



WINCHESTER
ENERGY LIMITED

ACN 168 586 445

ANNUAL REPORT

For the year ended 31 December 2023

For personal use only

CONTENTS

REVIEW OF OPERATIONS	2
DIRECTORS' REPORT	5
DIRECTORS' DECLARATION	17
AUDITOR'S INDEPENDENCE DECLARATION	18
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	19
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	20
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	21
CONSOLIDATED STATEMENT OF CASH FLOWS.....	22
AUDIT REPORT.....	43
ADDITIONAL SHAREHOLDER INFORMATION.....	47

For personal use only

CORPORATE INFORMATION

Directors

Mr John D. Kenny
Mr Larry Liu
Mr Tony Peng
Mr Douglas Holland
Mr Zane Lewis

Company Secretary

Mr Zane Lewis

Registered Office

Suite 6, 295 Rokeby Road,
Subiaco, WA 6008 Australia
Telephone: +61 1300 133 921
Email: admin@winchesterenergyltd.com
Website: www.winchesterenergyltd.com

Principal Place of Business

Suite 6, 295 Rokeby Road,
Subiaco, WA 6008 Australia

USA Office

Suite 780
4900 Woodway Drive
Houston, TX, 77056 USA
Telephone: +1 713 333 0610

Share Register

Automic Registry Services
Level 5, 191 ST GEORGES TERRACE
PERTH WA 6000 Australia
Telephone: 1300 288 664 (within Australia)
+61 8 9698 5414 (outside Australia)

Auditors

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

Lawyers (USA)

Looper Ballew
Suite 200
1300 Post Oak Blvd
Houston Texas USA 77056

REVIEW OF OPERATIONS

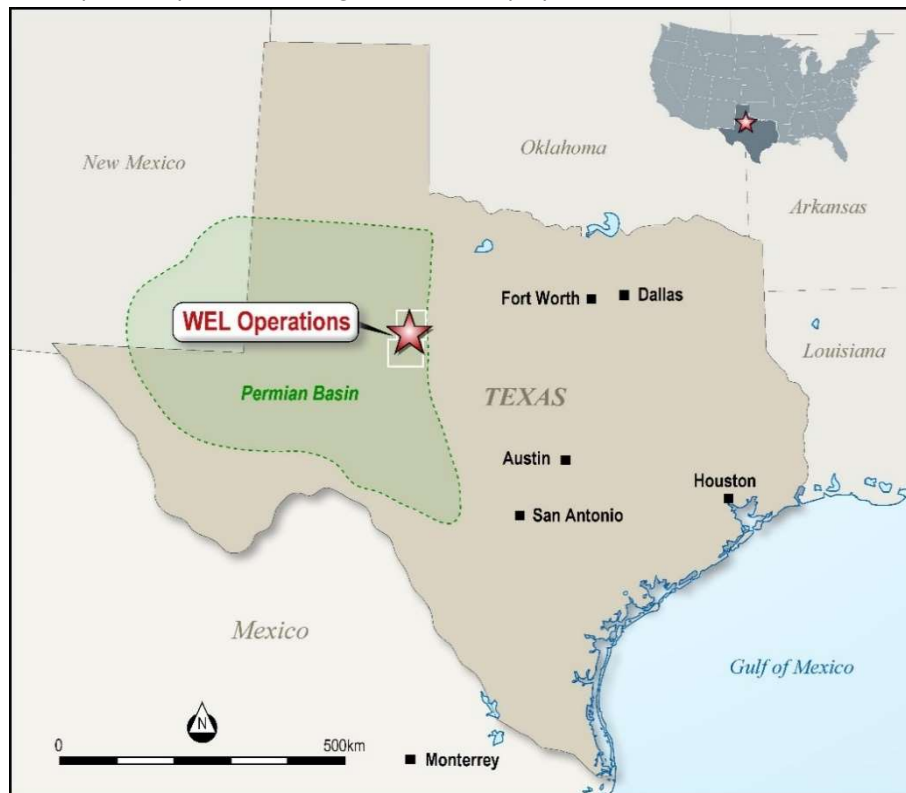
PRODUCTION SUMMARY

Winchester Energy Limited's (ASX Code: WEL) (**Winchester** or **Company**) gross and net Working Interest (**WI**) oil and gas production for the year ended 31 December 2023 is shown below:

Oil Production (boe)	Full Year 2023	December Quarter 2023	September Quarter 2023	June Quarter 2023	March Quarter 2023
Gross Oil Production	47,864	9,064	10,344	13,463	14,993
WEL WI Share*	44,579	8,529	9,603	12,482	13,965

*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 2023 quarter was 93 barrels of oil equivalent per day (boepd)¹, comprising 98% liquids (oil).



Location of Winchester Operations in Texas, USA

REVENUE SUMMARY

Total WI oil and gas sales revenue for the full year ended 2023 was US\$2,771,659. The average sale price per barrel of oil for 4Q2023 was US\$85.24.

¹ 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.

For personal use only

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

Varn Oil Field (100% WI)

Operations have continued at Winchester's Varn Oil Field (2P Reserves of over 1,068,000 boe²) located 18 miles to the east of Winchester's existing producing assets in Nolan County, Texas.

Winchester continues to generate strong primary production from its first Varn producer, the JVU #6. For the full year ended 2023, the well produced approximately 6,000 gross barrels of oil and has shown zero decline since late February 2023.

Winchester is the operator at Varn, and plans are underway to expand the Varn Oil Field waterflood programme.

