



## Annual Report 31 December 2020

**Date:** 31 March 2021

**ASX Code:** WEL

**Directors**

Laurence Roe  
Executive Chairman

Larry Liu  
Non-Executive Director

Tony Peng  
Non-Executive Director

James Allchurch  
Non-Executive Director

Lloyd Flint  
Company Secretary

**Contact Details**

**Australia**  
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24 Outram Street  
West Perth WA 6005  
Australia

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Tel: +1 713 333 0610

[winchesterenergyltd.com](http://winchesterenergyltd.com)

Please find attached the Winchester Energy Ltd Annual Report for the year ended 31 December 2020

Authorised for release by the board of directors.

Lloyd Flint  
**Company Secretary**

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ACN 168 586 445

# ANNUAL FINANCIAL REPORT

For the year ended 31 December 2020

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## CORPORATE INFORMATION

### Directors

Mr Laurence Roe  
Mr Larry Liu  
Mr Tony Peng  
Mr James Allchurch

### Company Secretary

Mr Lloyd Flint

### Registered Office

Ground Floor, 24 Outram Street  
West Perth WA 6005 Australia

Telephone: +61 8 9200 3743  
Facsimile: +618 9200 3742  
Email: [admin@winchesterenergy.com](mailto:admin@winchesterenergy.com)  
Website: [www.winchesterenergy.com](http://www.winchesterenergy.com)

### Principal place of business

Ground Floor, 24 Outram Street  
West Perth WA 6005 Australia

### USA Office

17<sup>th</sup> Floor, Two Riverway, Suite 1700  
Houston, Texas USA 77056

### Share register

Automic Registry Services  
Level 2, 267 St George's Terrace  
Perth WA 6000 Australia  
Postal Address: PO Box 2226  
Strawberry Hills, NSW 2012 Australia

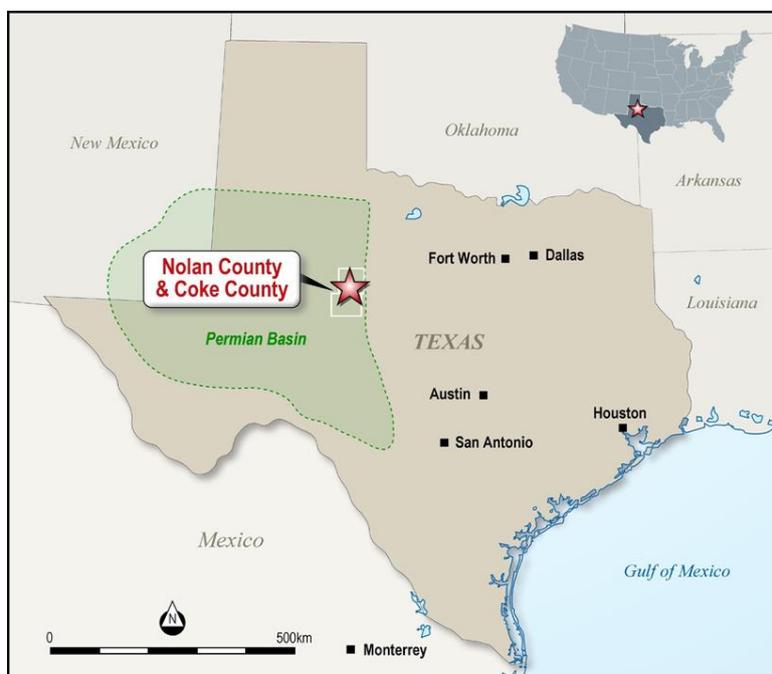
Telephone: +61 8 9324 2099  
Facsimile: +61 2 8583 3040

### Auditors

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008 Australia

## REVIEW OF OPERATIONS

The year ending 31 December 2020 was a challenging period for the oil and gas industry as the Covid-19 pandemic and associated precipitous drop in oil prices necessitated the implementation of a strategy that would both promote efficiencies and cost saving measures as well as ensure the continued growth of the Company.



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 2020 (across all oil wells in which Winchester has a WI).

Oil Production (bo/boe)*	Total year end 31 Dec 2020*	December Quarter 2020 (boe)	September Quarter 2020 (boe)	June Quarter 2020 (bo)	March Quarter 2020 (bo)
Gross Oil Production	109,515	23,206	23,932	28,108	34,269
WEL WI Share**	80,321	17,184	17,706	20,576	24,855

\* Figures show oil production only to June Quarter 2020; thereafter showing combined oil and gas production in barrels of oil equivalent. The year end 31 December 2020 sums these values.

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

To the end of December 2020, Winchester's Permian Basin wells in Nolan County, Texas have produced an aggregate gross 520,653 barrels of oil and 268 million cubic feet of gas.

Total WI sales revenue for the year ended 31 December 2020 from oil and gas production was US\$2,224,758 (AUD\$2,927,313)<sup>1</sup>.

<sup>1</sup> Using exchange rate 1 AUD = 0.76 USD

## EXPLORATION & DEVELOPMENT OPERATIONS

### Mustang, Lightning and Bast Well Summary

Well ID	Drilled	Formation	WEL WI	Status
<b>Mustang Oil Field</b>				
White Hat 20-02	Apr 2017	Strawn	50%	Producing
White Hat 20-03	Mar 2019	Strawn	75%	Producing
White Hat 20-05	Aug 2019	Strawn	75%	Producing
White Hat 39-02	Dec 2019	Strawn	50%	Producing
White Hat 20-06	Jan 2020	Strawn	75%	Producing
<b>Lightning Oil Field</b>				
Arledge 16-02	Jul 2019	Cisco Sands	100%	Producing
McLeod 17-03	Dec 2019	Cisco Sands	100%	Producing
<b>Bast Oil Field</b>				
Bast #1	1985	Strawn	92%	Producing
Bast #2	1985	Strawn	94%	Producing
Bast A #1	1985	Strawn	93%	Producing

### Oil Field Development and Recompletion Opportunities

In 2020, the Company completed a 3D seismic reprocessing program covering the bulk of Winchester's Nolan County holdings, focusing on improving imaging of the productive Strawn and Cisco intervals.

Re-interpretation of the new data set and the re-mapping of key geologic horizons in the Company's leases is now complete and has already added clarity to the understanding of the configuration of the Lightning and Mustang fields, while also identifying several new prospects. This work has also identified additional drilling locations in the existing fields along with several prospective intervals within existing wells with potential for re-entry and completion. The identification of additional potential productive intervals in existing wells presents a highly attractive opportunity to increase oil production at minimal cost.

