



ACN 168 586 445

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2021

CONTENTS

REVIEW OF OPERATIONS	2
DIRECTORS' REPORT	9
DIRECTORS' DECLARATION	19
AUDITOR'S INDEPENDENCE DECLARATION	20
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	21
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	22
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	23
CONSOLIDATED STATEMENT OF CASH FLOWS.....	24
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	25
AUDIT REPORT.....	48
ADDITIONAL SHAREHOLDER INFORMATION.....	53

CORPORATE INFORMATION

Directors

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

Company Secretary

Mr Lloyd Flint

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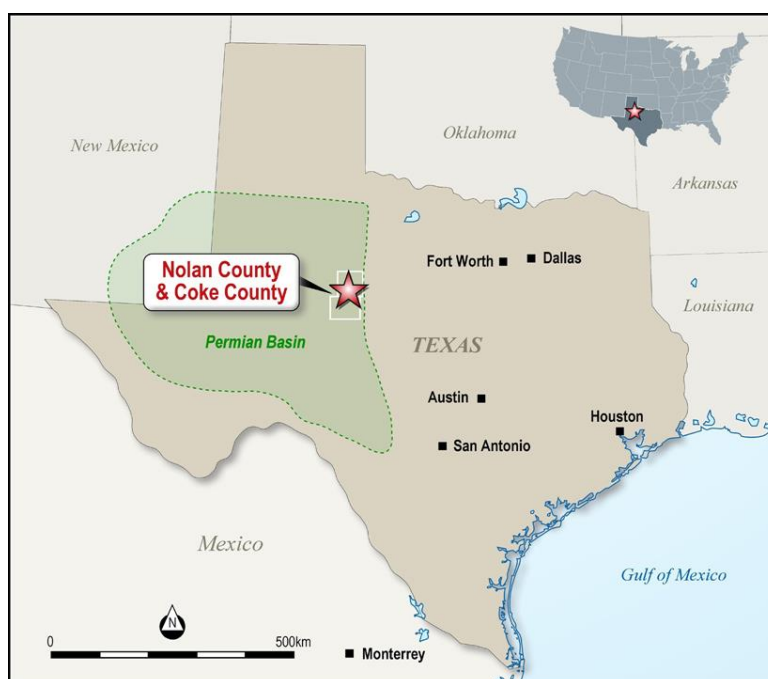
Auditors

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

REVIEW OF OPERATIONS

The year ending 31 December 2021 has been a transformative period for the Company, with current positive cash flow driven by vastly improved oil and gas production, cost reductions and a steep rise in the prices of oil and gas. Net revenue for the December quarter alone was AUD\$3,122,214, a 430% increase from the September 2021 quarter.

Oil and gas production is anticipated to increase with drilling activity to commence in April 2022 at the newly acquired Varn Oil Field.



Location of the Company's acreage in Nolan and Coke County, Texas

Oil Production

Winchester recorded the following gross and working interest (WI) net oil and gas production for the year ended 31 December 2021 (across all oil wells in which Winchester has a WI).

Oil Production (boe)*	Total year end 31 Dec 2021	December Quarter 2021	September Quarter 2021	June Quarter 2021	March Quarter 2021
Gross Oil Production	102,750	46,911	22,245	15,933	17,661
WEL WI Share*	86,409	42,713	18,784	11,857	13,055

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

Winchester's average daily WI production in the December 2021 quarter was 465 barrels of oil equivalent per day (boepd), comprising 88% liquids (oil).

Total WI sales revenue for the year ended 31 December 2021 from oil and gas production was US\$3,528,887 (AUD\$4,901,232¹).

¹ Using exchange rate 1 AUD = 0.72 USD

EXPLORATION & DEVELOPMENT OPERATIONS

Mustang, Lightning and Bast Well Summary

Well ID	Drilled	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%	Recompletion underway
White Hat 2006	Jan 2020	Strawn	Mustang	75%	Producing
Arledge 1602	Jul 2019	Cisco Sands	Lightning	100%	Producing
McLeod 1703	Dec 2019	Cisco Sands	Lightning	100%	Producing
Bast 1	1985	Strawn	Bast	92%	Producing
Bast 2	1985	Strawn	Bast	94%	Producing
Bast A-1	1985	Strawn	Bast	93%	Producing
McLeod 1705	June 2021	Strawn	-	100%	Producing
White Hat 2106	July 2021	Ellenburger	-	100%	Producing

Oil Field Development and Recompletion Opportunities

Operations over 2021 included the drilling and completion of the highly successful White Hat 2106 well, recompletions at McLeod 1703 (Cisco Sands) and White Hat 3902 (Ellenburger Formation) and completion at the newly drilled McLeod 1705 well (Strawn Sand).

White Hat 2106 (Winchester 100% WI and Operator)

In July 2021, Winchester drilled the White Hat 2106 well to a total depth of 6,820 feet.

Winchester perforated and acid-washed a 60-foot interpreted oil pay zone from 6,652-6,712 feet within the Ellenburger Formation. The well immediately surged and flowed periodically between swab runs prior to running production tubing and rods and installing a beam pump.

White Hat 2106 is an extremely strong well, in the first 12 days of October 2021 it produced 375 boepd comprising 93% oil (350 barrels of oil per day (bopd) and 149 thousand cubic feet of gas per day (mcfpd)). To date the well is still producing more than 270 boepd. There is no indication of pressure decline or significant water. Drill and completion costs for White Hat 2106 totaled US\$785,000.

White Hat 3902 (Winchester 100% WI) – Ellenburger Recompletion

In a workover in November 2021, the Company successfully perforated 74 feet of the Ellenburger Formation identified as prospective by logs. The interval was then acidized to clean up the annulus and swabbed to remove the spent acid. White Hat 3902 then produced 92 boepd over the course of four days before declining.

Shut in for a short period, White Hat 3902 was opened and immediately produced at a rate of 70 bopd. Winchester will now recomplete White Hat 3902 by applying heavy perforations and acid to the Ellenburger interval to maximize oil production from this zone.

The workover is expected to cost less than US\$80,000

McLeod 1703 and 1705 Frac (100% WI)

McLeod 1705 was drilled in June 2021 with subsequent wireline logs identifying an encouraging 8-foot gross pay interval (6,461 - 6,469 feet depth) in the Strawn Sand formation. Operations included the successful perforation of the 8-foot interval and a 120,000-pound sand frac to stimulate the reservoir.

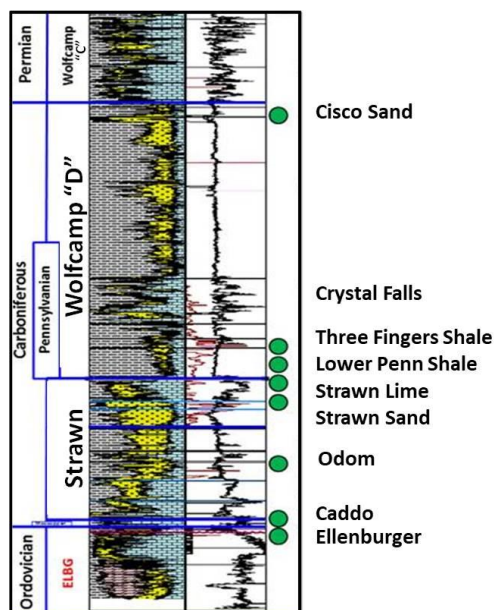
McLeod 1703 was drilled in February 2020 with a total depth targeting the Cisco Sands, short of the Strawn Sands. The Upper Cisco B was perforated and acidised in February 2020 but was not fracture stimulated.

The successfully completed fracture stimulation program undertaken in November 2021 used the 66 feet of existing perforations to perform a completion designed to optimise the flow rate from the perforations. McLeod 1703 is now producing approximately 15 boepd comprised of six barrels of oil and 53mmcfpd.

Exploration Potential

The Eastern Shelf of the Permian contains several vertically-stacked oil productive units (vertical pay). The recent results from the Strawn (Fry Sand), Cisco and Ellenburger Formations have proven that the Winchester leases hold potential at several formation levels.