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

² See ASX Release dated 3 December 2021

CORPORATE

As of 31 December 2023, Winchester Energy had 1,020,421,907 ordinary shares on issue and cash reserves of approximately \$219,211³.

Oil and Gas Leases Held as at 31 December 2023

Winchester's lease holding at the end of the December 2023 quarter was 3,688⁴ acres.

	WEL Interest	Lease/Prospect	Location
Held at end of Dec 23			
	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.

³ Using exchange rate 1 AUD = 0.654 USD

⁴ 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 2023.

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

Mr Douglas Holland	Executive Technical Director
Mr Larry Liu	Non-Executive Director
Mr Tony Peng	Non-Executive Director
Mr John D. Kenny	Non-Executive Director – appointed 2 July 2023
Mr Zane Lewis	Non-Executive Director – appointed 6 March 2024
Mr James Allchurch	Non-Executive Director – resigned 30 June 2023

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

Information on Directors

Mr Douglas Holland Executive Technical Director

Mr Holland has over 25 years experience in USA 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 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 Code: 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 John D. Kenny (appointed 2 July 2023)

Non-Executive Director

Mr Kenny is a lawyer and holds a Bachelor of Commerce (Hons) and Bachelor of Laws from the University of Western Australia.

Current directorships held in other listed entities

Helios Energy Ltd

Mr Zane Lewis (appointed 6 March 2024)

Non-Executive Director and Company Secretary

Mr Lewis is a principal and joint founder of corporate advisory firm SmallCap Corporate which specialises in corporate advice and compliance administration to ASX listed companies.

Zane provides the Board with a wealth of knowledge obtained from his diverse financial and corporate experience in previous appointments.

Mr Lewis holds a Bachelor of Economics from the University of Western Australia and is a Fellow of the Governance Institute of Australia.

Current directorships held in other listed entities

Kairos Minerals Limited

Odessa Minerals Limited

Lion Energy Limited

Mr James Allchurch (resigned 30 June 2023)

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 USA-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

Zane Lewis (appointed 6 March 2024)

Edward J May (appointed 24 January 2024, resigned 6 March 2024)

Lloyd Flint (resigned 24 January 2024)

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 Douglas Holland	-	15,000,000	20,000,000
Mr John D. Kenny	32,928,494	-	-
Mr Zane Lewis	-	-	-

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

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. 1,600,000 options with an exercise price of AUD\$0.05 expired on 31 December 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.

Zane Lewis was appointed as Non-Executive Director and Company Secretary on 6 March 2024.

Operating Results

Net loss of the Group for the period ended 31 December 2023 after providing for income tax was US\$2,564,925 (2022: Loss US\$574,616). Net Assets of the entity as at 31 December 2023 were US\$6,616,893 (2022: US\$9,090,290).

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 2023.

Significant events subsequent to reporting date

Subsequent to year end Mr Zane Lewis was appointed as non-executive director and company secretary on 6 March 2024.

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

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.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest to the nearest dollar.

Dividends

In respect of the year ended 31 December 2023, no dividends have been paid or declared (2022: 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

(a) Insurance of officers

During the financial year, Winchester Energy Limited paid a premium to insure the directors and secretaries of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

(b) Indemnity of auditors

Winchester Energy Limited has agreed to indemnify their auditors, BDO Audit (WA) Pty Ltd, to the extent permitted by law, against any claim by a third party arising from Winchester Energy Limited's breach of their agreement. The indemnity stipulates that Winchester Energy Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Material business risks

The proposed future activities of the Consolidated Entity are subject to a number of risks and other factors which may impact its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the directors and management of the Company and cannot be mitigated. An investment in the Company is not risk free and should be considered speculative.

This section provides a non-exhaustive list of the risks faced by the Consolidated Entity or by investors in the Company. The risks should be considered in connection with forward looking statements in this Annual Report. Actual events may be materially different to those described and may therefore affect the Consolidated Entity in a different way.

Investors should be aware that the performance of the Consolidated Entity may be affected by these risk factors and the value of its shares may rise or fall over any given period. None of the directors or any person associated with the Consolidated Entity guarantee the Consolidated Entity's performance.

Business risks

Mitigating actions

Oil & Gas Development

- Geological, exploration and development: The exploration and development of oil & gas is a high risk, high-cost exercise with no certainty of confirming economic viability of projects.

- Oil & gas resources is a speculative undertaking that may be impeded by circumstances and factors beyond the control of the Company. Success in this process involves, among other things; discovery and proving-up an economically recoverable resource or reserve, access to adequate capital throughout the project development phases, securing and maintaining title to projects, obtaining required development consents and approvals and accessing the necessary experienced operational staff, the financial management, skilled contractors, consultants and employees.
- The Company is entirely dependent upon the projects, which are the sole source of revenue and revenue growth, and any adverse development affecting these projects would have a material adverse effect on the Group, its business, prospects, results of operations and financial condition.

Human Resources and Occupational Health and Safety

- Oil and gas exploration and development involves a variety of risks which may impact the health and safety of the Company's personnel.

- Strong human resources and employee relations framework.
- Competitive remuneration structure focused on attracting diverse, engaged and suitably qualified employees and consultants.
- Industry standard safety management system.
- Embedded safety culture.
- Regular review safety management system.

Finance

- The need to fund exploration and evaluation activities.
- Future funding risk: Continued exploration and evaluation is dependent on the Company being able to secure future funding from equity markets. The successful development of an oil & gas project will dependent on the capacity to raise funds from equity and debt markets.