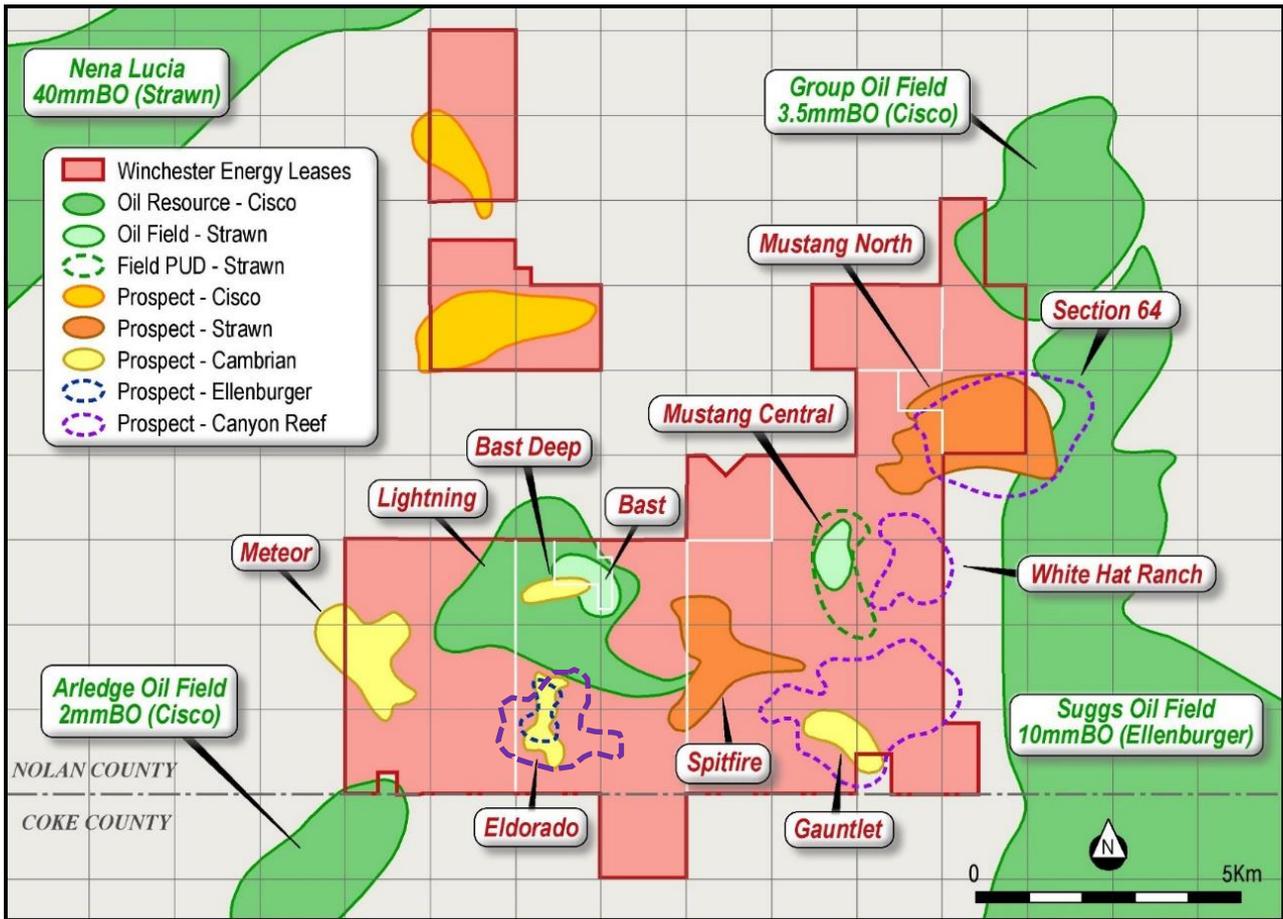
### Exploration Potential

In the last few years, Winchester has significantly expanded its production base, complementing its Ellenburger production with two new producing horizons: the Fry Sand in the Strawn Formation (Mustang Oil Field) and the Cisco Sands (Lightning Oil Field).

Within Winchester's prime lease position of approximately 18,856 acres along the eastern shelf of the Permian Basin in central west Texas, USA, there are numerous productive units with a long established history of oil and gas production.

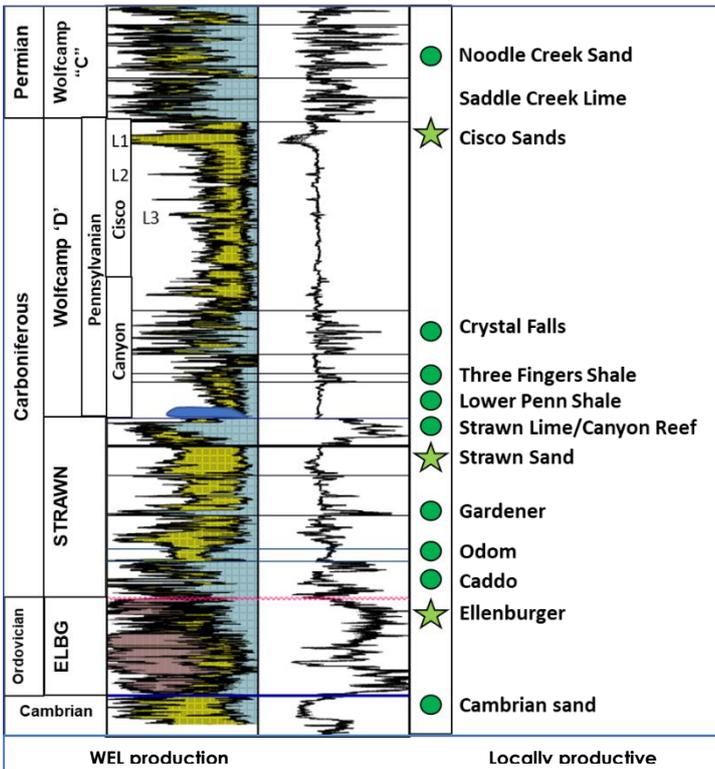
The Eastern Shelf of the Permian contains numerous vertically-stacked oil productive units (vertical pay). Winchester's ongoing production from the Strawn, Cisco and Ellenburger Formations confirms the Company's view that its leases hold significant potential at several formation levels.

In addition to the Strawn and Cisco Formations, other prospective units include the Wolfcamp 'D' high total organic carbon shale intervals, Three Fingers Shale, Lower Penn Shale and several intervals within the Canyon Sands package as well as the Odom sands and carbonates.



Winchester Energy Lease, Production and Prospects Locations

Southern Nolan County Type Log



Stratigraphic Column – East Permian Basin

Winchester has identified, from both 3D seismic and well control, the Mustang and Lightning Oil Fields as well as the Spitfire and El Dorado prospects in the Strawn, Ellenburger and Cisco formations. Furthermore, Winchester has numerous additional locations identified for potential future exploration.

More recently, the Company has also identified a number of Cambrian-age structural traps situated within its leaseholdings. This thick, porous widespread reservoir has produced in excess of 23 MMBO from fields along the nearby Fort Chadbourne fault trend - just 10 miles to the east of Winchester's holdings. Winchester is currently prioritising its Cambrian prospects for inclusion in a forthcoming exploration and production strategy update.

The Winchester technical team continues to review and assess new project/play opportunities.

## Reserves and Resources Update

Subsequent to the year ending 31 December 2020, an independent Reserves and Resources Estimate was compiled for Winchester's share of petroleum Reserves and 'Best Estimate' or P50 Resources. As at 31 December 2020 the Company's net Reserves and Resources were assessed at 496 thousand barrels of oil equivalent (mboe) of 3P Reserves and a combined 11.1 million barrels of oil equivalent (mmboe) in Contingent and Prospective Resources.

The Reserves and Resources Reports were commissioned by Winchester and conducted by Texas-based independent consultant Kurt Mire of Mire Petroleum Consultants (MPC), in accordance with the definitions and guidelines set out by the United States Securities and Exchange Commission (SEC) and the 2018 Petroleum Resources Management System approved by the Society of Petroleum Engineers.

Table 1 (following) provides MPC's Reserve and Resource estimates of Winchester's net interests in its Nolan County, Texas acreage. A summary of the results and further details are included in the Company's 16 March 2021 announcement to the ASX.