As well as these proven formations, other prospective units include the, Strawn Lime (Canyon Reef), Strawn Sand (Gardiner) and several intervals within the Cisco Sands package as well as the Odom sands and carbonates.



Stratigraphic Column – East Permian Basin

Winchester has identified, from both 3D seismic and well control, the Mustang and Lightning Oil Fields and has numerous additional locations identified for potential future exploration.

The Winchester technical team continues to review and assess new project/play opportunities. Winchester is progressing several discussions and will inform the market if and when any transaction is completed.

STRATEGIC ACQUISITION

Varn Oil Field (100% WI)

In December 2021 Winchester announced the acquisition of a 100% working interest in the Varn Oil Field, located 18 miles to the east of Winchester's existing producing assets in Nolan County, Texas.

Winchester will be the operator at Varn, with 11 wells – six oil and gas producers and five water injectors – comprising the waterflood operation.

The total cost for the Varn Oil Field waterflood is estimated at approximately US\$5.5M spread out over a period of six months giving a highly attractive acquisition and development cost of US\$5.61 per boe. Operations will commence upon the successful "unitisation" of the requisite land packages into one lease. This process is over 90% complete with drilling expected to commence in April 2022.

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 equivalent¹

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 the ASX release of 3 December 2021

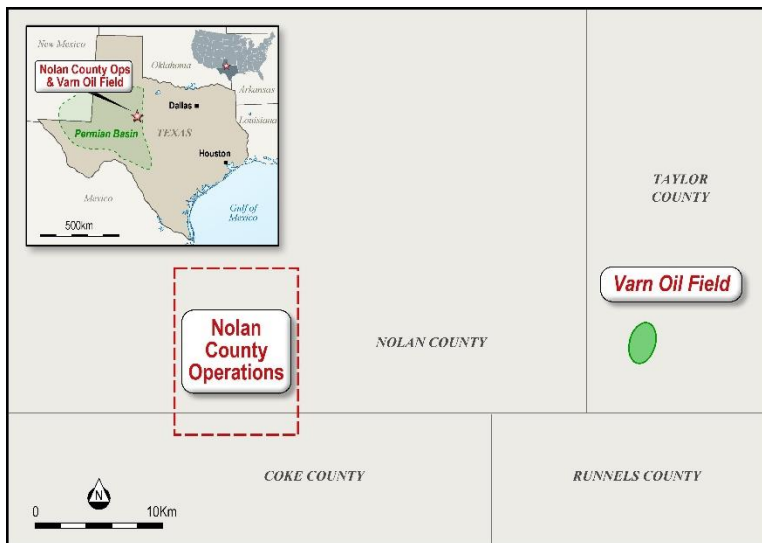
Development of Varn will be exclusively funded from existing cashflow, Varn represents a significant advancement in Winchester's strategy of acquiring high-impact oil and gas projects that add substantial value.

The Varn Oil Field contains existing Proven and Probable (2P) Resources of 1,068,000 boe comprised of 994,000 barrels of oil and 442 mmcf of gas. Production is derived from the Fry Sands (a sub-unit of the Strawn Sands) which, together with the Ellenburger Formation, is currently producing oil and gas at Winchester's existing Nolan County operations.

Background

The Varn Oil Field is made up of nine leases comprising a total of 1,145 acres. The nine leases are in the very advanced stages of being converted to one single oil and gas unit which, in its entirety, will be held by production (HBP) following the drilling of one well.

The Upper and Lower Fry Sands were discovered in the Varn Oil Field in 1957 with 20 wells drilled to 1962. The field produced oil until 1985 with total oil production of 1,424,060 barrels of oil from both sands together with 208 mmcf of gas. The initial flow rate on the early wells was 164-422 bopd at 200-300 psi with little initial water and only moderate water at the end of production.



Varn Oil Field and Nolan County Operations

Secondary Recovery - Waterflood

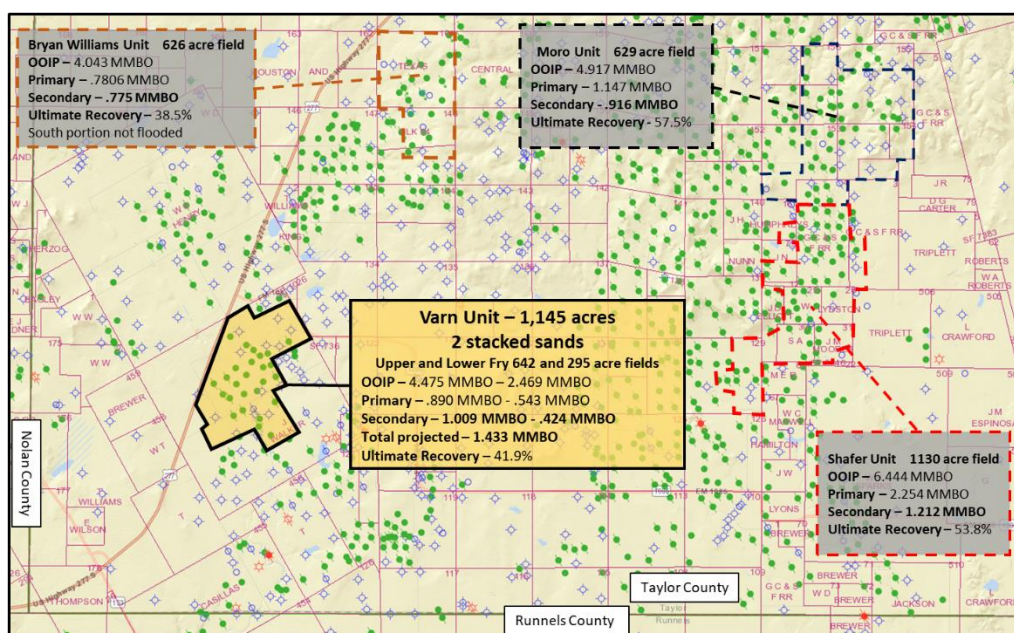
Waterflooding is a secondary recovery technique which injects water into an oil reservoir in a downdip position. The water repressurizes the field and provides energy to move unswept oil updip to crestal oil well producers.

Secondary oil recovery is extremely common, particularly in the US. In any given oil field, primary production accounts for the removal of 10-20% of all original oil in place (OOIP), secondary recovery (waterflooding) accounts for a further 10-20% recovery of OOIP whilst further oil is often recovered through tertiary recovery (enhanced oil recovery such as CO₂ injection)².

Importantly, secondary recovery operations are encouraged by the Texas State Government, exemplified by the fact that they are exempt from the usual 4.6% severance tax that primary plays attract.

Numerous waterfloods have been carried out in Pennsylvanian-age Strawn sands throughout North Central Texas. In the local south-east Taylor area, three fields have been water flooded in the Fry Sand, providing direct analogues to the Varn Project.

² Energy and Environmental Research Centre (EERC) - Primary, secondary, and tertiary oil recovery (using pressure, water, and CO₂). North Dakota University.



Varn Oil Field and surrounding analogue fields with successful waterflood secondary recovery

MoU with CryptoTherm ("CT")

In addition to the acquisition of Varn, Winchester has signed a memorandum of understanding (MoU) with US-based technology company CryptoTherm ("CT") to conduct a feasibility study that contemplates Winchester supplying natural gas from the field for a range of power-intensive computational applications including cryptocurrency mining, artificial intelligence and deep learning.

CT produces "plug-and-play" self-contained immersion-cooled hardware to harness power from well-head gas to facilitate various activities and applications demanding high computational bandwidth.

The initial focus of the feasibility study will be determining the suitability of utilizing the 442 mmcf Proven 2P Reserve of gas at Varn to generate in-situ power using state-of-the-art low emission power generators. The next step will be the economic modelling of the viability of power-intensive computing applications, which will be variable according to scale and specific returns on the individual applications/activities.

Winchester has committed to funding the feasibility study to a maximum of US\$100,000. Thereafter, Winchester and CT have agreed to use best endeavors to enter into a full-form Heads of Agreement (HoA) to govern the partnership. The arrangement contemplates Winchester as the gas supplier only.