- The Company may need to engage in equity/debt markets for continued exploration, evaluation and development. Any additional equity financing may be dilutive to shareholders, as pricing of the Company's shares are dependent on endogenous and exogenous outcomes.
- There can be no assurance that such funding will be available on satisfactory terms or at all at the relevant time. Any inability to obtain sufficient financing for the Company's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely adversely affect the potential growth of the Company.

Regulatory Approvals and Social Licence to Operate

- The Company's exploration activities and major projects depend on regulatory approvals (e.g. tenure, environmental licences and permits, etc). There is a risk that required approvals may be delayed or declined.

- The Company has engaged expert consultants to undertake required baseline environmental assessments and to prepare major approval application documents to ensure it meets regulatory requirements.

The Company considers potential environmental impacts as a key factor in its

For personal use only

Business risks

- Maintenance of positive relationships with stakeholders and the community is important in ensuring the Company retains its social licence to operate.

Mitigating actions

project design and evaluation and will ensure impacts are reduced to as low as reasonably practicable.

Changes in Government Regulations

- Changes in Government policies or legislation may impact royalties, tenure, land access and labour relations.
- The Board regularly assesses developments in legislation and policies and regularly engages with relevant Government Departments.

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	\$A0.10	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 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\$0.032 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	5	5	-	-	-	-
Mr Tony Peng	5	5	-	-	-	-
Mr James Allchurch ¹	4	4	-	-	-	-
Mr John Kenny ²	1	1	-	-	-	-

¹ Resigned 30 June 2023

² Appointed 2 July 2023

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 18 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. The amount BDO received or are due to receive the provision of non-audit services, can be located in note 8 of the financial report.

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 and Resigned 30 June 2023
Mr John Kenny	Non-Executive Director	Appointed 2 July 2023

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. These incentives, bonuses and options can have market or non-market based performance requirements before being granted.

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 received 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	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 ¹	Non-executive director	n/a	None
Mr John Kenny ²	Non-executive director	n/a	None

¹ Resigned 30 June 2023

² Appointed 2 July 2023

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 2023:

Name	Currency	Annual Fees
Mr Douglas Holland (appointed 7 February 2022)	US\$	270,689
Mr Larry Liu	AUD\$	54,000
Mr Tony Peng	AUD\$	54,000
Mr James Allchurch (resigned 30 June 2023)	AUD\$	179,310
Mr John D. Kenny (appointed 2 July 2023)	AUD\$	54,000

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) (continued)

5. Key management personnel remuneration

The remuneration for each Director and key management personnel of the Company during the year ended 31 December 2023 was as follows:

		Short term benefits			Post-employment	Long term benefits				Total	Performance related
		Salary & fees ¹	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Share based payments Options	Rights	Termination payments		
Directors		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
D Holland	2023	270,689	-	49,534	-	-	-	23,849	-	344,072	7%
	2022	287,145	-	83,620	-	-	62,656	39,222	-	472,642	22%
L Liu	2023	35,878	-	-	-	-	-	-	-	35,878	-
	2022	37,514	-	-	-	-	23,487	-	-	61,001	39%
T Peng	2023	35,878	-	-	-	-	-	-	-	35,878	0%
	2022	37,800	-	-	-	-	23,487	-	-	61,287	38%
J Allchurch ²	2023	59,567	-	-	-	-	-	-	-	59,567	0%
	2022	157,816	-	-	2,563	-	73,087	-	-	233,466	31%
J Kenny ³	2023	17,938	-	-	-	-	-	-	-	17,938	-
	2022	-	-	-	-	-	-	-	-	-	-
Total	2023	419,950	-	49,534	-	-	-	23,849	-	493,333	5%
Total	2022	520,275	-	83,620	2,563	-	182,717	39,222	-	828,397	27%

1. Salary and fees were converted to USD using the average rate for the period ending 31 December or period earned.

2. James Allchurch provided services other than acting as a Director. He was paid 2023 \$Nil (2022: USD\$80,738) in addition to entitlement tabled above in this regard. He resigned on 30 June 2023.

3. John D. Kenny was appointed on 2 July 2023

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 2023.

2023	Balance at 1 January No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Douglas Holland	-	-	-	-
Mr Larry Liu	34,408,672	-	-	34,408,672
Mr Tony Peng	-	-	-	-
Mr James Allchurch	5,870,154	-	-	5,870,154 ²
Mr John D. Kenny	32,928,494 ¹	-	-	32,928,494

¹ Held as at appointment

² Held as at date of resignation

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 2023. All options were 100% vested at the beginning of the financial year.

2023	Balance at 1 January No.	Options lapsed	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Douglas Holland	15,000,000	-	-	-	15,000,000
Mr Larry Liu	5,000,000	-	-	-	5,000,000
Mr Tony Peng	5,000,000	-	-	-	5,000,000
Mr James Allchurch	15,000,000	-	-	-	15,000,000 ²
Mr John D. Kenny	- ¹	-	-	-	-

¹ Held as at appointment

² Held as at date of resignation

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.