<b>Reserves - WEL Net Interests - Nolan County, 31 December 2020</b>			
Category	Net Reserves		BO equiv. (mboe)
	Oil (mBO)	Gas (mmscf)	
Proved Developed Producing (PDP)	67.3	165.7	94.9
Proved Developed Not Producing (PDNP)/Shut In	0.0	0.0	0.0
Proved Undeveloped (PUD)	56.0	65.0	66.8
<b>Total Proved Reserves (1P)</b>	<b>123.3</b>	<b>230.7</b>	<b>161.8</b>
Probable Undeveloped	106.9	161.5	133.8
<b>Total Proved &amp; Probable Reserves (2P)</b>	<b>230.2</b>	<b>392.2</b>	<b>295.6</b>
Possible Undeveloped	153.7	279.6	200.3
<b>Total Proved, Probable &amp; Possible Reserves (3P)</b>	<b>383.9</b>	<b>671.8</b>	<b>495.8</b>

**Table 1a – WEL Net Reserve Estimates**

<b>Contingent Resources - WEL Net Interests - Nolan County, 31 December 2020</b>			
Category	Net Contingent Resources		BO equiv. (mboe)
	Oil (mBO)	Gas (mmscf)	
Contingent Resources (Low Estimate; 1C)	1,472	2,828	1,944
Contingent Resources (Best Estimate; 2C)	2,923	8,572	4,352
Contingent Resources (High Estimate; 3C)	5,625	24,969	9,787

**Table 1b – WEL Net Contingent Resources Estimates**

<b>Prospective Resources - WEL Net Interests - Nolan County, 31 December 2020</b>			
Category	Net Prospective Resources		BO equiv. (mboe)
	Oil (mBO)	Gas (mmscf)	
Prospective Resources (Low Estimate; P90)	2,584	1,704	2,868
Prospective Resources (Best Estimate; P50)	5,994	4,554	6,753
Prospective Resources (High Estimate; P10)	13,512	11,969	15,507

**Table 1c – WEL Net Prospective Resources Estimates**

### Notes:

- Reserves are stated net to Winchester's working interest and after deductions for royalty payments.
- All reserves estimates were prepared using a combination of deterministic and probabilistic methods. All resource estimates were prepared using probabilistic methods. All reserves aggregation was performed by arithmetic summation. All resource aggregation was performed probabilistically.
- Cautionary note: the aggregate 1P estimate may be a very conservative estimate and the aggregate 3P estimate may be very optimistic due to the portfolio effects of arithmetic summation.

- "bbl(s)" means barrel(s); "bopd" or "boepd" means barrels of oil per day and barrels of oil equivalent per day, respectively
- "boe" means barrels of oil equivalent. Winchester reports boe using a gas to oil conversion based on equivalent thermal energy, i.e. 6000 cubic feet of gas = 1 barrel of oil
- "m" prefix means thousand; "mm" prefix means million; "scf" means standard cubic feet
- Production quantities are measured at the leases via a sales meter (gas) or in oil storage tanks.

## **CORPORATE RE-STRUCTURE**

Subsequent to the year ending 31 December 2020 Managing Director Neville Henry retired from his role as Managing Director and from the Board, effective 31 January 2021. Mr Henry agreed to remain with the Company in a consulting capacity as a senior advisor for a period of 3 months post 31 January 2020.

Winchester's Non-Executive Chairman, Mr Laurence Roe, has assumed the role of Executive Chairman whilst Houston-based Operations Manager Doug Holland was appointed as Chief Operating Officer (COO), effective 1 February 2021, and will oversee day to day operations of the Company.

## **Oil and Gas Leases Held as at 31 December 2020**

Winchester's lease holding at 31 December 2020 quarter was 18,856<sup>2</sup> acres.

<b>31 December 2020</b>	<b>WEL Interest</b>	<b>Lease/Prospect</b>	<b>Location</b>
	75%	White Hat Ranch	Nolan County Texas
	100%	Thomas Ranch	Nolan County Texas
	50%	Thomas-US Energy	Nolan County Texas
	100%	McLeod	Nolan County Texas
	50%	McLeod-US Energy	Nolan County Texas
	100%	Arledge	Nolan County Texas
	50%	Arledge-US Energy	Nolan County Texas
	100%	Coke	Coke County Texas
	92%	Bast	Nolan County Texas
	100%	Whiteside	Nolan County Texas

**WEL Lease Holdings as at 31 December 2020**

### **Competent Person's Statement**

NOTE: In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr. Laurence Roe, B Sc, Executive Chairman of Winchester Energy Limited, who is a member of the Society of Exploration Geophysicists and has over 40 years' experience in the sector. He consents to that information in the form and context in which it appears.

<sup>3</sup> 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 2020.

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

Mr Laurence Roe	Executive Chairman
Mr John Kopcheff	Non-Executive Director – resigned 31 March 2020
Mr Neville Henry	Managing Director – resigned 31 January 2021
Mr Larry Liu	Non-Executive Director
Mr Tony Peng	Non-Executive Director
Mr James Allchurch	Non-Executive Director – appointed 1 April 2020

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

### Information on Directors

#### Mr Laurence Roe 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 John Kopcheff - resigned 31 March 2020 Non-Executive Director

Mr Kopcheff, B.Sc. (Hons)(Geology and Geophysics) AAPG, SPE, AIMM is a geologist and geophysicist, with 45 years of experience in Australia, South East Asia, USA, South America and the North Sea in exploration, production, oil field operations and management. He founded ASX listed public company Victoria Petroleum N.L. (now Senex Energy Ltd) (Senex) and held the position of Managing Director for 26 years from 1984 to 2010 where he successfully pioneered oil exploration and production on the western margin of the South Australian Cooper Basin. Under his stewardship, Victoria Petroleum discovered proved, probable and possible net oil reserves of 20 million bbls. During that time Victoria Petroleum increased its ASX market cap from \$10 million at IPO to \$162 million at his retirement. Mr Kopcheff was considered to be an independent director.

#### Current directorships held in other listed entities

Vivid Technology Limited.

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

None.

## **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.

## **Mr Larry Liu**

### **Independent Non-Executive Director**

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

### **Current directorships held in other listed entities**

None

### **Former directorships in other listed entities in the last three years**

None

## **Mr Tony Peng**

### **Non-Executive Director**

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

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

### **Current directorships held in other listed entities**

None

### **Former directorships in other listed entities in the last three years**

None

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

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

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

### Current directorships held in other listed entities

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

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

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

### Company Secretary

Mr Flint BAcc, MBA, CAANZ. 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	-	-
Mr John Kopcheff <sup>1</sup>	8,426,869	2,500,000
Mr Neville Henry <sup>1</sup>	11,133,352	14,000,000
Mr Larry Liu	34,408,672	500,000
Mr Tony Peng	-	-
Mr James Allchurch	4,506,400	1,000,000

Note<sup>1</sup> As at date of resignation stated above.

## 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 2,290,453 shares and 1,500,000 options exercisable at AUD\$0.05 per share expiring on 11 June 2022 were issued during the year in lieu of cash to a consultant.

John Kopcheff resigned on 31 March 2020 and James Allchurch was appointed 1 April 2020.

## Operating Results

Net loss of the Group for the period ended 31 December 2020 after providing for income tax was US\$3,332,964 (2019: Loss US\$(2,316,573)). Net Assets of the entity as at 31 December 2020 were US\$7,450,669 (2019: US\$10,817,716).

## 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 2020.

## Significant events subsequent to reporting date

During and subsequent to the year-end, the COVID-19 pandemic announced by the World Health Organisation is having a negative impact on world stock markets, currencies and general business activity. The Group has developed a policy and is evolving 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 recovery from COVID-19 is unknown but it may have an impact on activities, operations and the ability for the company to raise funds.

The full impact of the COVID-19 outbreak and the volatility of world oil markets continues to evolve as at the date of this report. As such, it is uncertain as to the impacts this will have on the Group.

A further 1,145,339 shares and 2,250,000 options exercisable at 10c per share on or before 16 February 2023 were issued to a consultant in lieu of cash. Neville Henry resigned as Managing Director effective 31 January 2021.

