

Lodgement of Annual Report

Winchester Energy Limited advises that it has lodged its audited Annual Report for the period ending 31 December 2014.

The Company has adopted 31 December 2014 as its year end date and in addition has changed its presentation currency to USD\$. All relevant numbers therefore are expressed in US dollars.

—ENDS—

For further information please contact:

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Date: 31 March 2014

ASX Code: WEL

Directors

Peter Allchurch
Non-Executive Chairman

Neville Henry
Managing Director

James Hodges
Non-Executive Director

John D Kenny
Non-Executive Director

Larry Liu
Non-Executive Director

Nicholas Calder
Company Secretary

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WINCHESTER

ENERGY LIMITED

ACN 168 586 445

ANNUAL FINANCIAL REPORT

For the 9 month period ended 31 December 2014

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The financial period that is the subject of this Annual Financial Report is the 9 month period from 17 March 2014 to 31 December 2014. Each further financial year will be for the full 12 month period ending 31 December.



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CORPORATE INFORMATION

Directors

Mr Peter Allchurch
Mr Neville Henry
Mr James Hodges
Mr John D. Kenny
Mr Larry Liu

Company Secretary

Mr Nicholas Calder

Registered Office

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Share register

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Auditors

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

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CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the Board of Winchester Energy Limited (**Company**), I am pleased to present the Company's annual financial report for the period ended 31 December 2014.

After incorporation in March 2014, the Company listed on ASX on 18 September 2014 after successfully completing a fundraising of A\$20,000,000 by way of the placement of 100,000,000 shares at A\$0.20 per share.

The Company is in the business of oil and gas exploration and production in Texas, USA. The Company's primary purposes are:

- to acquire oil and gas leases and working interests (**WI**) in areas situated on the Eastern Shelf of the Permian Basin in Texas, USA, a location which offers prospective Cline Shale unconventional oil opportunities at shallow depth together with attractive conventional oil targets in the Ellenburger Formation at slightly greater depth; and
- to seek to drill wells to explore for oil and gas in respect to those oil and gas leases and working interests in order to ultimately achieve commercial oil and gas production.

The Company's particular area of interest is in Kent, Stonewall, Fisher, Nolan, Mitchell, Coke and Tom Green counties in Texas, which is an area where there is 300 feet of thermally mature Cline Shale and stacked exploration targets including the highly prospective Ellenburger Formation.

Currently, the Company utilises a team of technical experts to analyse and appraise the data being received from each Operator (Craruth in respect of the Thomas 119-1H well in which the Company has a 50%WI) and (CEGX in respect of the White Hat 20#1 well in which the Company has a 50%WI) with respect to the flow testing of each well. Both wells are currently flow testing the Ellenburger Formation.

The Company also completed during the period the acquisition of 9,370 net acres of land located in Nolan County, Texas, USA.

I thank you for your support of Winchester Energy and look forward to the coming year and to exploration success for our Company.

Yours sincerely



Peter Allchurch
Non-Executive Chairman

REVIEW OF OPERATIONS

The Company is in the business of oil and gas exploration and production in Texas, USA. The Company was founded for the primary purposes of:

- acquiring oil and gas leases and working interests (**WI**) in areas situated on the Eastern Shelf of the Permian Basin in Texas, USA, a location which offers prospective Cline Shale unconventional oil opportunities at shallow depth together with attractive conventional oil targets in the Ellenburger Formation at slightly greater depth; and
- seeking to drill wells to explore for oil and gas in respect to those oil and gas leases and working interests in order to ultimately achieve commercial oil and gas production.

The Company owns proprietary geological, geotechnical and geophysical intellectual property on the Cline Shale and Ellenburger Formation oil plays across Kent, Stonewall, Fisher, Nolan, Mitchell, Coke and Tom Green counties in Texas, USA and this intellectual property should assist the Company to identify potential "sweet spots" to drill and attractive areas to seek to lease and/or acquire working interests.

The Company actively seeks to identify, and reach agreement with, suitable farm-in joint venture participants to contribute funding (along with the Company) in respect to oil well drilling programs for the Company's working interests.

The Company's business model is highly dependent on the achievement of technical and commercial success from its exploration programs as well as being dependent on other fiscal, economic, regulatory and environmental factors.