2023	Balance at 1 January No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.	Number Unvested
Mr Douglas Holland	20,000,000	-	-	20,000,000	20,000,000
Mr Larry Liu	-	-	-	-	-
Mr Tony Peng	-	-	-	-	-
Mr James Allchurch	-	-	-	- ²	- ²
Mr John D. Kenny	- ¹	-	-	-	-

¹ Held as at appointment

² Held as at date of resignation

Remuneration Report (Audited) (continued)

Share based payment

There was no share based payment issued during the current year. All share-based payments arrangements with KMPs in the prior financial year are detailed as follows:

Performance Rights

Pursuant to shareholder approval on 6 May 2022, 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	Vested securities
Tranche A	5,000,000	Upon the organic (i.e. exclusive of any purchased production assets) production of 750 barrels of oil equivalent per day (boepd) for 15 consecutive days.	23 May 2025	Nil
Tranche B	5,000,000	Upon the organic (i.e. exclusive of any purchased production assets) production of 1,250 barrels of oil equivalent per day (boepd) for 15 consecutive days.	23 May 2026	Nil
Tranche C	10,000,000	Upon the organic (i.e. exclusive of any purchased production assets) production of 2,000 barrels of oil equivalent per day (boepd) for 15 consecutive days.	23 May 2027	Nil

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. 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 2023 \$USD	Maximum value yet to vest in \$USD
			\$AUD	\$USD			
Tranche A	5,000,000	Non-market – underlying share price	0.014	\$0.0097	48,356	(15,227)	48,356
Tranche B	5,000,000	Non-market – underlying share price	0.014	\$0.0097	48,356	15,630	20,727
Tranche C	10,000,000	Non-market – underlying share price	0.014	\$0.0097	96,712	23,445	54,344

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. Tranche A has been assigned a 0% probability with Tranche B and C assigned a 100% probability.

Remuneration Report (Audited) (continued)

Additional information

The earnings of the consolidated entity for the five years to 31 December 2023 are summarised below:

	2023	2022	2021	2020	2019
Revenue	2,772,046	5,651,189	4,153,333	2,224,758	2,757,119
Loss after income tax	(2,564,925)	(574,616)	(1,436,170)	(3,332,964)	(2,316,573)

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

	2023	2022	2021	2020	2019
Share price at financial year end (\$)	0.002	0.010	0.014	0.022	0.055
Basic loss per share (cents per share)	(0.25)	(0.06)	(0.17)	(0.48)	(0.52)

Loans to key management personnel

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

Other Transactions with KMP

During the year no payments were made by Winchester Energy LLC to Michelle Holland and Braedon Holland (wife and daughter of Douglas Holland respectively) for office administration services (2022: US\$6,916).

Voting at the Annual General Meeting

At the Annual General Meeting held on 31 May 2023, 95.85% of proxy votes cast voted in favour of the 2022 remuneration report.

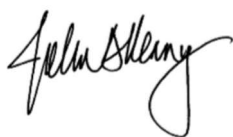
End of audited remuneration report

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.winchesterenergy.com/corporate-governance>

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

On behalf of the Directors



Mr John D. Kenny
Director
28 March 2024

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 having regard to matters disclosed in note 1(a));
- (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 John D. Kenny
Director
28 March 2024

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 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 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

28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 US\$	2022 US\$
Revenue from sales of oil and natural gas	5	2,771,659	5,651,189
Interest income		387	2,271
Reversal of accrual	15	350,732	-
Foreign exchange gain/(loss)		-	352
Operating costs		(1,006,479)	(1,039,814)
Impairment expense	13/14	(2,507,090)	(2,090,416)
Depreciation expense		(340,382)	(285,862)
Depletion Expense		(296,534)	(787,086)
Administration expenses		(1,486,933)	(1,746,715)
Share-based payment expense	19	(23,849)	(230,904)
Finance costs		(9,746)	(14,093)
Other expenses		(16,690)	(33,538)
Loss before income tax	6	(2,564,925)	(574,616)
Income tax benefit	7	-	-
Loss for the year after income tax		(2,564,925)	(574,616)
Other comprehensive loss, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	20	10,923	(126,342)
Total comprehensive loss for the year		(2,554,002)	(700,958)
<hr/>			
Loss per share for the year		Cents	Cents
Basic loss per share (cents per share)	9	(0.25)	(0.06)
Diluted loss per share (cents per share)	9	(0.25)	(0.06)

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 2023

	Note	2023 US\$	2022 US\$
ASSETS			
Current assets			
Cash and cash equivalents	10	219,211	738,991
Trade and other receivables	11	459,547	518,153
Total current assets		678,758	1,257,144
Non-current assets			
Right of use asset		30,129	70,309
Property, plant and equipment	12	2,029,456	1,989,252
Exploration and evaluation expenditure	13	3,978,932	6,758,094
Oil & Gas properties	14	1,306,178	110,899
Total non-current assets		7,344,695	8,928,554
TOTAL ASSETS		8,023,453	10,185,698
LIABILITIES			
Current liabilities			
Trade and other payables	15	522,265	1,018,568
Lease liability		77,000	40,783
Total current liabilities		599,265	1,059,351
Non-current liabilities			
Lease liability		-	36,057
Restoration provision	16	807,295	-
Total non-current liabilities		807,295	36,057
TOTAL LIABILITIES		1,406,560	1,095,409
NET ASSETS		6,616,893	9,090,290
EQUITY			
Issued capital	17	40,437,639	40,380,883
Option reserve	18	1,894,344	1,894,344
Share based payments	19	1,480,627	1,456,778
Foreign currency translation reserve	20	(3,230,532)	(3,241,455)
Accumulated losses	21	(33,965,185)	(31,400,260)
TOTAL EQUITY		6,616,893	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\$).