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 2020, no dividends have been paid or declared since 1 January 2020 (2019 : 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
10 March 2017	31 January 2022	\$A0.12	5,000,000
12 April 2017	31 January 2022	\$A0.12	9,000,000
2 November 2017	31 January 2022	\$A0.12	1,500,000
6 June 2018	31 January 2022	\$A0.12	4,500,000
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

## 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	6	6	1	1	1	1
Mr John Kopcheff	2	2	1	1	-	-
Mr Neville Henry	6	6	-	-	-	-
Mr Larry Liu	6	6	2	2	1	1
Mr Tony Peng	6	6	-	-	-	-
Mr James Allchurch	4	4	-	-	-	-

## 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 181 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:

	2020	2019
	US\$	US\$
Taxation advice	3,557	3,545
	3,557	3,545

## 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.

<b>Directors</b>		
Mr Laurence Roe	Non-Executive Chairman	Appointed 1 September 2019
Mr John Kopcheff	Non-Executive Director	Appointed 11 September 2018 – resigned 31 March 2020
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 John Kopcheff and James Allchurch who receive a superannuation guarantee contribution payment as part of their 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	Non-Executive Chairman	n/a	None
Mr John Kopcheff	Non-Executive Director	n/a	None
Mr Neville Henry	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

### 4. Director remuneration arrangements

#### Managing Director

Managing Director's executive service agreement dated 1 April 2014 with 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 has 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 2020:

Name	Currency	Annual Fees
Mr Laurence Roe	AUD\$	60,000
Mr John Kopcheff <sup>1</sup>	AUD\$	36,000
Mr Neville Henry (resigned 31 January 2021) <sup>3</sup>	US\$	252,000
Mr Larry Liu	AUD\$	36,000
Mr Tony Peng	AUD\$	36,000
Mr James Allchurch <sup>2</sup>	AUD\$	107,172

<sup>1</sup> John Kopcheff resigned 31 March 2020.

<sup>2</sup> James Allchurch was appointed 1 April 2020.

<sup>3</sup> Neville Henry received an annual salary of USD\$130,500 under the agreement after voluntary reductions.

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 receiving the highest remuneration during the year ended 31 December 2020 was as follows:

2020	Short term benefits			Post-employment	Long term benefits	Share based payments	Termination payments	Total	Performance related
	Salary & fees <sup>1</sup>	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave				
Directors	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
L Roe	2020	46,616	-	-	-	-	-	46,616	0%
	2019	18,597	-	-	-	-	-	18,597	0%
J Kopcheff <sup>2</sup>	2020	8,287	-	-	787	-	-	9,074	0%
	2019	40,785	-	-	3,875	-	12,622	57,282	0%
P Allchurch <sup>4</sup>	2020	-	-	-	-	-	-	-	0%
	2019	14,599	-	-	-	-	23,050	37,649	0%
N. Henry	2020	130,500	-	-	-	-	-	130,500	0%
	2019	125,063	22,688	-	-	-	110,489	258,240	22%
L Liu	2020	24,862	-	-	-	-	-	24,862	0%
	2019	25,027	-	-	-	-	23,050	48,077	0%
T Peng	2020	25,200	-	-	-	-	-	25,200	0%
	2019	8,400	-	-	-	-	-	8,400	0%
J Allchurch <sup>3</sup>	2020	63,193	-	-	1,903	-	-	65,095	0%
	2019	-	-	-	-	-	-	-	0%
<b>Total</b>	2020	298,657	-	-	2,690	-	-	301,347	0%
<b>Total</b>	2019	232,471	22,688	-	3,875	-	169,211	428,245	13%

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

2. John Kopcheff resigned 31 March 2020.

3. James Allchurch was appointed 1 April 2020.

4. Peter Allchurch resigned 31 July 2019.

## 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 2020.

2020	Balance at 1 January No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Laurence Roe	-	-	-	-
Mr John Kopcheff <sup>2</sup>	8,426,869	-	(8,426,869)	-
Mr Neville Henry	11,133,352	-	-	11,133,352
Mr Larry Liu	34,408,672	-	-	34,408,672
Mr James Allchurch <sup>1</sup>	4,506,400	-	-	4,506,400

<sup>1</sup> Opening balance as at appointment.

<sup>2</sup> Mr Kopcheff held the 8,426,869 shares as at the date of resignation.

#### Key management personnel option holdings

The following table sets out each Director's relevant interest in the options of the Company or a related body corporate as at 31 December 2020.

2020	Balance at 1 January No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr John Kopcheff <sup>2</sup>	2,500,000	-	(2,500,000)	-
Mr Neville Henry	14,000,000	-	-	14,000,000
Mr Larry Liu	500,000	-	-	500,000
Mr James Allchurch <sup>1</sup>	1,000,000	-	-	1,000,000

<sup>1</sup> Opening balance as at appointment.

<sup>2</sup> Mr Kopcheff held the 2,500,000 options as at the date 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 2020 are summarised below:

	2020	2019	2018	2017	2016
Revenue	2,224,758	2,757,119	1,193,179	2,166,987	2,056,201
Loss after income tax	(3,332,964)	(2,316,573)	(15,747,488)	(4,412,943)	(784,810)

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

	2020	2019	2018	2017	2016
Share price at financial year end (\$)	0.022	0.055	0.020	0.092	0.090
Basic loss per share (cents per share)	(0.48)	(0.52)	(5.52)	(1.89)	(0.36)

## 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\$32,641 to Siena Energy LLC, a company owned by Neville Henry and Hugh Idstein for use of server, software, data and data room services. During the year Winchester Energy LLC paid US\$51,805 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 31 May 2020, 99.9% of proxy votes cast voted in favour of the 2019 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.winchesterenergy.com/corporate-governance>

On behalf of the Directors



**Mr Laurence Roe**  
**Executive Chairman**  
31 March 2021

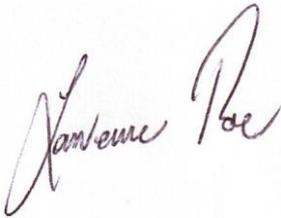
## DIRECTORS' DECLARATION

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

A handwritten signature in dark ink, appearing to read 'Laurence Roe', is written over a faint, light-colored rectangular stamp or watermark.

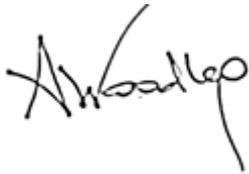
**Mr Laurence Roe**  
**Executive Chairman**  
**31 March 2021**

**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 2020, 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 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 US\$	2019 US\$
Revenue from sales of oil and natural gas		2,224,758	2,757,119
Interest income		4,614	2,264
Other income		-	-
Foreign exchange gain/(loss)		98,371	(66,370)
Operating costs		(816,706)	(496,571)
Impairment expense	14/15	(2,321,164)	(2,120,890)
Depreciation expense		(121,308)	(111,282)
Depletion Expense		(1,112,357)	(1,220,303)
Administration expenses		(1,163,318)	(678,301)
Share-based payment expense	19	(54,416)	(196,585)
Finance costs		(12,647)	(23,666)
Other expenses		(58,791)	(161,988)
<b>Loss before income tax</b>	6	<b>(3,332,964)</b>	<b>(2,316,573)</b>
Income tax benefit	7	-	-
<b>Loss for the year after income tax</b>		<b>(3,332,964)</b>	<b>(2,316,573)</b>
<b>Other comprehensive loss, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	20	(88,498)	32,776
<b>Total comprehensive loss for the year</b>		<b>(3,421,462)</b>	<b>(2,283,797)</b>
<hr/>			
Loss per share for the year		Cents	Cents
<b>Basic loss per share (cents per share)</b>	9	<b>(0.48)</b>	<b>(0.52)</b>
<b>Diluted loss per share (cents per share)</b>	9	<b>(0.48)</b>	<b>(0.52)</b>