Varn Oil Field Acquisition Terms

The terms for the acquisition of a 100% working interest in the 1,145 acre lease (incorporating the Varn Oil Field) from Andress Oil & Gas Consulting, LLC and Alpha & Omega Exploration Co., Inc. (vendors) are as follows:

- US\$415,000 cash payment³
- A 3% overriding royalty interest over all future oil and gas production from Varn

As is typically the case with all leases on freehold land in the US, a 20% royalty is payable to the landowner taking Winchester's net revenue interest in Varn to 77%.

³ Should the vendors be unable to place 100% of the working interest for Varn by 1st day of September, 2022, or if there is an unresolvable title failure that would keep the unit from ever being formed, then the vendors agree to refund all monies within 10 business days of the date stated in this paragraph.

CORPORATE

In a significant milestone for the Company, Winchester recorded positive cash flow of US\$473,000 for the December 2021 quarter driven by vastly improved oil and gas production, steeply rising oil and gas prices, cost reductions and management restructure.

As of 31 December 2021, Winchester Energy had 1,008,212,215 ordinary shares on issue and cash reserves of approximately AUD\$3.55 million⁴.

Oil and Gas Leases Held as at 31 December 2021

Winchester's lease holding at the end of the year ending December 2021 was 6,247⁵ acres.

	WEL Interest	Lease/Prospect	Location
Held at end of quarter			
	100%	McLeod	Nolan County Texas
	100%	Coke	Coke County Texas
	92%	Bast	Nolan County Texas
	100%	Whiteside	Nolan County Texas
Acquired during the quarter	100%	Varn Oil Field	Taylor County Texas
Disposed during the quarter (HBP retained)	100%	White Hat Ranch	Nolan County Texas

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.

⁴ Using exchange rate 1 AUD = 0.72 USD

⁵ 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 2021.

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

Mr Douglas Holland	Executive Technical Director – appointed 7 February 2022
Mr James Allchurch	Non-Executive Director
Mr Larry Liu	Non-Executive Director
Mr Tony Peng	Non-Executive Director
Mr Laurence Roe	Executive Chairman – resigned 30 April 2021
Mr Neville Henry	Managing Director – resigned 31 January 2021

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

Information on Directors

Mr Douglas Holland – appointed 7 February 2022 Executive Technical Director

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

Current directorships held in other listed entities

Nil.

Former directorships in other listed entities in the last three years

Nil.

Mr Larry Liu Independent Non-Executive Director

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

Current directorships held in other listed entities

None

Former directorships in other listed entities in the last three years

None

Mr Tony Peng Non-Executive Director

Tony Peng is Houston-based and has an extensive experience in banking, investment and finance business for decades. He has worked for Bank of China for more than a decade as loan and asset management officer internationally. He has served as Chief Financial Officer for several energy companies with both public (i.e. China Recycling Energy Corp (Nasdaq: CREG), an alternative energy company during 2008-2010) and private (i.e. Ameril Energy LLC, an oil & gas E & P company focused on Texas' Eagle Ford Shale during 2012-2014) in the United States. Tony holds an MBA degree from University of Miami and a Bachelor's degree from Shanghai Fudan University with major in International Finance.

He is currently Chief Financial Officer for Helios Energy Ltd (ASX: HE8). Tony is not considered to be independent as he is a nominee of Helios Energy Ltd which has a holding in the share capital of Winchester Energy Ltd.

Current directorships held in other listed entities

None

Former directorships in other listed entities in the last three years

None

Mr James Allchurch – appointed 1 April 2020

Non-Executive Director

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

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

Current directorships held in other listed entities

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

Former directorships in other listed entities in the last three years

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

Mr Laurence Roe – resigned 30 April 2021

Executive Chairman

Laurence Roe (B.Sc) (Geophysics) is a petroleum professional with over 40 years industry experience in Australian, US and other international projects. He commenced his career with Santos Limited, later taking a senior technical position with Magellan Petroleum Australia Limited, where he was later appointed Exploration Manager. While with Magellan, he had substantial involvement with US and other international projects. In 1997, he left Magellan to start a consulting practice, providing services for a number of Australian exploration and production companies. In 2001, Mr Roe joined Bounty Oil & Gas NL as Exploration Manager, responsible for its portfolio of Australian and international acreage. He was later appointed as Managing Director.

Mr Roe was a co-founder of ASX-listed Target Energy Limited in 2006. The company worked exclusively in the US, with numerous oil and gas discoveries in the Texas and Louisiana Gulf coasts between 2007 and 2010, after which it focussed on the Permian Basin in West Texas and where it continued to drill successful oil and gas wells. He was the company's Managing Director from its inception until his resignation in early 2019.

In addition to the US, his experience encompasses most Australian sedimentary basins, as well as New Zealand, Mauritania, Tanzania, Canada, Indonesia, Belize and Argentina.

Mr Roe is not considered to be an independent director by virtue of the executive nature of his role as Chairman.

Current directorships held in other listed entities

None.

Former directorships held in other listed entities in the last three years

Target Energy Ltd.

Mr Neville Henry - resigned 31 January 2021

Managing Director

Mr Henry is a petroleum geologist with more than 40 years of experience in the global oil and gas industry and was the Managing Director of the Company until his resignation on 31 January 2021. Mr Henry has been based in Houston, Texas, USA for more than 25 years. Mr Henry has experience in oil in more than 30 countries and has directly led oil exploration teams responsible for oil and gas discoveries across six basins and four countries for total discovered reserves of more than 4 billion barrels of oil. He worked for Anadarko for 12 years, most notably as International Exploration Manager and Worldwide Business Development Manager, and was part of the core team that built this non-US oil production business from 25,000 bopd to 400,000 bopd. Prior to his roles at Anadarko, Mr Henry worked at Adobe Petroleum, Marathon Oil and UNOCAL. Mr Henry has managed joint ventures involving 45 oil and gas companies, including majors, large and small oil independents and foreign and domestic oil companies, and has been responsible for all technical, business, financial and personnel aspects of their respective businesses. Mr Henry has a BA (Honours) in geology from Macquarie University, and is registered in Texas as a Professional Geoscientist. Mr Henry was not considered to be an independent director due to the executive nature of the Managing Director role.

Current directorships held in other listed entities

None.

Former directorships in other listed entities in the last three years

None.

Company Secretary

Mr Flint BAcc, MBA, CAANZ, FGIA. Appointed 27 October 2018. Mr Flint is an experienced professional gained over 25 years including periods as CFO and group Company Secretary for a number of listed ASX companies. Mr Flint provides financial and company secretarial services to a number of ASX listed companies.

Directors' shareholdings

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

	Shares	Options
Mr Laurence Roe ¹	-	-
Mr Neville Henry ¹	11,133,352	9,000,000
Mr Larry Liu	34,408,672	-
Mr Tony Peng	-	-
Mr James Allchurch	5,870,154	-
Mr Douglas Holland	-	2,500,000

Note¹ As at date of resignation stated above and options adjusted for options subsequently expired.

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 and working interests.

Corporate

A total of 5,812,667 shares and 2,250,000 options exercisable at AUD\$0.10 per share expiring on 16 February 2023 were issued during the year in lieu of cash to a consultant. 6,500,000 options with various terms and exercise prices were issued to existing and former executives of the Company during the year.

AUD\$5,000,000 was raised before costs during the year through the placement of 312,500,000 shares at AUD\$0.016 each. 37,500,000 options with a subscription price of AUD\$0.0001 each were issued which formed part of the capital arrangement fees. The options had a term of 47 months and an exercise price of AUD\$0.016, subject to a 20 day VWAP of 3.2c during the term being achieved.

Neville Henry resigned on 31 January 2021 and Laurence Roe resigned on 30 April 2021. The COO, Douglas Holland was appointed to the position of Executive Technical Director on 7 February 2022.

Operating Results

Net loss of the Group for the period ended 31 December 2021 after providing for income tax was US\$1,436,170 (2020: Loss US\$(3,332,964). Net Assets of the entity as at 31 December 2021 were US\$9,541,141 (2020: US\$7,450,669).

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 2021.

Significant events subsequent to reporting date

20,000,000 options exercisable at AUD12c each expired 31 January 2022. A further 2,007,757 shares and 2,000,000 options exercisable at AUD5.4c per share on or before 31 December 2025 were issued to a consultant in lieu of cash.