For personal use only

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 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)
<i>Transactions with owners in their capacity as owners</i>						
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
Profit/(Loss) for the year	-	(2,564,925)	-	-	-	(2,564,925)
Other comprehensive income/(loss), net of tax	-	-	-	-	10,923	10,923
Total comprehensive loss for the year	-	(2,564,925)	-	-	10,923	(2,554,002)
<i>Transactions with owners in their capacity as owners</i>						
Share based payment transactions	56,756	-	-	23,849	-	80,605
Issue of share capital (net of costs)	-	-	-	-	-	-
Balance at 31 December 2023	40,437,639	(33,965,185)	1,894,344	1,480,627	(3,230,532)	6,616,893

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 2023

	Note	2023 US\$	2022 US\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,818,583	5,874,723
Payments to suppliers and employees (inclusive of GST)		(2,452,523)	(2,821,771)
Interest paid		(8,926)	(8,926)
Net cash generated by operating activities	10(a)	357,134	3,044,026
Cash flows from investing activities			
Payment for exploration, oil and gas activities		(515,076)	(3,057,170)
Purchase of property, plant, equipment	12	(331,584)	(1,651,378)
Interest received		387	2,272
Net cash (used in) investing activities		(846,273)	(4,706,276)
Cash flows from financing activities			
Costs associated with issue of securities		-	(893)
Payment of lease liability		(41,000)	(36,814)
Net cash (used in)/generated by financing activities		(41,000)	(37,707)
Net decrease in cash and cash equivalents		(530,139)	(1,699,957)
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		10,359	(125,988)
Cash and cash equivalents at the end of the year	10	219,211	738,991

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 2023

1. Corporate Information

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

The consolidated financial statements of the Company as at 31 December 2023 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 Suite 6, 295 Rokeby Road, Subiaco WA 6008 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 2023.

2. Material Accounting Policy Information

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Winchester Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Winchester Energy Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). [The financial statements have been prepared on a historical cost basis. All amounts are presented in US dollars, unless otherwise noted.

The financial statements were authorised for issue by the Directors on 28 March 2024.

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 2023, the Group had a cash and cash equivalent balance of \$219,211 (2022: \$738,991), had net working surplus of \$79,493 (2022: \$197,793 net working capital) and incurred a net loss of \$2,564,925 (2022: loss \$574,616).

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, the conditions above 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 2023

2. Summary of Material accounting policy (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 ("**Company**" or "**parent entity**") as at 31 December 2023 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) 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. Summary of Material accounting policy (continued)

d) 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.

e) 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.

f) 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.

Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of contaminated and disturbed land, is recognised when the land is contaminated or disturbed. The site restoration provision represents the present value of decommissioning and site restoration costs relating to oil and gas properties.

At each reporting date the site rehabilitation provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and re-added to, or deducted from, the related asset where it is possible that future economic benefits will flow to the entity.

g) 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. Summary of Material accounting policy (continued)

h) 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.

i) Goods and Services Tax (GST)

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.

j) 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, accumulated costs in respect of that area are written off in the financial period the decision is made.

k) 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. Summary of Material accounting policy (continued)

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. 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 2P 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.

l) 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.

m) 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. Summary of Material accounting policy (continued)

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.

n) Contributed Equity

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.

o) 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:

- 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.

p) 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 commercialisation

The Company's ability & 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 18 and 19.

v. Site Restoration provision

The Group estimates the future restoration costs of production facilities, wells, pipelines and related assets at the time of installation of the assets, or at the time of acquisition of the assets, and reviews these assessments periodically. The estimate of future removal costs requires management to make judgements around the timing of the required restoration, rehabilitation and decommissioning, as well as the discount rate. The carrying amount of the provision for restoration is disclosed in note 16.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

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.

Categories of Financial Instruments:

	2023 US\$	2022 US\$
Financial Assets		
Cash and cash equivalents	219,211	738,991
Trade and other receivables	459,547	518,153
	<u>678,758</u>	<u>1,257,144</u>
Financial Liabilities		
Trade and other payables	522,265	1,018,568
Lease liability	77,000	76,841
	<u>599,265</u>	<u>1,095,409</u>

(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:

	2023		2022	
	Average interest rate	Balance US\$	Average interest rate	Balance US\$
Financial assets				
Cash and cash equivalents	1.25%	219,211	0.15%	738,991
Financial liabilities				
Lease Liability	10%	(77,000)	10%	(76,841)
		<u>142,211</u>		<u>662,150</u>

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. Financial Risk Management (Continued)

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2023, there was no material sensitivity to interest rate movements.

(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.

	Current	More than 30 days due	More than 60 days due	More than 120 days due	Total
2023					
Expected loss rate	100%	0%	0%	0%	
Carrying value trade and Other Receivables	459,547	-	-	-	459,547
Loss allowance	-	-	-	-	-
2022					
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

(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.

	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
2023						
Trade and Other Payables	522,265	522,265	522,265	-	-	-
Lease Liability	77,000	79,237	4,007	8,013	67,217	-
	599,265	601,502	526,272	8,013	67,217	-
2022						
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	67,554	-

(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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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.

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.

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\$2,029,456 was capitalised as equipment, US\$3,978,932 was capitalised as exploration and evaluation expenditure and US\$1,306,178 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		Segment Profit/(Loss)		Segment Assets		Segment Liabilities	
	(US\$)		(US\$)		(US\$)		(US\$)	
	2023	2022	2023	2022	2023	2022	2023	2022
Australia	387	2,271	(390,182)	(852,157)	135,807	643,430	56,651	110,860
USA ¹	2,771,659	5,651,189	(2,174,743)	277,542	7,887,646	9,542,268	1,349,909	984,549
Total	2,772,046	5,653,460	(2,564,925)	(574,616)	8,023,453	10,185,698	1,406,560	1,095,409

- Revenue generated of US\$2,423,321 (2022: US\$5,321,189) 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.