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 2020

	Note	2020 US\$	2019 US\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	1,609,521	5,415,985
Trade and other receivables	11	503,850	1,318,931
<b>Total current assets</b>		<b>2,113,371</b>	<b>6,734,916</b>
<b>Non-current assets</b>			
Right of use asset	12	55,018	166,922
Property, plant and equipment	13	-	9,405
Exploration and evaluation expenditure	14	5,114,838	4,803,971
Oil & Gas properties	15	861,663	1,181,269
<b>Total non-current assets</b>		<b>6,031,519</b>	<b>6,161,568</b>
<b>TOTAL ASSETS</b>		<b>8,144,890</b>	<b>12,896,484</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	629,834	1,899,149
Lease liability	17	64,387	114,764
<b>Total current liabilities</b>		<b>694,221</b>	<b>2,013,913</b>
<b>Non-current liabilities</b>			
Lease liability	17	-	64,855
<b>Total non-current liabilities</b>		<b>-</b>	<b>64,855</b>
<b>TOTAL LIABILITIES</b>		<b>694,221</b>	<b>2,078,768</b>
<b>NET ASSETS</b>		<b>7,450,669</b>	<b>10,817,716</b>
<b>EQUITY</b>			
Issued capital	18	37,010,043	36,968,297
Option reserve	19	1,891,620	1,891,620
Share based payments	19	946,346	933,677
Foreign currency translation reserve	20	(3,007,866)	(2,919,368)
Accumulated losses	21	(29,389,474)	(26,056,510)
<b>TOTAL EQUITY</b>		<b>7,450,669</b>	<b>10,817,716</b>

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 2020

	Ordinary Shares	Accumulated losses	Option Premium reserve	Share based payment reserve	Foreign Currency Translation Reserve	Total
	US\$	US\$	US\$		US\$	US\$
<b>Balance at 1 January 2019</b>	<b>28,925,619</b>	<b>(23,739,936)</b>	<b>1,891,620</b>	<b>584,016</b>	<b>(2,952,144)</b>	<b>4,709,175</b>
(Loss) for the year	-	(2,316,573)	-	-	-	(2,316,573)
Other comprehensive income, net of tax	-	-	-	-	32,776	32,776
Total comprehensive loss for the year		(2,316,573)	-	-	32,776	(2,283,797)
<i>Transactions with owners in their capacity as owners</i>						
Share based payment transactions	-	-	-	349,660	-	349,660
Issue of share capital (net of costs)	8,042,678	-	-	-	-	8,042,678
<b>Balance at 31 December 2019</b>	<b>36,968,297</b>	<b>(26,056,510)</b>	<b>1,891,620</b>	<b>933,676</b>	<b>(2,919,368)</b>	<b>10,817,716</b>
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)	-	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>37,010,043</b>	<b>(29,389,474)</b>	<b>1,891,620</b>	<b>946,346</b>	<b>(3,007,866)</b>	<b>7,450,669</b>

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 2020

	Note	2020 US\$	2019 US\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		3,013,982	1,946,937
Payments to suppliers and employees (inclusive of GST)		(3,283,592)	(1,060,971)
Interest paid		(11,368)	(21,415)
Net cash (used in)/generated by operating activities	10(a)	(280,977)	864,551
<b>Cash flows from investing activities</b>			
Payment for exploration activities		(3,422,406)	(3,817,869)
Interest received		4,614	2,264
Net cash (used in)/generated investing activities		(3,417,792)	(3,815,605)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		-	8,687,772
Costs associated with issue of securities		-	(492,692)
Repayment of borrowings		-	(3,477)
Payment of lease liability		(116,623)	(98,434)
Net cash (used in)/generated by financing activities		(116,623)	8,093,169
Net decrease in cash and cash equivalents		(3,815,392)	5,142,115
Cash and cash equivalents at beginning of the period		5,415,985	307,236
Effect of exchange rate changes on balance of cash held in foreign currencies		8,928	(33,366)
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>1,609,521</b>	<b>5,415,985</b>

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 2020

### 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 2020 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 Ground Floor, 24 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 2020.

### 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 2021.

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 2020, the Group had a cash and cash equivalent balance of \$1,609,521 (2019: \$5,415,985), had net working capital of \$1,418,984 (2019: \$4,721,003) and incurred a net loss of \$3,332,964 (2019: loss \$2,316,573).

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 had a negative impact on world stock markets, currencies and business activity. The Company has developed a policy and 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 recovery from COVID-19 is unknown but it may 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 the oil and gas prices have recovered, these conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that 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 2020

### 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 2020 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 2020

### 2. Summary of Significant Accounting Policies (continued)

#### d) Application of new and revised Accounting Standards

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

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

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

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

#### e) Income Tax

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

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

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

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

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

#### f) Cash and Cash Equivalents

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

#### g) Trade and other receivables

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

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

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2020

### 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.

### 2. Summary of Significant Accounting Policies (continued)

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

#### **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. Costs incurred before the Company has obtained the legal rights to explore the area are recognised in the statement of financial position.

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 2020

### 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 2020

### 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 2020

#### 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 2020

### 4. Financial Risk Management

#### Categories of Financial Instruments:

	2020 US\$	2019 US\$
<b>Financial Assets</b>		
Cash and cash equivalents	1,609,521	5,415,985
Trade and other receivables	503,850	1,318,931
	<u>2,113,371</u>	<u>6,734,916</u>
<b>Financial Liabilities</b>		
Trade and other payables	629,836	1,899,149
Lease liability	64,387	179,619
	<u>694,223</u>	<u>2,078,768</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:

	2020		2019	
	Average interest rate	Balance US\$	Average interest rate	Balance US\$
<b>Financial assets</b>				
Cash and cash equivalents	0.15%	1,609,521	0.14%	5,415,985
<b>Financial liabilities</b>				
Lease Liability	9.57%	(64,387)	9.57%	(179,619)
		<u>1,545,134</u>		<u>5,236,366</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 2020, 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 \$16,095 lower/higher (2019: \$54,160 lower/higher).

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

#### 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.

2020	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Trade and Other Receivables	503,850	503,850	440,941	62,909	-	-
<b>2019</b>						
Trade and Other Receivables	1,318,931	1,318,931	1,318,931	-	-	-

##### (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.

2020	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
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	-
	705,305	705,305	414,448	184,748	105,839	-
<b>2019</b>						
Trade and Other Payables	1,899,149	1,899,149	1,899,149	-	-	-
Lease Liability	179,619	179,619	9,151	18,522	87,089	64,855
	2,078,768	2,078,768	1,908,300	18,522	87,089	64,855

##### (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 2020

#### 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 consists of debt, which includes the borrowings disclosed in Note 17, cash and cash equivalents, 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:

	2020 US\$	2019 US\$
Cash and cash equivalents	1,609,521	5,415,985
Less Debt	-	-
Net cash/(debt)	1,609,521	5,415,985
Net cash/(debt) plus equity	9,461,956	16,264,016
Net cash to net debt plus equity	17%	33%

#### 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\$5,114,838 was capitalised as exploration and evaluation expenditure and US\$861,663 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\$)	
	2020	2019	2020	2019	2020	2019
Australia	(556,666)	(770,699)	1,573,274	5,208,404	99,751	31,815
USA <sup>1</sup>	(2,776,298)	(1,545,874)	6,571,616	7,688,078	594,470	2,046,953
Total	(3,332,964)	(2,316,574)	8,144,890	12,896,482	694,221	2,078,768

1. Revenue generated of 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 2020

#### 6. Loss before income tax

Loss before tax is arrived after charging following expenses	2020 US\$	2019 US\$
Consultancy fees – technical and corporate	600,284	145,592
Legal Fees	19,127	20,581
Expenses relating to short term leases	21,553	34,008

#### 7. Income taxes

##### a) Income tax recognised in profit or loss

The major components of income tax expense are:

	2020 US\$	2019 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:

	2020 US\$	2019 US\$
Accounting profit/(loss) before income tax	(3,332,964)	(2,316,573)
Income tax benefit calculated at rate of 27.5% (2019 : 27.5%)	(916,565)	(637,508)
Effect of revenue losses not recognised as deferred tax assets	916,565	637,508
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\$12,592,766 (2019: US\$9,837,946) and unrecognised net deferred tax asset of US\$3,463,011 (2019: US\$2,705,435).