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

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 business strategies as set out in this report. The execution of these strategies is expected to result in improved financial performance over the coming year. The achievement of the expected results is dependent on range of factors, some of which are outside the Company's control.

Environmental regulation and performance

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

Dividends

In respect of the year ended 31 December 2021, no dividends have been paid or declared since 1 January 2021 (2020 : nil) and the Directors do not recommend the payment of a dividend in respect of the financial period.

Indemnification and insurance of officers and auditors

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

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

Shares under option

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

Grant Date	Expiry Date	Exercise Price	Number under option
14 June 2019	14 June 2024	\$A0.05	6,200,000
14 June 2019	14 June 2024	\$A0.10	7,700,000
2 December 2019	15 December 2022	\$A0.10	10,000,000
31 May 2020	11 June 2022	\$A0.05	1,500,000
16 February 2021	16 February 2023	\$A0.10	2,250,000
18 June 2021	31 December 2025	\$A0.054	2,500,000
4 February 2022	31 December 2025	\$A0.054	2,000,000
26 August 2021	26 July 2025	\$A0.016 ¹	37,500,000
8 November 2021	31 December 2023	\$A0.05	1,600,000
8 November 2021	31 December 2024	\$A0.055	1,600,000
8 November 2021	31 December 2025	\$A0.06	800,000

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

Directors' meetings

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

	Board of Directors		Audit & Risk committee		Remuneration committee	
	Held	Attended	Held	Attended	Held	Attended
Mr Laurence Roe ¹	2	2	-	-	-	-
Mr Neville Henry ²	-	-	-	-	-	-
Mr Larry Liu	3	3	-	-	-	-
Mr Tony Peng	3	3	-	-	-	-
Mr James Allchurch	3	3	-	-	-	-

¹ Resigned 30 April 2021

² Resigned 31 January 2021

Diversity

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

Auditor independence and non-audit services

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

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

Auditor independence and non-audit services

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

	2021 US\$	2020 US\$
Taxation advice	4,045	3,557
	4,045	3,557

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 Laurence Roe	Non-Executive Chairman	Appointed 1 September 2019 – resigned 30 April 2021
Mr Neville Henry	Managing Director	Appointed 17 March 2014 – resigned 31 January 2021
Mr Larry Liu	Non-Executive Director	Appointed 10 December 2014
Mr Tony Peng	Non-Executive Director	Appointed 1 September 2019
Mr James Allchurch	Non-Executive Director	Appointed 1 April 2020

2. Remuneration Policy

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

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

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

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

Remuneration Report (Audited) (continued)

3. Summary of Senior Management contractual arrangements

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

Name	Position	Notice Period	Restraint of Trade
Mr Laurence Roe ¹	Non-Executive Chairman	n/a	None
Mr Neville Henry ²	Managing Director	3 months	None
Mr Larry Liu	Non-Executive Director	3 months	None
Mr Tony Peng	Non-executive director	n/a	None
Mr James Allchurch	Non-executive director	n/a	None

¹Resigned 30 April 2021

²Resigned 31 January 2021

4. Director remuneration arrangements

Managing Director

Managing Director's executive service agreement dated 1 April 2014 had an initial term of one year and thereafter by mutual agreement, which contains standard terms and conditions on notice and termination provisions, restraint and confidentiality provisions and leave entitlements, comprises an entitlement to an annual fixed remuneration of US\$252,000 (inclusive of superannuation). The actual amount earned during the period is included in the remuneration table of the Annual Report. On 31 January 2021, Mr Neville Henry retired from his role as Managing Director. Mr Henry has agreed to remain with the company in a consulting capacity as a senior advisor for a period of 3 months to assist with an orderly leadership transition.

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 2021:

Name	Currency	Annual Fees
Mr Laurence Roe (resigned 30 April 2021)	AUD\$	60,000
Mr Neville Henry (resigned 31 January 2021)	US\$	252,000
Mr Larry Liu	AUD\$	36,000
Mr Tony Peng	AUD\$	36,000
Mr James Allchurch	AUD\$	107,172

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

Remuneration Report (Audited)

5. Key management personnel remuneration

The remuneration for each Director and key management personnel of the Company during the year ended 31 December 2021 was as follows:

2021		Short term benefits			Post-employment	Long term benefits			
		Salary & fees ¹	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Share based payments	Termination payments	Performance related
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Directors									
L Roe ³	2021	109,411	-	-	6,725	-	-	-	0%
	2020	46,616	-	-	-	-	-	-	0%
J Kopcheff ²	2021	-	-	-	-	-	-	-	-
	2020	8,287	-	-	787	-	-	-	0%
N. Henry ⁴	2021	72,000	-	-	-	-	-	-	0%
	2020	130,500	-	-	-	-	-	-	0%
L Liu	2021	27,052	-	-	-	-	-	-	0%
	2020	24,862	-	-	-	-	-	-	0%
T Peng	2021	27,300	-	-	-	-	-	-	0%
	2020	25,200	-	-	-	-	-	-	0%
J Allchurch	2021	133,136	-	-	2,638	-	-	-	0%
	2020	63,193	-	-	1,903	-	-	-	0%
Total	2021	368,899	-	-	9,363	-	-	-	0%
Total	2020	298,657	-	-	2,690	-	-	-	0%

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

2. John Kopcheff resigned 31 March 2020.

3. Laurence Roe resigned 30 April 2021.

4. Neville Henry resigned 31 January 2021.

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 2021.

2021	Balance at 1 January No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Laurence Roe	-	-	-	- ¹
Mr Neville Henry	11,133,352	-	-	11,133,352 ¹
Mr Larry Liu	34,408,672	-	-	34,408,672
Mr Tony Peng	-	-	-	-
Mr James Allchurch	4,506,400	-	1,363,754 ²	5,870,154

¹ Held as at respective dates of resignation.

² Distribution from estate by executor.

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 2021.

2021	Balance at 1 January No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Laurence Roe	-	-	-	- ¹
Mr Neville Henry	14,000,000	-	-	14,000,000 ¹
Mr Larry Liu	500,000	-	-	500,000
Mr James Allchurch ¹	1,000,000	-	-	1,000,000

¹ Held as at respective dates of resignation.

Share based payment

There were no share based payment arrangements with KMPs in the current financial year.

Additional information

The earnings of the consolidated entity for the five years to 31 December 2021 are summarised below:

	2021	2020	2019	2018	2017
Revenue	4,153,333	2,224,758	2,757,119	1,193,179	2,166,987
Loss after income tax	(1,436,170)	(3,332,964)	(2,316,573)	(15,747,488)	(4,412,943)

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

	2021	2020	2019	2018	2017
Share price at financial year end (\$)	0.014	0.022	0.055	0.020	0.092
Basic loss per share (cents per share)	(0.17)	(0.48)	(0.52)	(5.52)	(1.89)

Remuneration Report (Audited) (continued)

Loans to key management personnel

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

Other Transactions with KMP

During the year Winchester Energy LLC paid US\$32,776 to TRL Operating Services a shared services company owned by Neville Henry and Hugh Idstein for office personnel, rent, office equipment & furniture and shared office overhead. The payments are all "arms length" transactions on a cost reimbursement basis.

Voting at the Annual General Meeting

At the Annual General Meeting held on 14 May 2021, 98.54% of proxy votes cast voted in favour of the 2020 remuneration report.

End of audited remuneration report

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

Corporate Governance Statement

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

On behalf of the Directors



James Allchurch

Director

31 March 2022

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act.

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

On behalf of the Directors



Mr James Allchurch
Director
31 March 2022

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 2021, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Winchester Energy Limited and the entities it controlled during the period.