The Company is an early stage oil and gas exploration company that was incorporated in March 2014 and therefore has a limited operating history on which an evaluation of its financial prospects can be made. The Company has not yet generated any revenue or profit, and is unable to provide any meaningful key financial ratios, whether relating to market performance, profitability or financial stability. The Company does not have any debt financing or borrowings.

The Company owns as at 31 March 2015 the following major assets and working interests:

- The Company owns a 50% (WI) in the Thomas 119-1H well along with a 50% (WI) in the well unit area which is 240 gross acres (120 net acres to the Company). The Company acquired a 50% (WI) in a new well, White Hat 20#1, which is an exploration well along with the surrounding 40 acre drilling unit, from Carl E Gungoll Exploration LLC (CEGX), which has retained the remaining 50% (WI) and is the well operator.
- The Company also owns an 80% (WI) in 4,647 gross acres located in Nolan County, Texas, USA along with a 75% (WI) in an additional 7,378 acres which results in a total of 9,370 net acres in Nolan County, Texas, USA; and
- proprietary geological, geotechnical and geophysical intellectual property on the Cline Shale and Ellenburger Formation oil plays across Kent, Stonewall, Fisher, Nolan, Mitchell, Coke and Tom Green counties in Texas, USA.

The Thomas 119-1H horizontal well along with the White Hat 20#1 vertical well and the Company's 9,370 net acres of oil and gas leases, are all located in Nolan County, Texas, USA.

The Company intends to develop and add value to its oil and gas leases by undertaking a drilling program funded by the Company along with third party joint venture participants.

Competent Person's Statement

The information in this report is based on information compiled or reviewed by Mr Neville Henry. Mr Henry is a qualified petroleum geologist with over 40 years of Australian, USA and other international technical, operational and executive petroleum experience in both onshore and offshore environments. He has extensive experience of petroleum exploration, appraisal, strategy development and reserve/resource estimation, as well as new oil and gas ventures identification and evaluation. Mr Henry has a BA (Honours) in geology from Macquarie University.

DIRECTORS' REPORT

Your Directors submit their report for the period from incorporation (being 17 March 2014) to 31 December 2014.

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

Mr Peter Allchurch	Non-Executive Chairman
Mr Neville Henry	Managing Director
Mr James Hodges ¹	Independent Non-Executive Director
Mr John D. Kenny	Non-Executive Director
Mr Larry Liu ²	Non-Executive Director

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

¹ Mr James Hodges was appointed Non-Executive Director of the Company on 30 April 2014.

² Mr Larry Liu was appointed Non-Executive Director of the Company on 10 December 2014.

Information on Directors

Mr Peter Allchurch Non-Executive Chairman

Mr Allchurch is a geologist and resource venture capitalist and is the Non-Executive Chairman of the Company. He has 48 years of experience in mineral and petroleum exploration, development and production. Based in Perth, Australia, he has experience in more than 15 countries and has founded or co-founded a number of successful ASX listed public companies in the oil and gas and mineral sectors including, but not limited to, Cape Range Oil, Amity Oil, Aurora Oil & Gas Ltd and Eureka Energy Ltd (with the latter two companies having oil assets located in the Eagle Ford Shale, Texas, USA). Mr Allchurch has a BSc. (Geology) from the University of Adelaide and is a Member of the Petroleum Exploration Society of Australia, as well as a Fellow of the Australasian Institute of Mining and Metallurgy.

Date of appointment

17 March 2014

Current directorships held in other listed entities

None.

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

Platinum Australia Limited

Mr Neville Henry Managing Director

Mr Henry is a petroleum geologist with more than 40 years of experience in the global oil and gas industry and is the Managing Director of the Company. 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.

Date of appointment

17 March 2014

Current directorships held in other listed entities

None.

Former directorships in other listed entities in the last three years

None.

Mr James Hodges

Independent Non-Executive Director

Mr Hodges is an engineer based in Texas, USA with more than 40 years of oil field experience, having drilled and/or completed oil, high-pressure gas, saltwater disposal, injection, water source, hazardous waste injection and geothermal wells in Texas and Louisiana in reservoirs from sand to carbonates. As the owner of Hodges Engineering Inc., Mr Hodges is currently active in oil and gas exploration and production in Texas and provides engineering consulting services to the Texan energy, financial and environmental industries. Mr Hodges graduated from Texas A&M University in 1970 with a degree in mechanical engineering, and is registered in Texas as a Professional Engineer.