#### 8. Auditor's remuneration

##### a) BDO Audit (WA) Pty Ltd

	2020 US\$	2019 US\$
Audit and other assurance services	39,848	41,291
Other services – taxation advice, independent expert report	3,557	3,545
Total remuneration of BDO	43,405	44,836

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

#### 9. Loss per share

	2020 Cents per share	2019 Cents per share
Basic loss per share (using weighted average number of shares)	(0.48)	(0.52)
Diluted loss per share (using weighted average number of shares)	(0.48)	(0.52)

#### a) Earnings used in calculating earnings per share

	2020 US\$	2019 US\$
<b>For basic earnings per share</b>		
Net profit/(loss) attributable to ordinary equity holders of the parent	(3,332,964)	(2,316,573)
<b>For diluted earnings per share</b>		
Net profit/(loss) attributable to ordinary equity holders of the parent	(3,332,964)	(2,316,573)

#### b) Weighted average number of shares used

	2020 No. Shares	2019 No. Shares
Weighted average number of shares used in calculating basic and diluted earnings per share	688,359,286	449,426,916
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	688,359,286	449,426,916

#### 10. Cash and cash equivalents

	2020 US\$	2019 US\$
Cash at bank	1,609,521	5,415,985
	1,609,521	5,415,985

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

#### 10. Cash and cash equivalents (continued)

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

	2020 US\$	2019 US\$
Net (loss)	(3,332,964)	(2,316,573)
<b>Adjustments for:</b>		
Depreciation of non-current assets	121,308	111,282
Interest received classified as investing cash flow	(4,614)	(2,264)
Depletion expense	1,112,357	1,220,304
Impairment expense	2,321,164	2,120,890
Share based payments	54,416	196,585
Other	(98,371)	66,371
<b>Changes in assets and liabilities</b>		
Decrease/(Increase) in trade receivables	789,224	(840,552)
(Decrease)/Increase in trade and other creditors	(1,243,496)	308,509
Net cash flow (used in)/from operating activities	(280,977)	864,551

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.

#### 11. Trade and other receivables

	2020 US\$	2019 US\$
Trade Receivables	492,949	1,282,173
GST receivables	10,480	36,376
Other	421	382
	503,850	1,318,931

#### 12. Right of use asset

	2020 US\$	2019 US\$
Balance at 1 January	166,922	-
Additions <sup>1</sup>	-	278,204
Depreciation expense	(111,904)	(111,282)
Balance at 31 December	55,018	166,922
Cost	278,204	278,204
Accumulated depreciation	(223,186)	(111,282)
Net carrying amount	55,018	166,922

<sup>1</sup> Refer to note 29 on Leases

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

#### 13. Property, Plant & Equipment

	2020 US\$	2019 US\$
Balance at 1 January	9,405	9,405
Additions	-	-
Depreciation expense	(9,405)	-
Balance at 31 December	-	9,405
Cost	32,103	32,103
Accumulated depreciation	(29,943)	(20,538)
Foreign exchange difference	(2,160)	(2,160)
Net carrying amount	-	9,405

#### 14. Exploration and evaluation expenditure

	2020 US\$	2019 US\$
Balance at 1 January	4,803,971	3,940,924
Exploration and evaluation expenditure capitalised during the period	2,660,384	4,637,870
Transferred to Oil & Gas properties	(1,734,812)	(3,460,443)
Impairment	(614,703)	(314,380)
Closing balance	5,114,838	4,803,971

In certain circumstances costs have been written off where it was perceived there might be diminished prospectively of securing production and more prospective leases pursued. Whilst all leases have been maintained in accordance with lease terms, no leases have been abandoned during the current year. On balance, it may well be that some leases will be allowed to lapse going forward. In this regard, an impairment charge of US\$614,703 was recorded (2019: impairment charge of US\$314,380). 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.

#### 15. Oil & Gas properties

	2020 US\$	2019 US\$
Balance at 1 January	1,181,269	747,639
Transferred from Exploration and evaluation expenditure	1,734,812	3,460,443
Additions	764,097	-
Depletion expense	(1,112,357)	(1,220,304)
Impairment	(1,706,461)	(1,806,510)
Closing balance	861,663	1,181,269

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 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 2034;
- Estimated net P1 Recoverable reserves of 60,900 mbbbl of oil (2019: 275,930 mbbbl) and 163,610mmcf of gas (2019; 340,950 mmcf);

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

- The forward commodity prices of US\$44.73 per barrel and US\$3.34 per MMBTU; (2019: US\$23.78 and US\$3 respectively);
- Operating costs and taxes at an average of 54% of revenue over the production period, depending on production at that time; (2019: 46.2%); and
- Pre-tax discount rate of 10.0% (2019: 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\$133,510/(USD\$133,510)
- A 5% increase/(decrease) in oil and gas price would increase/(decrease) oil and gas properties carrying value by USD\$337,170/(USD\$337,170)
- A 5% increase/(decrease) in the discount factor would (decrease)/increase oil and gas properties carrying value by (USD\$67,080)/USD\$74,590
- A 5% increase/(decrease) in cost of production (decrease)/increase oil and gas properties carrying value by (USD\$69,220)/USD\$69,220

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 FY21 budgets and estimates and actual costs incurred in FY21.

#### 16. Trade and other payables

	2020 US\$	2019 US\$
Sundry creditors	629,834	1,899,149
	629,834	1,899,149

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.

#### 17. Borrowings

	2020 US\$	2019 US\$
Lease Liability <sup>1</sup>	64,387	179,619
	64,387	179,619

<sup>1</sup> The Lease Liability is the result of discounting the monthly lease commitments on the corporate offices in the USA, to the end of lease at an effective annual rate of 9.57%. Refer to note 29. The lease expires during the subsequent reporting period. The current liability portion of the lease liability is therefore \$64,387 (2019: \$114,764) with no non-current balance for 2020 (2019: \$64,855) as disclosed in the statement of financial position.

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

#### 18. Issued capital

	2020 US\$	2019 US\$
689,899,548 (2019 - 687,609,095) fully paid ordinary shares	37,010,043	36,968,297
<b>Fully paid ordinary shares</b>		
	Number of Shares	Share capital US\$
<b>Balance at 1 January 2019</b>	285,148,832	28,925,619
Rights issue	142,574,438	2,031,115
Placement – August 2019	126,900,000	2,148,417
Shares issued in lieu of services provided	4,635,825	94,925
Placement – December 2019	128,350,000	4,413,315
Costs of issues	-	(645,094)
<b>Balance at 31 December 2019</b>	687,609,095	36,968,297
Shares in lieu of cash <sup>1</sup>	2,290,453	41,746
<b>Balance at 31 December 2020</b>	689,899,548	37,010,043

<sup>1</sup> Refer to Share Based payments below.