6. Loss before income tax

Loss before tax is arrived after charging following expenses	2023 US\$	2022 US\$
Consultancy fees – technical and corporate	246,272	417,565
Legal Fees	22,913	16,431
Expenses relating to short term leases	86,892	15,283

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. Income taxes

a) Income tax recognised in profit or loss

The major components of income tax expense are:

	2023 US\$	2022 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:

	2023 US\$	2022 US\$
Accounting (loss) before income tax	(2,564,925)	(574,616)
Income tax benefit calculated at rate of 27.5% (2022: 27.5%)	(705,354)	(158,019)
Effect of losses not recognised as deferred tax assets	705,354	158,019
Income tax reported in the consolidated Statement of profit or loss and other comprehensive income.	-	-

The deferred tax assets on 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\$20,836,015 (2022: US\$18,566,927) and unrecognised net deferred tax asset of US\$5,729,904 (2022: US\$5,105,905).

8. Auditor's remuneration

a) BDO Audit (WA) Pty Ltd

	2023 US\$	2022 US\$
Audit and other assurance services	53,320	46,072
Other services – taxation services	5,474	4,045
Total remuneration of BDO	58,794	51,223

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. Loss per share

	2023 Cents per share	2022 Cents per share
Basic loss per share (using weighted average number of shares)	(0.25)	(0.06)
Diluted loss per share (using weighted average number of shares)	(0.25)	(0.06)

a) Earnings used in calculating earnings per share

	2023 US\$	2022 US\$
For basic earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	(2,564,925)	(574,616)
For diluted earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	(2,564,925)	(574,616)

b) Weighted average number of shares used

	2023 No. Shares	2022 No. Shares
Weighted average number of shares used in calculating basic and diluted earnings per share	1,019,331,818	1,008,404,722
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	1,019,331,818	1,008,404,722

10. Cash and cash equivalents

	2023 US\$	2022 US\$
Cash at bank	219,211	738,991
	219,211	738,991

For personal use only

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. Cash and cash equivalents (continued)

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

	2023 US\$	2022 US\$
Net (loss)	(2,564,925)	(574,616)
Adjustments for:		
Depreciation of non-current assets	340,382	285,862
Interest received classified as investing cash flow	(387)	(2,271)
Depletion expense	310,064	787,086
Impairment expense	2,507,090	2,090,416
Share based payments	23,849	230,904
Other	19,531	19,740
Changes in assets and liabilities		
(Increase)/Decrease in trade receivables	46,925	223,535
Increase/(Decrease) in trade and other creditors	(369,931)	(16,630)
Net cash flow (used in)/from operating activities	357,134	3,044,026

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. During the year there were shares issued for nil consideration worth \$56,756, as outlined in note 17.

11. Trade and other receivables

	2023 US\$	2022 US\$
Trade Receivables	458,752	505,677
GST receivables	795	12,476
	459,547	518,153

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. Property, Plant & Equipment

	2023 US\$	2022 US\$
Lease & well equipment		
Balance at 1 January	1,989,252	651,604
Additions	380,586	1,655,605
Depreciation expense	(340,382)	(245,682)
Written down	-	(72,275)
Balance at 31 December	2,029,456	1,989,252
Cost	2,615,520	2,303,276
Accumulated depreciation	(586,064)	(314,024)
Net carrying amount	2,029,456	1,989,252

13. Exploration and evaluation expenditure

	2023 US\$	2022 US\$
Balance at 1 January	6,758,094	5,651,137
Exploration and evaluation expenditure capitalised during the period	110,626	2,990,768
Changes in restoration provision estimates	315,555	-
Transfer to Oil & Gas Properties	(978,645)	-
Impairment	(2,226,698)	(1,883,812)
Closing balance	3,978,932	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. A review was carried out by management during the period which identified areas of interest where it was deemed uncommercial to continue to undertake exploration activities. In this regard, an impairment charge of \$2,226,698 was recorded (2022: 1,883,812). 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

	2023 US\$	2022 US\$
Balance at 1 January	110,899	625,944
Additions	301,820	478,644
Changes in restoration provision estimates	491,740	-
Transfer from Exploration	978,645	-
Depletion expense	(296,534)	(787,086)
Impairment	(280,392)	(206,604)
Closing balance	1,306,178	110,899

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

The estimate of the recoverable amount for oil and gas properties is based on an asset's fair value in use using a discounted cash flow (value in use) method. Where the economic or fair value of a well forming part of oil and gas properties is less than the carrying value, the well is impaired to its economic/fair value. The following key estimates and judgements have been applied, also refer to note 3(ii):

- Estimated net P2 Recoverable reserves of 94.7m bbl of oil and 63.2 mmcf of gas;
- The forward commodity prices of US\$78.22 per barrel and US\$2.64 per MMBTU;
- Operating costs, taxes and development at an average of 49% of revenue over the production period, depending on production at that time; and
- Post-tax discount rate of 10.0%

Economical recoverable reserves represent Management's expectations at the time of completing the impairment testing and based on the reserves statements and exploration and evaluation work undertaken by appropriately qualified persons.

The impairment during the year has been driven by a decline in the Oil Pricing.