Date of appointment

30 April 2014

Current directorships held in other listed entities

None.

Former directorships in other listed entities in the last three years

None.

Mr John D. Kenny

Non-Executive Director

Mr Kenny is a lawyer by profession and holds a Bachelor of Commerce (Hons) and Bachelor of Laws from the University of Western Australia. Through his practice of corporate and mining law and investment banking, Mr Kenny has advised a number of ASX listed public companies in the areas of equity and debt finance. Mr Kenny has been a venture capital investor in several ASX mining and oil floats and also has experience in a number of sectors of Australian agribusiness, with involvement both as a director and as an investor.

Current directorships held in other listed entities

Gippsland Ltd

Former directorships in other listed entities in the last three years

Sun Resources NL
Indus Coal Ltd

Date of appointment

17 March 2014

Mr Larry Liu

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.

Current directorships held in other listed entities

None

Former directorships in other listed entities in the last three years

None

Date of appointment

10 December 2014

Company Secretary

Mr Calder is a chartered accountant and registered company auditor. He was a partner of PKF Mack & Co from 2006 to 2012 before commencing NK Advisory, which provides corporate, strategic and company secretarial services to a number of oil and gas, mining and manufacturing companies based in Perth, Western Australia. Mr Calder graduated from the University of Western Australia with a Bachelor of Commerce.

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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 31 March 2015:

	Shares	Options	Class A Convertible Milestone notes	Class B Convertible Milestone notes	Class C Convertible Milestone notes
Mr Peter Allchurch	12,278,994	4,076,828	1,981	3,962	5,943
Mr Neville Henry	4,670,407	3,777,759	1,959	3,918	5,877
Mr James Hodges	900,000	-	-	-	-
Mr John D. Kenny	11,718,994	3,516,828	1,666	3,332	4,998
Mr Larry Liu	55,192,837	-	-	-	-

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.

Operating Results

Net loss of the Group for the period ended 31 December 2014 after providing for income tax was US\$1,701,653. Net Assets of the entity as at 31 December 2014 were US\$22,678,119.

Significant changes in the state of affairs

The Company applied for listing on the Australian Securities Exchange and formally was admitted to the official list on 18 September 2014.

Further to its initial public offering, under which the Company issued 100,000,000 new shares at \$A0.20 cents each pursuant to a prospectus dated 8 August 2014 raising \$A20,000,000 (before costs) (**Offer**), the Company was admitted to the Official List of ASX on 18 September 2014. An additional 8,000,000 Shares were issued to the joint lead managers and corporate advisors (or their nominees) in relation to the Offer, being CPS Capital Group Pty Ltd, Patersons Securities Limited and Chatsworth Stirling Pty Ltd.

The Company also issued a total of 51,000,000 Shares, 14,000,000 Options, 1,000 Class A Convertible Milestone Notes, 2,000 Class B Convertible Milestone Notes and 3,000 Class C Convertible Milestone Notes to vendors pursuant to the CEP Purchase Agreement dated 24 June 2014 between the Company, CEP Nolan Partners Inc. and the shareholders of CEP Nolan Partners Inc. in consideration for the Company's acquisition of all shares in CEP Nolan Partners Inc., which has now completed.

The Company has a financial year end of 31 December and will hold its Annual General Meeting by the end of May 2015. The subsequent financial years of the Company and its subsidiaries will run from 1 January to 31 December.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Significant events subsequent to balance date

There have been no significant events after the balance sheet date other than events disclosed in note 28.

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 period ended 31 December 2014, no dividends have been paid or declared since incorporation and the Directors do not recommend the payment of a dividend in respect of the financial period.

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
24 April 2014	30 April 2019	\$A0.25	16,000,000
16 September 2014	30 April 2019	\$A0.25	14,000,000

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	
	Held	Attended
Mr Peter Allchurch	4	4
Mr Neville Henry	4	4
Mr James Hodges	4	4
Mr John D. Kenny	4	4
Mr Larry Liu	0	0

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, further information in relation to which is set out in the Corporate Governance section on page 44 of this report) will focus on participation of women on its Board and within senior management and has set measurable objectives for achieving gender diversity.