#### 19. Option Premium Reserves

	Number of Options	US\$
<b>Balance at 1 January 2019</b>	50,000,000	1,891,620
Options in lieu of salary foregone	13,900,000	-
Capital raising management options	10,000,000	-
Options expiring	(30,000,000)	-
<b>Balance at 31 December 2019</b>	43,900,000	1,891,620
Options in lieu <sup>1</sup>	1,500,000	-
<b>Balance at 31 December 2020</b>	45,400,000	1,891,620

<sup>1</sup> Refer to Share Based payments below.

	2020 US\$	2019 US\$
<b>Balance at 1 January</b>	933,676	584,016
Share based payments during the year <sup>1</sup>	12,670	349,660
<b>Balance at 31 December</b>	946,346	933,676

<sup>1</sup> Refer to Share Based payments below. Reserve movement for the year has been allocated to the consolidated statement of profit and loss and other comprehensive income \$US12,670 (2019: \$US196,585) as an expense, with the remaining \$US nil (2019: \$US153,076) allocated to equity as a share issue cost as per the below.

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

#### <sup>1</sup>Share based payments

##### 2020

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:

	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

##### 2019

The Company issued 4,635,825 ordinary fully paid shares and 23,900,000 share options during the year. The shares and options were issued to executives of the company and suppliers. The securities vested on grant. The shares and options issued to executives and directors were approved in general meeting of shareholders at the 2019 annual general meeting. 3,622,580 ordinary full paid shares were issued to directors and officers of the company at a deemed price of AUD\$0.03 per share in lieu of undrawn salaries and fees for the period 1 June to 31 December 2018:

Issued to:	Shares	Deemed Value AUD\$
John Kopcheff	605,421	18,163
Peter Allchurch	1,105,263	33,158
Larry Liu	1,105,263	33,158
James Hodge	600,233	18,007
James Allchurch	206,400	6,192

A further 1,013,245 shares were issued to a supplier in lieu of services at a deemed value of AUD\$31,500.

During the period, the Company issued 4,900,000 share options to executives of the company and 9,000,000 options to company directors. The options vested on grant and were approved at the annual general meeting on 31 May 2019. Remuneration arrangements and related party transactions of key management personnel (KMP) are disclosed in the remuneration report for the year ended 31 December 2020.

Details of options issued to key management personnel (KMP) are as follows:

Name	No of options granted	No of options vested	No of options forfeited	Outstanding at 31 December 2020	Exercisable at 31 December 2020
<b>Executive options</b>					
Hugh Idstein <sup>1</sup>	4,900,000	4,900,000	-	-	4,900,000
<b>Total</b>	<b>4,900,000</b>	<b>4,900,000</b>		<b>-</b>	<b>4,900,000</b>
<b>Directors options</b>					
Neville Henry	9,000,000	9,000,000	-	-	9,000,000
<b>Total</b>	<b>9,000,000</b>	<b>9,000,000</b>		<b>-</b>	<b>9,000,000</b>

<sup>1</sup> Hugh Idstein is not a KMP and not in the remuneration report.

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

The AASB 2 fair value of the option was calculated using Black-Scholes modelling. For expensing purposes, a fair value of AUD\$0.01936 and AUD\$0.0163 cents per share respectively for 5c and 10c executive and director's options were calculated. The options vested on grant. The following inputs were used in the calculation:

	Directors and Executive options	Directors and Executive options
Valuation date (equal to grant date under AASB 2)	31 May 2019	31 May 2019
Exercise price	5 cents	10 cents
Expiration date	14 June 2024	14 June 2024
Share price at valuation date	\$0.029	\$0.029
Risk free rate of interest	1.05% p.a.	1.05% p.a.
Company share price volatility	100% p.a.	100% p.a.
Fair value	\$0.01936	\$0.0163

The value recognised on issue of options is as follows:

Name	Options	Quantity	AUD\$
<b>Executive options</b>			
Hugh Idstein	5 cent	2,200,000	42,592
	10 cent	2,700,000	44,010
<b>Total</b>			<b>86,602</b>
<b>Directors options</b>			
Neville Henry	5 cent	4,000,000	77,440
	10 cent	5,000,000	81,500
<b>Total</b>			<b>158,940</b>

A further 10,000,000 options were issued to parties managing the December 2019 capital raise. The AASB 2 fair value of the option was calculated using Black-Scholes modelling. For expensing purposes, a fair value of AUD\$0.02563 cents per share respectively for options were calculated. The following inputs were used in the calculation:

	Fee options
Valuation date (equal to grant date under AASB 2)	2 December 2019
Exercise price	10 cents
Expiration date	15 December 2022
Share price at valuation date	\$0.062
Risk free rate of interest	0.71% p.a.
Company share price volatility	100% p.a.
Fair value	\$0.02563

## 20. Foreign currency translation reserve

	2020 US\$	2019 US\$
<b>Balance at 1 January</b>	(2,919,368)	(2,952,144)
Movement in foreign currency translation reserve	(88,498)	32,776
<b>Balance at 31 December</b>	<b>(3,007,866)</b>	<b>(2,919,368)</b>

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

## 21. Accumulated Losses

	2020 US\$	2019 US\$
<b>Balance at 1 January</b>	(26,056,510)	(23,739,937)
Movement in accumulated losses	(3,332,964)	(2,316,573)
<b>Balance at 31 December</b>	<b>(29,389,474)</b>	<b>(26,056,510)</b>

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

#### 22. Key management personnel

Key management personnel compensation	2020 US\$	2019 US\$
Short-term employee benefits	298,657	255,159
Post-employment benefits	2,690	3,875
Share-based payment	-	169,211
	301,347	428,245

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

#### 23. Commitments and contingencies

##### Capital expenditure commitments

There are no capital commitments at 31 December 2020.

##### Other expenditure commitments

There are no other expenditure commitments at 31 December 2020.

#### 24. Parent entity information

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

	2020 US\$	2019 US\$
<b>Assets</b>		
Current assets	1,507,355	5,041,483
Non-current assets	-	-
<b>Total assets</b>	1,507,355	5,041,483
<b>Liabilities</b>		
Current liabilities	88,851	31,815
Non-current liabilities	-	-
<b>Total liabilities</b>	88,851	31,815
<b>Equity</b>		
Issued capital	37,010,044	36,968,297
Accumulated losses	(35,421,144)	(31,864,558)
Option premium reserve	1,891,620	1,891,620
Share based payment reserve	946,346	933,677
Foreign currency translation	(3,008,361)	(2,919,368)
<b>Total equity</b>	1,418,504	5,009,668
<b>Financial Performance</b>		
	2020 US\$	2019 US\$
Loss for the year	(556,666)	(770,699)
Other comprehensive loss	(2,999,920)	(2,755,680)
<b>Total comprehensive loss</b>	(3,556,586)	(3,526,379)

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2020

### 25. Subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held by the Group	
			2020	2019
Winchester Energy LLC	Oil and Gas Exploration	USA	100%	100%
Winchester Energy USA Holding Inc.	Oil and Gas Exploration	USA	100%	100%

### 26. Contingent assets and liabilities

There are no contingent assets and liabilities at 31 December 2020.

### 27. Fair values of financial instruments

#### Recurring fair value measurements

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

#### Fair values of financial instruments not measured at fair value

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

### 28. Related party transactions

Remuneration arrangements and related party transactions of key management personnel (KMP) are disclosed in the annual report for the year ended 31 December 2020.

During the year Winchester Energy LLC paid US\$32,641 to Siena Energy LLC, a company owned by Neville Henry and Hugh Idstein for use of server, software, data and data room services. During the year Winchester Energy LLC paid US\$51,805 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 year. Please refer to note 19 above in relation to share based payments for securities issued to related parties in the prior year.