15. Trade and other payables

	2023 US\$	2022 US\$
Trade Payables	183,404	577,409
Accrued Expenses	338,861	441,160
	522,265	1,018,569

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. During the year, the company revised its estimate of mature accrued liabilities. this reassessment resulted in the reversal of \$350,732 in the current year.

16. Restoration provision

	2023 US\$	2022 US\$
Non-Current		
Restoration provision	807,295	-
	807,295	-

The activities of the group gives rise to restoration provision which are expected to be incurred at the conclusion of oil production activities, estimated as having a life cycle of approximately 12 years. These provisions have been recognised based upon rehabilitation costing estimates with regard to rehabilitation of well sites.

The significant assumptions used in the calculation of the present value of the provisions are a bond rate of 4.26%, a long-term inflation rate assumption of 3.35% percent and the assumed timing of 12 years.

Provisions are made for the estimated cost of asset retirement obligations associated with site restoration and are capitalised to Oil and Gas Properties & Exploration and evaluation as outlined in Note 13 & 14, and amortised over the useful life of the assets.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. Issued capital

Fully paid ordinary shares	2023		2022	
	US\$	Number of Shares	US\$	Number of Shares
Balance at 1 January	40,380,883	1,010,219,792	40,361,680	1,008,212,215
Shares issued in lieu of services provided	56,756	10,202,115	20,096	2,007,577
Costs of issues	-	-	(893)	-
Balance at 31 December 2023	40,437,639	1,020,421,907	40,380,883	1,010,219,792

18. Option Reserves

	2023			2022		
	US\$	Number of Options	Avg Exercise Price \$AUD	US\$	Number of Options	Avg Exercise Price \$AUD
Balance at 1 January	1,894,344	99,650,000	0.0400	1,894,344	91,650,000	0.0625
Consultant options	-	-	-	-	2,000,000	0.0540
Employee options	-	-	-	-	137,500,000	0.0475
Lapsed during the year	-	(10,050,000)	(0.0069)	-	(31,500,000)	(0.379)
Balance at 31 December	1,894,344	91,200,000	0.0377	1,894,344	99,650,000	0.0400
Vested and exercisable		91,200,000	0.0377		99,650,000	0.0400
Weighted average remaining contractual life		1.7 years			2.2 years	

* Refer to Share Based Payments Reserve Note 19 below.

The Option reserve records the subscription price paid by the holder on the issue of options.

19. Share Based Payments Reserves

	2023	2022
	US\$	US\$
Balance at 1 January	1,456,778	1,225,873
Consultant options	-	8,966
Placement fee options	-	-
Employee options	-	182,717
Service options	-	-
Performance rights	23,849 ¹	39,222
Balance at 31 December	1,480,627	1,456,778

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 2023

Note 1 - 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:

2023 - Performance Rights over ordinary shares in the capital of the Company have been granted as follows:

Expiry date	Note	Opening Balance 1 January 2023 Number	Issued 2023 Number	Exercised/ Cancelled 2023 Number	Closing Balance 31 December 2023 Number
6 May 2024	(i)	5,000,000	-	-	5,000,000
6 May 2025	(ii)	5,000,000	-	-	5,000,000
6 May 2026	(iii)	10,000,000			10,000,000
		20,000,000	-	-	20,000,000

None of the performance rights have vested during the year or have been forfeited. The weight average life is 1.34 years.

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

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 \$USD	Fair Value \$ USD	Recognised as remuneration in 2023 \$USD
Tranche A	5,000,000	Non-market – underlying share price	\$0.0097	48,356	(15,227)
Tranche B	5,000,000	Non-market – underlying share price	\$0.0097	48,356	15,630
Tranche C	10,000,000	Non-market – underlying share price	\$0.0097	96,712	23,446

Reserve movement for the year of USD\$23,849 has been allocated to the consolidated statement of profit and loss and other comprehensive income. Tranche A has been assigned to a 0% probability, with Tranche B and C assigned a 100% probability.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. Foreign currency translation reserve

	2023 US\$	2022 US\$
Balance at 1 January	(3,241,455)	(3,115,113)
Movement in foreign currency translation reserve	10,923	(126,342)
Balance at 31 December	(3,230,532)	(3,241,455)

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).

21. Accumulated Losses

	2023 US\$	2022 US\$
Balance at 1 January	(31,400,260)	(30,825,644)
Movement in accumulated losses	(2,564,925)	(574,616)
Balance at 31 December	(33,965,185)	(31,400,260)

22. Key management personnel

Key management personnel compensation	2023 US\$	2022 US\$
Short-term employee benefits	469,484	603,895
Post-employment benefits	-	2,563
Share-based payment	23,849	221,939
	493,333	828,397

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.

23. Commitments

Capital expenditure commitments

There are no capital commitments at 31 December 2023.

Other expenditure commitments

There are no other expenditure commitments at 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. 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.

	2023 US\$	2022 US\$
Assets		
Current assets	102,401	609,555
Non-current assets	34,200	33,875
Total assets	136,601	643,430
Liabilities		
Current liabilities	(132,685)	(110,861)
Non-current liabilities	-	-
Total liabilities	(132,685)	(110,861)
Equity		
Issued capital	40,437,639	40,380,883
Accumulated losses	(40,578,162)	(39,957,980)
Option premium reserve	1,894,344	1,894,344
Share based payment reserve	1,480,627	1,456,778
Foreign currency translation	(3,230,532)	(3,241,455)
Total equity	3,916	532,570

Financial Performance

	2023 US\$	2022 US\$
Loss for the year	(620,182)	(852,157)
Other comprehensive loss	10,358	(468,295)
Total comprehensive loss	678,743	(1,320,452)

25. 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	
			2023	2022
Winchester Energy LLC	Oil and Gas Exploration	USA	100%	100%
Winchester Energy USA Holding Inc.	Oil and Gas Exploration	USA	100%	100%

26. Contingent assets and liabilities

There are no contingent assets or liabilities at 31 December 2023.

