, either in person or proxy, at a meeting of the Company.

9. Share based payments reserve

	30 June 2023 US$	31 December 2022 US$
Balance at 1 January	1,456,778	1,225,873
Consultant options	-	8,966
Incentive options	-	182,717
Incentive rights[2]	31,825	39,222
Balance at period end	1,488,603	1,456,778

Note [2]
No Performance rights were issued during the period ending 30 June 2023.
Pursuant to shareholder approval, the Company issued 20,000,000 Performance Rights during the year ending 31 December 2022. The share based payment cost will be realised over the term of the rights. Reserve movement for the half year period ending 30 June 2023 of USD$31,825 (2022: USD$39,222) has been allocated to the consolidated statement of profit and loss and other comprehensive income.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

10. 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.

11. Events after reporting date

John Kenny was appointed as a non-executive director on 2 July 2023.

Other than the above there were no events affecting the Company after 30 June 2023.

12. Commitments and Contingencies

Capital expenditure commitments

There are no capital commitments at 30 June 2023.

Other expenditure commitments

There are no other expenditure commitments at 30 June 2023.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Winchester Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Winchester Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1(a) 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 conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO

Ashleigh Woodley

Director

Perth,

13 September 2023