Ashleigh Woodley
Director

BDO Audit (WA) Pty Ltd
Perth, 31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 US\$	2020 US\$
Revenue from sales of oil and natural gas		4,153,333	2,224,758
Interest income		39,561	4,614
Other income		-	-
Foreign exchange gain/(loss)		6,415	98,371
Operating costs		(1,180,712)	(816,706)
Impairment expense	13/14	(1,228,727)	(2,321,164)
Depreciation expense		(112,125)	(121,308)
Depletion Expense		(1,186,200)	(1,112,357)
Administration expenses		(1,852,663)	(1,163,318)
Share-based payment expense	18	(17,815)	(54,416)
Finance costs		(8,553)	(12,647)
Other expenses		(48,684)	(58,791)
Loss before income tax	6	(1,436,170)	(3,332,964)
Income tax benefit	7	-	-
Loss for the year after income tax		(1,436,170)	(3,332,964)
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	19	(107,247)	(88,498)
Total comprehensive loss for the year		(1,543,417)	(3,421,462)
Loss per share for the year		Cents	Cents
Basic loss per share (cents per share)	9	(0.17)	(0.48)
Diluted loss per share (cents per share)	9	(0.17)	(0.48)

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 2021

	Note	2021 US\$	2020 US\$
ASSETS			
Current assets			
Cash and cash equivalents	10	2,564,936	1,609,521
Trade and other receivables	11	739,364	503,850
Total current assets		3,304,300	2,113,371
Non-current assets			
Right of use asset		110,489	55,018
Property, plant and equipment	12	651,605	-
Exploration and evaluation expenditure	13	5,651,137	5,114,838
Oil & Gas properties	14	625,944	861,663
Total non-current assets		7,039,175	6,031,519
TOTAL ASSETS		10,343,475	8,144,890
LIABILITIES			
Current liabilities			
Trade and other payables	15	688,679	629,834
Lease liability		36,814	64,387
Total current liabilities		725,493	694,221
Non-current liabilities			
Lease liability		76,840	-
Total non-current liabilities		76,840	-
TOTAL LIABILITIES		802,333	694,221
NET ASSETS		9,541,142	7,450,669
EQUITY			
Issued capital	16	40,361,681	37,010,043
Option reserve	17	1,894,344	1,891,620
Share based payments	18	1,225,874	946,346
Foreign currency translation reserve	19	(3,115,113)	(3,007,866)
Accumulated losses	20	(30,825,644)	(29,389,474)
TOTAL EQUITY		9,541,142	7,450,669

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Ordinary Shares	Accumulated losses	Option Premium reserve	Share based payment reserve	Foreign Currency Translation Reserve	Total
	US\$	US\$	US\$		US\$	US\$
Balance at 1 January 2020	36,968,297	(26,056,510)	1,891,620	933,676	(2,919,368)	10,817,716
Profit/(Loss) for the year	-	(3,332,964)	-	-	-	(3,332,964)
Other comprehensive income/(loss), net of tax	-	-	-	-	(88,498)	(88,498)
Total comprehensive loss for the year	-	(3,332,964)	-	-	(88,498)	(3,421,462)
<i>Transactions with owners in their capacity as owners</i>						
Share based payment transactions	41,746	-	-	12,670	-	54,416
Issue of share capital (net of costs)	-	-	-	-	-	-
Balance at 31 December 2020	37,010,043	(29,389,474)	1,891,620	946,346	(3,007,866)	7,450,669
Profit/(Loss) for the year	-	(1,436,170)	-	-	-	(1,436,170)
Other comprehensive income/(loss), net of tax	-	-	-	-	(107,247)	(107,247)
Total comprehensive loss for the year	-	(1,436,170)	-	-	(107,247)	(1,543,417)
<i>Transactions with owners in their capacity as owners</i>						
Share based payment transactions	-	-	-	279,528	-	279,528
Issue of share capital (net of costs)	3,351,638	-	2,724	-	-	3,354,362
Balance at 31 December 2021	40,361,681	(30,825,644)	1,894,344	1,225,874	(3,115,113)	9,541,142

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 2021

	Note	2021 US\$	2020 US\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,917,071	3,013,982
Payments to suppliers and employees (inclusive of GST)		(2,885,005)	(3,283,592)
Interest paid		(7,081)	(11,368)
Net cash (used in)/generated by operating activities	10(a)	1,024,985	(280,977)
Cash flows from investing activities			
Payment for exploration activities		(2,160,996)	(3,422,406)
Payments to acquire exploration assets	28	(424,157)	-
Purchase of property, plant, equipment	12	(687,843)	-
Interest received		39,561	4,614
Net cash (used in) investing activities		(3,233,434)	(3,417,792)
Cash flows from financing activities			
Proceeds from issue of shares and options		3,764,364	-
Costs associated with issue of securities		(485,479)	-
Payment of lease liability		(89,664)	(116,623)
Net cash (used in)/generated by financing activities		3,189,221	(116,623)
Net decrease in cash and cash equivalents		980,772	(3,815,392)
Cash and cash equivalents at beginning of the period		1,609,521	5,415,985
Effect of exchange rate changes on balance of cash held in foreign currencies		(25,357)	8,928
Cash and cash equivalents at the end of the year	10	2,564,936	1,609,521

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 2021

1. Corporate Information

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

The consolidated financial statements of the Company as at 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities").

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

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

This report presents financial information for the year ended 31 December 2021.

2. Summary of Significant Accounting Policies

a) Basis of preparation

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

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

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

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

Going Concern

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

At 31 December 2021, the Group had a cash and cash equivalent balance of \$2,564,936 (2020: \$1,609,521), had net working capital of \$2,578,807 (2020: \$1,419,150) and incurred a net loss of \$1,436,170 (2020: loss \$3,332,964).

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.

The COVID-19 pandemic announced by the World Health Organisation on March 11, 2020 has impacted world stock markets, currencies and business activity. The Company has implemented procedures to address the health and wellbeing of employees, consultants and contractors in relation to COVID-19. The timing and extent of the impact and full recovery from COVID-19 is unknown but it may continue to have an impact on activities, operations and the ability for the company to raise funds in volatile markets.

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

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

- The Group has a recent proven history of successfully raising capital;
- The Directors believe that there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities;
- Cash spending can be reduced or slowed below its current rate if required; and
- The Directors are continuing to explore alternative options in an effort to mitigate the possible impact of COVID-19.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

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

Functional and presentation currency

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

b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Winchester Energy Limited (the "**Company**" or "**parent entity**") as at 31 December 2021 and the results of all subsidiaries for the year then ended. Winchester Energy Limited and its subsidiaries together are referred to in this financial report as the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

c) Foreign currency translation

Functional and presentational currency

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

Transactions and balances

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

Group companies

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

d) Application of new and revised Accounting Standards

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group have not had a material impact on the amounts presented in the Group's financial statements.

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

e) Income Tax

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

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting period end.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

f) Cash and Cash Equivalents

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

g) Trade and other receivables

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

h) Revenue Recognition

Revenue from sales of oil & gas

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

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

Significant judgements, estimates and assumptions

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

i) Provisions

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

j) Trade and Other Payables

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

k) Borrowings

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

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

l) Goods and Services Tax (GST)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

m) Exploration and Evaluation Expenditure

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

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

- (i) The expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

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

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

n) Oil & Gas properties

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

Oil and gas properties are stated at cost less accumulated depletion and impairment charges. Oil and gas properties include construction, installation or completion of production and infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation assets, development wells and the cost of dismantling and restoration. Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Otherwise costs are charged to the income statement during the financial year in which they are incurred.

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

o) Plant and Equipment

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

Depreciation

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

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

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

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

p) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of profit or loss and other comprehensive income.

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

Financial Assets

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

Non-Financial Assets

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

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

q) Contributed Equity

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

r) Financial Instruments

Classification

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

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

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

Measurement

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

Impairment

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

s) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

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

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

Long Service Leave

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

t) Fair Value Measurement

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

Fair value measurement hierarchy

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

t) Fair Value Measurement (continued)

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

u) Share based payments

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date. All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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.

ii. Oil & gas properties

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

iii. Reserve estimates

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

iv. Share-based Payments

Under AASB 2 Share Based Payments, the company must recognise the fair value of options, shares and performance rights granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the statement of Profit or Loss and Other Comprehensive Income with a corresponding adjustment to equity.

The company provides benefits to employees (including directors) of the Company in the form of share based payment transactions. The costs of these equity-settled transactions with employees (including directors) is measured by reference to the fair value at the date they were granted. The fair value of options is determined using the Black-Scholes option pricing model.