27. 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

28. 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 2023 and as per note 22 above.

During the year Winchester Energy LLC paid \$Nil (2022: 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 prior year. Please refer to the remuneration report and notes 18 and 19 above for detail on the issue of options and performance rights issued to the Directors during the year.

29. Events after reporting date

Subsequent to year end Mr Zane Lewis was appointed as non-executive director and Company Secretary on 6 March 2024.

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.

For personal use only

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 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 year then ended, and notes to the financial report, including material accounting policy information 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 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related 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 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 Oil & Gas Properties

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2023 the carrying value of Oil and Gas Properties represents a significant balance to the Group as disclosed in Note 14.</p> <p>During the year the Group identified indicators of possible impairment relating to specific wells. As a result, the Group undertook an impairment assessment and recognised an impairment charge as disclosed in Note 14. Refer to Note 2 (k) and Note 3 (ii) for the detailed disclosures that include the related accounting policies and the critical accounting judgements and estimates.</p> <p>The assessment of impairment is complex and contains a number of estimates and judgements. Accordingly, this matter was considered to be a key audit matter.</p>	<p>Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> ➤ Obtaining and reviewing the latest available oil and gas reserve information from management external expert for changes in reserve estimates and recoverable values; ➤ Assessing the qualifications, competence and objective of managements external expert; ➤ Benchmarking and analysing the Group’s oil and gas price assumptions against external market data; ➤ Challenging the appropriateness of management’s discount rate used in the impairment model in conjunction with our internal valuation experts; ➤ Evaluating and assessing the accuracy of the Group’s calculation of the impairment charge; and ➤ Assessing the adequacy of the related disclosures in Note 2(k), Note 3 (ii) and Note 14 to the financial statements.

Carrying Value of Exploration and Evaluation Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2023 the carrying value of capitalised exploration and evaluation expenditure represents a significant balance as disclosed in Note 13.</p> <p>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.</p> <p>As a result, the asset was required to be assessed for impairment indicators in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. This resulted in the Group recognising an impairment charge as disclosed in Note 13.</p> <p>The Group's accounting policy with respect to Exploration and Evaluation assets is disclosed in Note 2 (j) and Note 3 (i).</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> ➤ 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 2023; ➤ 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(j), 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 2023, 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 11 to 16 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Winchester Energy Limited, for the year ended 31 December 2023, 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

A handwritten signature in black ink, appearing to read 'Ashleigh Woodley', is written over the BDO logo.

Ashleigh Woodley

Director

Perth, 28 March 2024

For personal use only

ADDITIONAL SHAREHOLDER INFORMATION

Ordinary share capital

The Shareholder information set out below was applicable as at 26 March 2024.

Details relating to the oil and gas leases 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	26	4,893	0.00%
1,001 - 5,000	6	19,890	0.00%
5,001 - 10,000	22	180,519	0.02%
10,001 - 100,000	356	18,381,961	1.80%
100,001 - 9,999,999,999	509	1,001,834,644	98.18%
Totals	919	1,020,421,907	100.00%

Unmarketable parcels

Based on the price of \$0.002 per security, number of holders with an unmarketable holding: 113, with a total of 1,250,617, amounting to 0.12% 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 Limited	92,950,000	9.11%
Mr Yang Xiangyang (Mandarin) / Mr Yeung Heung Yeung (Cantonese) and China Leader Group Pty Ltd	67,916,667	6.66%

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>	24,305,251	2.38%
6	INVENTIVE HOLDINGS LIMITED	21,074,380	2.07%
7	DR TYRONE MICHAEL CARLIN	20,000,000	1.96%
8	MR DEAN ROBERT TAIT DANAR PTY LTD	19,000,000	1.86%
9	<MCGOLDRICK SUPER FUND A/C>	18,500,000	1.81%
10	CITICORP NOMINEES PTY LIMITED	17,395,217	1.70%
11	CHATSWORTH STIRLING PTY LTD	17,072,657	1.67%
12	SSF AUST PTY LTD <SCHMARR FAMILY S/F A/C>	16,718,158	1.64%
13	CHETAN ENTERPRISES PTY LTD <HEGDE SUPER FUND A/C>	15,880,000	1.56%
14	JDK NOMINEES PTY LTD <KENNY CAPITAL TRUST>	15,855,837	1.55%
15	DARBY SMSF PTY LTD <DARBY SUPER FUND A/C>	13,883,333	1.36%
16	PETRA COTES PTY LTD <MACONDO A/C>	12,999,980	1.27%
17	AZUREE PTY LTD	12,450,003	1.22%
18	BELLARINE GOLD PTY LTD <RIBBLESDALE SUPER FUND A/C>	12,341,390	1.21%
19	MR JOHN LANGLEY HANCOCK	12,300,000	1.21%
20	MR KANE CHRISTOPHER WEINER	11,605,460	1.14%
TOTAL		497,904,312	48.79%
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 8 holders of 89,600,000 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	34.88%

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%

For personal use only