Auditor independence and non-audit services

The auditor's independence declaration is included on page 15 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.

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

	2014 AUD\$
Taxation advice	29,268
Other non-audit services*	32,640
	<hr style="border-top: 1px dashed black;"/>
	61,908

* *Independent expert report, investigating accountants report.*

Remuneration Report (Audited)

1. Introduction

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

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

Directors

Mr Peter Allchurch	Non-Executive Chairman	Appointed 17 March 2014
Mr Neville Henry	Managing Director	Appointed 17 March 2014
Mr James Hodges	Independent Non-Executive Director	Appointed 30 April 2014
Mr John D. Kenny	Non-Executive Director	Appointed 17 March 2014
Mr Larry Liu	Non-Executive Director	Appointed 10 December 2014

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 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), excluding James Hodges who is paid a monthly fee. 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.

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.

Remuneration Report (Audited) (continued)

Specific terms and conditions of service agreements of KMP at the end of the financial period are summarised in the table below:

Name	Position	Notice Period	Restraint of Trade
Mr Neville Henry	Managing Director	3 months	None
Mr Peter Allchurch	Non-Executive Chairman	3 months	None
Mr James Hodges	Independent Non-Executive Director	3 months	None
Mr John D. Kenny	Non-Executive Director	3 months	None
Mr Larry Liu	Non-Executive Director	3 months	None

4. Non-executive director remuneration arrangements

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).

At a general meeting of the members of the Company held on 28 August 2014 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 will be entitled to the following remuneration over the 12 month period commencing on 1 January 2015:

Fees	\$AUD
Mr Peter Allchurch	156,000
Mr Neville Henry	300,000
Mr James Hodges	72,000
Mr John D. Kenny	156,000
Mr Larry Liu	72,000

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

Remuneration Report (Audited) (continued)

5. Key management personnel remuneration

The remuneration for each Director and key management personnel of the Company receiving the highest remuneration during the period ended 31 December 2014 was as follows:

2014	Short term benefits			Post-employment	Long term benefits	Share based payments	Termination payments	Total	Performance related
	Salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave				
Directors	\$AUD	\$AUD	\$AUD	\$AUD	\$AUD	\$AUD	\$AUD	\$AUD	%
P. Allchurch	117,000	-	-	-	-	-	-	117,000	0%
N. Henry	225,000	-	-	-	-	-	-	225,000	0%
J. Hodges	54,000	-	-	-	-	-	-	54,000	0%
J. D. Kenny	117,000	-	-	-	-	-	-	117,000	0%
Larry Liu ¹	-	-	-	-	-	-	-	-	0%
	513,000	-	-	-	-	-	-	513,000	0%

¹ Mr Larry Liu was appointed as Non-Executive Director of the Group on 10 December 2014.

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 2014.

2014	Balance at incorporation No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Peter Allchurch	-	-	12,278,994	12,278,994
Mr Neville Henry	-	-	4,670,407	4,670,407
Mr James Hodges	-	-	900,000	900,000
Mr John D. Kenny	-	-	11,718,994	11,718,994
Mr Larry Liu	-	-	55,192,837	55,192,837

Remuneration Report (Audited) (continued)

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 2014.

2014	Balance at incorporation No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Peter Allchurch	-	-	4,076,828	4,076,828
Mr Neville Henry	-	-	3,777,759	3,777,759
Mr James Hodges	-	-	-	-
Mr John D. Kenny	-	-	3,516,828	3,516,828
Mr Larry Liu	-	-	-	-

Share based payment

There were no share based payment arrangements in the form of ordinary shares affecting remuneration of key management personal in the current financial year.

Loans to key management personnel

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

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Remuneration Report (Audited) (continued)

6. Additional statutory disclosures (continued)

Other transactions with key management personnel

During the financial period, the Company issued Class A, Class B and Class C Convertible Milestone Notes to the following Directors as consideration for the Company borrowing monies from these Directors in the amount and upon on the terms and conditions set out in the Class A, Class B and Class C Convertible Milestone Notes. (For further information see Note 15)

	Class A Convertible Milestone notes	Class B Convertible Milestone notes	Class C Convertible Milestone notes
Mr Peter Allchurch	1,981	3,962	5,943
Mr Neville Henry	1,959	3,918	5,877
Mr James Hodges	-	-	-
Mr John D. Kenny	1,666	3,332	4,998
Mr Larry Liu	-	-	-

Chatsworth Stirling Pty Ltd (director related entity of John Kenny) provided consulting services to the Group in relation to the Offer of securities by the Company under a prospectus.