4. Financial Risk Management

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. Financial Risk Management

Categories of Financial Instruments:

	2021 US\$	2020 US\$
Financial Assets		
Cash and cash equivalents	2,564,936	1,609,521
Trade and other receivables	739,364	503,850
	<u>3,304,300</u>	<u>2,113,371</u>
Financial Liabilities		
Trade and other payables	688,679	629,836
Lease liability	113,656	64,387
	<u>802,335</u>	<u>694,223</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:

	2021		2020	
	Average interest rate	Balance US\$	Average interest rate	Balance US\$
Financial assets				
Cash and cash equivalents	0.15%	2,564,936	0.15%	1,609,521
Financial liabilities				
Lease Liability	10%	(113,656)	9.57%	(64,387)
		<u>2,451,280</u>		<u>1,545,134</u>

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

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2021, for the balances above, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, pre-tax profit/(loss) for the year would have been \$24,512 lower/higher (2020: \$16,095 lower/higher).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. Financial Risk Management (Continued)

(iii) Credit risk

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

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

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

2021	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Trade and Other Receivables	739,364	739,364	700,545	38,819	-	-
2020						
Trade and Other Receivables	503,850	503,850	440,941	62,909	-	-

(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.

2021	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Trade and Other Payables	688,679	688,679	676,382	12,297	-	-
Lease Liability	113,656	128,876	-	11,352	34,389	83,135
	802,335	817,555	676,382	23,649	34,389	83,135
2020						
Trade and Other Payables	629,836	629,836	404,413	163,371	62,052	-
Lease Liability	75,199	75,199	10,035	21,377	43,787	-
	705,035	705,035	414,448	184,748	105,839	-

(v) Fair value of financial instruments

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

(vi) Capital risk management

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. Financial Risk Management (continued)

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

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

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

	2021 US\$	2020 US\$
Cash and cash equivalents	2,564,936	1,609,521
Less Debt	-	-
Net cash/(debt)	2,564,936	1,609,521
Net cash/(debt) plus equity	12,958,973	9,461,956
Net cash to net debt plus equity	20%	17%

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\$687,843 was capitalised as equipment, US\$536,297 was capitalised as exploration and evaluation expenditure and US\$2,179,208 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 Profit/(Loss) (US\$)		Segment Assets (US\$)		Segment Liabilities (US\$)	
	2021	2020	2021	2020	2021	2020
Australia	(741,577)	(556,666)	1,766,385	1,573,274	37,127	99,751
USA ¹	(694,593)	(2,776,298)	8,577,090	6,571,616	765,208	594,470
Total	(1,436,170)	(3,332,964)	10,343,475	8,144,890	802,335	694,221

1. Revenue generated of US\$3,811,538 (2020: US\$1,990,766) has been generated from 1 major customer

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. Loss before income tax

Loss before tax is arrived after charging following expenses	2021 US\$	2020 US\$
Consultancy fees – technical and corporate	573,229	600,284
Legal Fees	61,064	19,127
Expenses relating to short term leases	4,941	21,553

7. Income taxes

a) Income tax recognised in profit or loss

The major components of income tax expense are:

	2021 US\$	2020 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:

	2021 US\$	2020 US\$
Accounting profit/(loss) before income tax	(1,436,170)	(3,332,964)
Income tax benefit calculated at rate of 27.5% (2020 : 27.5%)	(394,947)	(916,565)
Effect of revenue losses not recognised as deferred tax assets	394,947	916,565
Income tax reported in the consolidated Statement of profit or loss and other comprehensive income.	-	-

The deferred tax assets on revenue losses in Australia and USA have not been recognised as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. At reporting date, group has unrecognised losses of US\$16,164,560 (2020: US\$12,592,766) and unrecognised net deferred tax asset of US\$4,445,254 (2020: US\$3,463,011).

8. Auditor's remuneration

a) BDO Audit (WA) Pty Ltd

	2021 US\$	2020 US\$
Audit and other assurance services	49,235	39,848
Other services – taxation advice, independent expert report	4,045	3,557
Total remuneration of BDO	53,280	43,405

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. Loss per share

	2021 Cents per share	2020 Cents per share
Basic loss per share (using weighted average number of shares)	(0.17)	(0.48)
Diluted loss per share (using weighted average number of shares)	(0.17)	(0.48)

a) Earnings used in calculating earnings per share

	2021 US\$	2020 US\$
For basic earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	(1,436,170)	(3,332,964)
For diluted earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	(1,436,170)	(3,332,964)

b) Weighted average number of shares used

	2021 No. Shares	2020 No. Shares
Weighted average number of shares used in calculating basic and diluted earnings per share	840,638,803	688,359,286
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	840,638,803	688,359,286

10. Cash and cash equivalents

	2021 US\$	2020 US\$
Cash at bank	2,564,936	1,609,521
	2,564,936	1,609,521

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. Cash and cash equivalents (continued)

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

	2021 US\$	2020 US\$
Net (loss)	(1,436,170)	(3,332,964)
Adjustments for:		
Depreciation of non-current assets	112,125	121,308
Interest received classified as investing cash flow	(39,561)	(4,614)
Depletion expense	1,186,200	1,112,357
Impairment expense	1,228,727	2,321,164
Share based payments	17,815	54,416
Other	(6,415)	(98,371)
Changes in assets and liabilities		
(Increase)/Decrease in trade receivables	(236,262)	789,224
Increase/(Decrease) in trade and other creditors	198,526	(1,243,496)
Net cash flow (used in)/from operating activities	1,024,985	(280,977)

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

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

11. Trade and other receivables

	2021 US\$	2020 US\$
Trade Receivables	729,211	492,949
GST receivables	10,153	10,480
Other	-	421
	739,364	503,850

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. Property, Plant & Equipment

	2021 US\$	2020 US\$
Balance at 1 January	-	9,405
Additions	687,843	-
Depreciation expense	(36,239)	(9,405)
Balance at 31 December	651,604	-
Cost	719,946	32,103
Accumulated depreciation	(68,342)	(29,943)
Foreign exchange difference	-	(2,160)
Net carrying amount	651,604	-

13. Exploration and evaluation expenditure

	2021 US\$	2020 US\$
Balance at 1 January	5,114,838	4,803,971
Exploration and evaluation expenditure capitalised during the period ¹	536,297	2,660,384
Transferred to Oil & Gas properties	-	(1,734,812)
Impairment	-	(614,703)
Closing balance	5,651,137	5,114,838

¹ US\$424,157 of this relates to the acquisition of the Varn project (refer to note 28 for further information).

In certain circumstances costs have been written off where it was perceived there might be diminished prospectively of securing production and more prospective leases pursued. Whilst all leases have been maintained in accordance with lease terms, no leases have been abandoned during the current year. On balance, it may well be that some leases will be allowed to lapse going forward. In this regard, no impairment charge was recorded (2020: impairment charge of US\$614,703). 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

	2021 US\$	2020 US\$
Balance at 1 January	861,663	1,181,269
Transferred from Exploration and evaluation expenditure	-	1,734,812
Additions	2,179,208	764,097
Depletion expense	(1,186,200)	(1,112,357)
Impairment	(1,228,727)	(1,706,461)
Closing balance	625,944	861,663

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):

- Obtaining lease extensions to 2036;
- Estimated net P1 Recoverable reserves of 100.45mmbbl of oil (2020: 60.90 mmbbl) and 76.78 mmcf of gas (2020: 163.61 mmcf);

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

- The forward commodity prices of US\$73.88 per barrel and US\$4.96 per MMBTU; (2020: US\$44.73 and US\$3.34 respectively);
- Operating costs, taxes and development at an average of 48% of revenue over the production period, depending on production at that time; (2020: 54%); and
- Pre-tax discount rate of 10.0% (2020: 10%).

Management have considered and assessed reasonable possible changes for the following key assumptions. These sensitivities assume that the movement in a particular assumption is independent of other assumptions.