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2020

#### 29. Leases

The Group leases office buildings. Information about leases for which the Group is a lessee is presented below. Property, plant and equipment comprises owned and leased assets that do not meet the definition of investment property:

Statement of financial position	Right-of-use assets, except for investment property	
	2020	2019
Right of use asset	278,204	278,204
Accumulated depreciation	(223,186)	(111,282)
	<u>55,018</u>	<u>166,922</u>
Lease liability	<u>64,387</u>	<u>179,619</u>
<b>Statement of Profit and Loss</b>		
Depreciation expense	111,904	111,282
Interest expense	11,368	21,415
<b>Statement of cashflows</b>		
Lease expenditure	(130,840)	(120,000)
Operating lease expenditure	(17,313)	(34,008)

#### 30. Events after reporting date

During and subsequent to the year-end, the COVID-19 pandemic announced by the World Health Organisation is having a negative impact on world stock markets, currencies and general business activity. The Group has developed a policy and is evolving 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 recovery from COVID-19 is unknown but it may have an impact on activities, operations and the ability for the company to raise funds.

The full impact of the COVID-19 outbreak and the volatility of world oil markets continues to evolve as at the date of this report. As such, it is uncertain as to the impacts this will have on the Group.

A further 1,145,339 shares and 2,250,000 options exercisable at 10c per share on or before 16 February 2023 were issued to a consultant in lieu of cash. Neville Henry resigned as Managing Director effective 31 January 2021. Laurence Roe assumed the role of executive Chairman effective 1 January 2021.

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 2020, 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 2020 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>
<p>At 31 December 2020 the carrying value of Oil and Gas Properties represents a significant balance to the Group as disclosed in Note 15.</p> <p>During the year the Group identified indicators of possible impairment relating to the asset. As a result, the Group undertook an impairment assessment and recognised an impairment charge as disclosed in Note 15. 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.</p> <p>This is a key audit matter as the carrying value requires management to make significant accounting judgements and estimates in producing the impairment model used for determining the recoverable amount of the Oil &amp; Gas Properties.</p>	<p>We evaluated management’s impairment model at 31 December 2020 by challenging estimates and assumptions used by management in arriving at their assessment. Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtaining and reviewing the reserve report prepared by management’s external expert including assessing the competency and objectivity of management’s expert;</li> <li>• Benchmarking and analysing the Group’s oil and gas price assumptions against external market data;</li> <li>• Challenging the appropriateness of management’s discount rate used in the impairment model in conjunction with our internal valuation experts;</li> <li>• Checking the production forecast against reserve reports provided by management’s expert;</li> <li>• Evaluating and assessing the accuracy of the Group’s calculation of the impairment charge; and</li> <li>• Assessing the adequacy of the related disclosures in Note 2(n), Note 3 (ii) and Note 15 to the financial statements.</li> </ul>

## Carrying Value of Exploration and Evaluation Expenditure

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2020 the carrying value of exploration and evaluation expenditure represents a significant balance as disclosed in Note 14.</p> <p>The carrying value of exploration and evaluation expenditure represents a significant asset of the company and judgment is applied in considering whether facts and circumstances indicate that the exploration expenditure should be tested for impairment.</p> <p>As a result, the asset was required to be assessed for impairment indicators in accordance with <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>. This resulted in the Group recognising an impairment charge as disclosed in Note 14.</p> <p>The Group's accounting policy with respect to Exploration and Evaluation assets is disclosed in Note 2 (m) and Note 3 (i).</p>	<p>We have evaluated management's assessment of each impairment trigger per <i>AASB 6 Exploration and Evaluation of Mineral Resources</i>, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining from management a schedule of areas of interest held by the Group and selecting a sample of leases and concessions and assessed as to whether the Group had rights to tenure over the relevant exploration areas by obtaining supporting documentation such as third party confirmations;</li> <li>• Holding discussions with management with respect to the status of ongoing exploration programmes in the respective areas of interest;</li> <li>• Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 2(m), Note 3 (i) and Note 14 to the financial statements.</li> </ul>

### **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 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

### **Responsibilities of the directors for the Financial Report**

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

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

### **Auditor's responsibilities for the audit of the Financial Report**

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

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

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included pages 12 to 16 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Winchester Energy Limited, for the year ended 31 December 2020, 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



Ashleigh Woodley

Director

Perth, 31 March 2021

## ADDITIONAL SHAREHOLDER INFORMATION

### Ordinary share capital

The Shareholder information set out below was applicable as at 26 March 2021.

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	19	4,768	0.00%
1,001 - 5,000	5	18,080	0.00%
5,001 - 10,000	30	254,312	0.04%
10,001 - 100,000	328	16,701,239	2.42%
100,001 - 9,999,999,999	427	674,066,488	97.54%
<b>Totals</b>	<b>809</b>	<b>691,044,887</b>	<b>100.00%</b>

### Unmarketable parcels

Based on the price of \$0.022 per security, number of holders with an unmarketable holding: 113, with a total of 1,257,083 shares, amounting to 0.18% 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
Mr Yang Xiangyang (Mandarin) / Mr Yeung Heung Yeung (Cantonese) and China Leader Group Pty Ltd	67,916,667	9.88

## Twenty Largest Holders of Quoted Equity Securities

	Fully Paid	
	Number	Percentage
1 CHINA LEADER GROUP LIMITED	67,916,667	9.83%
2 HELIOS ENERGY LTD	30,450,000	4.41%
3 BELLARINE GOLD PTY LTD <RIBBLESDALE SUPER FUND A/C>	29,391,064	4.25%
4 INVENTIVE HOLDINGS LIMITED	21,074,380	3.05%
5 CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	19,000,000	2.75%
6 MR RONALD WERNER NEUGEBAUER & MISS TESS CAITLIN NEUGEBAUER <NEUGEBAUER S/F A/C>	18,550,000	2.68%
7 CHATSWORTH STIRLING PTY LTD	17,072,657	2.47%
8 CITICORP NOMINEES PTY LIMITED	15,084,173	2.18%
9 DARBY SMSF PTY LTD <DARBY SUPER FUND A/C>	13,883,333	2.01%
10 EYEON INVESTMENTS PTY LTD <EYEON INVESTMENTS FAMILY A/C>	13,301,479	1.92%
11 JDK NOMINEES PTY LTD	12,730,837	1.84%
12 AZUREE PTY LTD	12,450,003	1.80%
13 MR KANE CHRISTOPHER WEINER	11,605,460	1.68%
14 MR DEAN ROBERT TAIT	11,500,000	1.66%
15 EAGLEWOOD ENERGY LLC	9,655,159	1.40%
16 ESCAPE OUT PTY LTD <HONEY AND THE BEE S/F A/C>	9,000,000	1.30%
17 TREND E&P LLC	8,982,014	1.30%
18 LUGANO HOLDINGS LLC	8,682,014	1.26%
19 ROJO NERO CAPITAL PTY LTD	7,979,525	1.15%
20 SPINITE PTY LTD	7,432,926	1.08%
<b>TOTAL</b>	<b>345,741,691</b>	<b>50.03%</b>
<b>Grand Total</b>	<b>691,044,887</b>	<b>100.00%</b>

### Restricted Securities

There are no restricted securities.

### Market buyback

There is no current market buyback.

### Unquoted equity securities

There are 37 holders of 47,650,000 unlisted Options with various exercise prices (\$0.05 to \$0.12) expiring on various dates (31/1/22 to 13/6/24):

Holder Name	Holding	% IC
TREND E&P LLC	14,000,000	29.4%