- A 5% increase/(decrease) in oil and gas reserves would increase/(decrease) oil and gas properties carrying value by USD\$205,071/(USD\$205,071)
- A 5% increase/(decrease) in oil and gas price would increase/(decrease) oil and gas properties carrying value by USD\$350,904/(USD\$350,904)
- A 5% increase/(decrease) in the discount factor would (decrease)/increase oil and gas properties carrying value by (USD\$97,330)/USD\$89,980
- A 5% increase/(decrease) in cost of production (decrease)/increase oil and gas properties carrying value by (USD\$135,605)/USD\$135,605

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. Operating cost assumptions were based on FY22 budgets and estimates and actual costs incurred in FY21.

15. Trade and other payables

	2019 US\$	2020 US\$
Trade Payables	676,381	629,834
Other	12,298	-
	<u>688,679</u>	<u>629,834</u>

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.

16. Issued capital

	2021 US\$	2020 US\$
1,008,212,215 (2020 – 689,899,548) fully paid ordinary shares	40,361,680	37,010,043
Fully paid ordinary shares	Number of Shares	Share capital US\$
Balance at 1 January 2020	687,609,095	36,968,297
Shares in lieu of cash ⁴	2,290,453	41,746
Balance at 31 December 2020	689,899,548	37,010,043
Shares issued in lieu of services provided*	5,812,667 ¹	75,476
Placement – May 2021	312,500,000	3,761,640
Costs of issues	-	(485,479)
Balance at 31 December 2021	<u>1,008,212,215</u>	<u>40,361,680</u>

* Refer to Share Based payments below.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. Option Reserves

	Number of Options	US\$
Balance at 1 January 2020	43,900,000	1,891,620
Options in lieu of salary foregone	1,500,000	-
Balance at 31 December 2020	45,400,000	1,891,620
Consultant options*	2,250,000 ¹	-
Placement fee options - \$AUD0.0001 per option*	37,500,000 ²	2,724
Employee options*	2,500,000 ³	-
Service options*	4,000,000 ³	-
Balance at 31 December 2021	91,650,000	1,894,344

* Refer to Share Based Payments Reserve Note 18 below.

18. Share Based Payments Reserves

	2021 US\$	2020 US\$
Balance at 1 January	946,346	933,676
Share based payments during the year	-	12,670 ⁴
Consultant options ¹	2,316	-
Placement fee options ²	244,615	-
Employee options ³	15,498	-
Service options ³	17,098	-
Balance at 31 December	1,225,873	946,346

2021

¹ During the year the Company issued 5,812,667 shares to settle liabilities of AUD\$120,000. The fair value of shares at settlement resulted in a gain of AUD\$18,598 as follows:

	Date of issue	16/2/2021	26/08/2021	8/11/2021
Number of shares		1,145,339	2,821,610	1,845,718
Fair value (on date of issue) AUD\$/share		0.02333	0.01600	0.01600
Total fair value AUD\$		26,725	45,146	29,531
Liability AUD\$		30,000	60,000	30,000
Gain on Settlement AUD\$		3,275	14,854	469

2,250,000 share options were also issues to a consultant in lieu of cash to save funds. The AASB 2 fair value of the option was calculated using Black-Scholes modelling. For expensing purposes, a fair value of AUD\$0.00137 cents per share respectively for options were calculated. The options vested on grant. The following inputs were used in the calculation:

	Consultant options
Valuation date (equal to grant date under AASB 2)	16 February 2021
Exercise price	AUD\$0.10 cents
Expiration date	16 February 2023
Share price at valuation date	AUD\$0.0233
Risk free rate of interest	0.09% p.a.
Company share price volatility	70% p.a.
Fair value	AUD\$0.00137
The issue of these options was recognised as share based payments expense.	

² Further to the placement of shares undertaken during the year, 37,500,000 options forming part of the capital arrangement fees were issued to the lead manager. The options had a subscription price of

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

AUD\$0.0001 each. The options had a term of 47 months and an exercise price of AUD\$0.016, subject to a 20 day VWAP of 3.2c during the term being achieved. The options vested on grant. The following inputs were used in the calculation:

	Consultant options
Valuation date (equal to grant date under AASB 2)	26 August 2021
Exercise price (deemed AUD\$0.032)	AUD\$0.032 cents
Expiration date	26 July 2025
Share price at valuation date	AUD\$0.016
Risk free rate of interest	0.38% p.a.
Company share price volatility	100% p.a.
Fair value	AUD\$0.00898
The issue of these Options were recognised as share issue costs.	

³ A total of 6,500,000 options were issued to current and former employees for service to the company. The options vested on grant. The following inputs were used in the calculation:

	COO options	Service options 5c	Service options 5.5c	Service options 6c
Valuation date (equal to grant date under AASB 2)	14 May 2021	8 November 2021	8 November 2021	8 November 2021
Quantity	2,500,000	1,600,000	1,600,000	800,000
Exercise price	AUD5.4 cents	AUD5.0 cents	AUD5.5 cents	AUD6.0 cents
Expiration date	31 December 2025	31 December 2023	31 December 2024	31 December 2025
Share price at valuation date	AUD\$0.017	AUD\$0.016	AUD\$0.016	AUD\$0.016
Risk free rate of interest	0.50% p.a.	0.51% p.a.	0.85% p.a.	1.07% p.a.
Company share price volatility	100% p.a.	100% p.a.	100% p.a.	100% p.a.
Fair value	AUD\$0.00825	AUD\$0.00448	AUD\$0.00618	AUD\$0.00757
Expensed as:	Share based payments	Wages and salaries	Wages and salaries	Wages and salaries

The 5,812,667 shares issued in lieu and 8,750,000 options have been expensed to the consolidated statement of profit and loss and other comprehensive income. The value recognised on the issue of the 37,500,000 fee options has been allocated to the consolidated statement of financial position as a cost of issue of shares.

^{1,3} COO and Consultant options (Share based payments expense)	US\$17,815
³ Service options forming part of wages and salaries	US\$17,098
¹ Issue of shares expensed to consultant fees	US\$75,476
² Issue of options recognised as share issue costs (refer calculation above)	US\$244,615

2020

⁴ During the year the Company issued 2,290,453 shares and 1,500,000 share options. The securities were issued to a consultant in lieu of cash to save funds. The shares were issued at applicable weighted average prices at a deemed total price of AUD\$60,000. The AASB 2 fair value of the option was calculated using Black-Scholes modelling. For expensing purposes, a fair value of AUD\$0.0122 cents per share respectively for options were calculated. The options vested on grant. The following inputs were used in the calculation:

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

	Advisor options
Valuation date (equal to grant date under AASB 2)	11 June 2020
Exercise price	5 cents
Expiration date	11 June 2022
Share price at valuation date	\$0.028
Risk free rate of interest	0.27% p.a.
Company share price volatility	110% p.a.
Fair value	\$0.0122

The value recognised on the issue of the options was AUD\$18,285 (USD\$12,670) and has been allocated to the consolidated statement of profit and loss and other comprehensive income. The 2,290,453 shares issued in lieu have been expensed to the consolidated statement of profit and loss and other comprehensive income:

Issue of options expensed	US\$12,670
Issue of shares expensed	US\$41,746
Total Share Based payments expensed	US\$54,416

19. Foreign currency translation reserve

	2021 US\$	2020 US\$
Balance at 1 January	(3,007,866)	(2,919,368)
Movement in foreign currency translation reserve	(107,247)	(88,498)
Balance at 31 December	(3,115,113)	(3,007,866)

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

20. Accumulated Losses

	2021 US\$	2020 US\$
Balance at 1 January	(29,389,474)	(26,056,510)
Movement in accumulated losses	(1,436,170)	(3,332,964)
Balance at 31 December	(30,825,644)	(29,389,474)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. Key management personnel

Key management personnel compensation	2021 US\$	2020 US\$
Short-term employee benefits	368,899	298,657
Post-employment benefits	9,363	2,690
Share-based payment	-	-
	378,262	301,347

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.

22. Commitments

Capital expenditure commitments

There are no capital commitments at 31 December 2021.

Other expenditure commitments

There are no other expenditure commitments at 31 December 2021.

23. Parent entity information

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

	2021 US\$	2020 US\$
Assets		
Current assets	1,756,233	1,507,355
Non-current assets	-	-
Total assets	1,756,233	1,507,355
Liabilities		
Current liabilities	(49,457)	88,851
Non-current liabilities	-	-
Total liabilities	(49,457)	88,851
Equity		
Issued capital	40,361,681	37,010,044
Accumulated losses	(38,637,528)	(35,421,144)
Option premium reserve	1,894,344	1,891,620
Share based payment reserve	1,226,353	946,346
Foreign currency translation	(3,115,592)	(3,008,361)
Total equity	1,729,258	1,418,504
Financial Performance		
	2021 US\$	2020 US\$
Loss for the year	(741,577)	(556,666)
Other comprehensive loss	(2,474,807)	(2,999,920)
Total comprehensive loss	(3,216,384)	(3,556,586)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. Subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held by the Group	
			2021	2020
Winchester Energy LLC	Oil and Gas Exploration	USA	100%	100%
Winchester Energy USA Holding Inc.	Oil and Gas Exploration	USA	100%	100%

25. Contingent assets and liabilities

There are no contingent assets and liabilities at 31 December 2021.

26. Fair values of financial instruments

Recurring fair value measurements

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

Fair values of financial instruments not measured at fair value

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

27. Related party transactions

Remuneration arrangements and related party transactions of key management personnel (KMP) are disclosed in the annual report for the year ended 31 December 2021.

During the year Winchester Energy LLC paid US\$32,776 to TRL Operating Services a shared services company owned by Neville Henry and Hugh Idstein for office personnel, rent, office equipment & furniture and shared office overhead. The payments are all "arms length" transactions on a cost reimbursement basis.

There were no issues of securities to related parties in the current or prior year.

28. Asset Acquisition

In December 2021 Winchester announced the acquisition of a 100% working interest in the Varn Oil Field, located 18 miles to the east of Winchester's existing producing assets in Nolan County, Texas for an upfront cash payment of \$US424,197. Winchester will be the operator at Varn, with 11 wells – six oil and gas producers and five water injectors – comprising the waterflood operation.

Development of Varn will be exclusively funded from existing cashflow, Varn represents a significant advancement in Winchester's strategy of acquiring high-impact oil and gas projects that add substantial value.

In accordance with accounting standards the Company has treated the acquisition of Varn as an asset acquisition.

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration for the acquisition of an asset has been recorded based on accounting standards and acquisition related cost are also capitalized. Reserves and resources are often used as the basis for estimates of fair value to be used in purchase price. However, as the assets are in the exploration stage and do not yet have a defined reserve or resources a fair value for these assets cannot yet be established.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

As a result the fair value paid is considered to be the fair value of the acquisition. Assets acquired and liabilities assumed (nil) in the acquisition are measured at their relative fair value at the acquisition date. The total cost of the asset acquisition was as follows:

Description	\$USD
Cash payments	415,000
Transaction costs(i)	9,157
Total costs	424,157

i Transaction costs include costs directly attributable to the transaction

ii Net cash outflow to 31 December 2021 in relation to the transaction was \$432,935 and is included in investing activities in the 31 December 2021 cashflow statement.

Net assets acquired	\$
Exploration & Evaluation Asset	424,157
Total Net Assets	424,157

29. Events after reporting date

20,000,000 options exercisable at AUD12c each expired 31 January 2022. A further 2,007,757 shares and 2,000,000 options exercisable at AUD5.4c per share on or before 31 December 2025 were issued to a consultant in lieu of cash.

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

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.

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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

Key audit matters

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

Carrying Value of Oil & Gas Properties

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
At 31 December 2021 the carrying value of Oil and Gas Properties represents a significant balance to the Group as disclosed in Note 14. 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 (n) and Note 3 (ii) for the detailed disclosures that include the related accounting policies and the critical accounting judgements and estimates. 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.	Our work included but was not limited to the following procedures: • Obtaining and reviewing the reserve report prepared by management's external expert including assessing the competency and objectivity of the 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; • Checking the production forecast against reserve reports provided by management's expert; • 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(n), Note 3 (ii) and Note 14 to the financial statements.

Carrying Value of Exploration and Evaluation Assets:

Key audit matter	How the matter was addressed in our audit
At 31 December 2021 the carrying value of capitalised exploration and evaluation expenditure represents a significant balance as disclosed in Note 13. Judgement is applied in determining the treatment of exploration expenditure in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> and as such, this is a key audit matter. The Group's accounting policy with respect to Exploration and Evaluation assets is disclosed in Note 2 (m) and Note 3 (i).	Our procedures included but were not limited to: • Obtaining from management a schedule of areas of interest held by the Group and selecting a sample of leases and concessions to assess whether the Group had rights to tenure over the relevant exploration areas; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, reviewing budgets and the Group's ASX announcements; • Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required; • Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; and • Assessing the adequacy of the related disclosures in Note 2(m), Note 3 (i) and Note 13 to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2021.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 14 to 18 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Winchester Energy Limited, for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink. The signature starts with the letters 'BDO' in a stylized, cursive-like font. Below this, there is a large, fluid signature that appears to read 'Ashleigh Woodley'.

Ashleigh Woodley

Director

Perth, 31 March 2022

ADDITIONAL SHAREHOLDER INFORMATION

Ordinary share capital

The Shareholder information set out below was applicable as at 25 March 2022.

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

Distribution of ordinary shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	22	4,132	0.00%
1,001 - 5,000	5	18,080	0.00%
5,001 - 10,000	24	197,719	0.02%
10,001 - 100,000	455	23,575,414	2.33%
100,001 - 9,999,999,999	609	986,424,447	97.64%
Totals	1,115	1,010,219,792	100.00%

Unmarketable parcels

Based on the price of \$0.019 per security, number of holders with an unmarketable holding: 151, with a total of 2,223,682 shares, amounting to 0.22% of Issued Capital

Voting Rights

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

Substantial Shareholder

Per substantial shareholder filings:

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

Twenty Largest Holders of Quoted Equity Securities

		Fully Paid	
		Number	%
1	HELIOS ENERGY LTD	92,950,000	9.20%
2	CHINA LEADER GROUP LIMITED	67,916,667	6.72%
3	MR HUGH WALLACE-SMITH	41,343,479	4.09%
4	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	34,312,500	3.40%
5	MB NO 2 CO PTY LTD <STOJKOV A/C>	21,701,587	2.15%
6	INVENTIVE HOLDINGS LIMITED	21,074,380	2.09%
7	MR DEAN ROBERT TAIT	19,000,000	1.88%
8	CHATSWORTH STIRLING PTY LTD	17,072,657	1.69%
9	JDK NOMINEES PTY LTD	15,855,837	1.57%
10	CITICORP NOMINEES PTY LIMITED	15,616,227	1.55%
11	DARBY SMSF PTY LTD <DARBY SUPER FUND A/C>	13,883,333	1.37%
12	AZUREE PTY LTD	12,450,003	1.23%
13	BELLARINE GOLD PTY LTD <RIBBLESDALE SUPER FUND A/C>	12,341,390	1.22%
14	MR JOHN LANGLEY HANCOCK	12,018,583	1.19%
15	PETRA COTES PTY LTD <MACONDO A/C>	12,000,000	1.19%
16	MR KANE CHRISTOPHER WEINER	11,605,460	1.15%
17	MARTENS PETROLEUM CONSULTING PTY LTD	11,123,942	1.10%
18	DR TYRONE MICHAEL CARLIN	11,000,000	1.09%
19	SSF AUST PTY LTD <SCHMARR FAMILY S/F A/C>	10,718,158	1.06%
20	COPULOS SUPERANNUATION PTY LTD <COPULOS PROVIDENT FUND A/C>	10,023,479	0.99%
TOTAL		464,007,682	45.93%
Grand Total		1,010,219,792	100.00%

Restricted Securities

There are no restricted securities.

Market buyback

There is no current market buyback.

Unquoted equity securities

There are 27 holders of 73,650,000 unlisted Options with various exercise prices (\$0.016 to \$0.10) expiring on various dates (11/6/22 to 31/12/25):

Holder Name	Holding	% IC
CPS CAPITAL GROUP PTY LTD	31,256,250	42.4%