Two of Chatsworth Stirling Pty Ltd's nominees were issued the following securities as consideration for these services:

2014	Grant date	Granted as Compensation No.	Grant date fair value AUD	Vesting conditions
Mr Peter Allchurch	16 September 2014	2,319,125	20 cents	Listing on ASX
Mr John D. Kenny	16 September 2014	2,319,125	20 cents	Listing on ASX

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.

On behalf of the Directors



Mr Peter Allchurch
Non-Executive Chairman
31 March 2015

DIRECTORS' DECLARATION

The Directors declare that:

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

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

On behalf of the Directors



Mr Peter Allchurch
Non-Executive Chairman
31 March 2015

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF WINCHESTER ENERGY LIMITED

As lead auditor of Winchester Energy Limited for the period ended 31 December 2014, 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.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2015

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2014

	Note	2014 US\$
Interest income		114,451
Other Income		507,636
Administration expenses		(2,082,998)
Depreciation		(12,513)
Finance costs		(3,428)
Other expenses		(224,801)
Loss before income tax	6	(1,701,653)
Income tax benefit	7	-
Loss for the period after income tax		(1,701,653)
Other comprehensive loss, net of income tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	18	(1,684,721)
Total comprehensive loss for the period		(3,386,374)
		Cents
Basic loss per share (cents per share)	9	(1.66)
Diluted loss per share (cents per share)	9	(1.66)

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 2014

	Note	2014 US\$
ASSETS		
Current assets		
Cash and cash equivalents	10	12,447,714
Other receivables	11	299,104
Total current assets		12,746,818
Non-current assets		
Property, plant and equipment	12	-
Exploration and evaluation expenditure	13	10,377,742
Total non-current assets		10,377,742
TOTAL ASSETS		23,124,560
LIABILITIES		
Current liabilities		
Other payables	14	442,037
Total current liabilities		442,037
Non-current liabilities		
Borrowings	15	4,404
Total non-current liabilities		4,404
TOTAL LIABILITIES		446,441
NET ASSETS		22,678,119
EQUITY		
Issued capital	16	24,172,873
Option reserve	17	1,891,620
Foreign currency translation reserve	18	(1,684,721)
Retained earnings	19	(1,701,653)
TOTAL EQUITY		22,678,119

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 period ended 31 December 2014

	Ordinary Shares	Retained earnings	Option Premium reserve	Foreign Currency Translation Reserve	Total
	US\$	US\$	US\$	US\$	US\$
Balance at incorporation	-	-	-	-	-
Loss for the period	-	(1,701,653)	-	-	(1,701,653)
Other comprehensive loss, net of tax	-	-	-	(1,684,721)	(1,684,721)
Total comprehensive loss for the period	-	(1,701,653)	-	(1,684,721)	(3,386,374)
<i>Transactions with owners in their capacity as owners</i>					
Option premium	-	-	1,891,620	-	1,891,620
Issue of share capital (net of costs)	24,172,873	-	-	-	24,172,873
	24,172,873	-	1,891,620	-	26,064,493
Balance at 31 December 2014	24,172,873	(1,701,653)	1,891,620	(1,684,721)	22,678,119

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 period ended 31 December 2014

	Note	2014 US\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		-
Payments to suppliers and employees (inclusive of GST)		(1,328,590)
Interest paid		(3,428)
Income tax refund/(paid)		-
Net cash generated by operating activities	10(a)	(1,332,018)
Cash flows from investing activities		
Payment for exploration activities		(4,300,314)
Interest received		114,451
Purchase of property, plant, equipment and software		(11,168)
Net cash used in investing activities		(4,197,031)
Cash flows from financing activities		
Proceeds from issue of shares and options		19,178,217
Proceeds from borrowings		4,404
Repayment of borrowings		-
Net cash generated by financing activities		19,182,621
Net increase in cash and cash equivalents		13,653,572
Cash and cash equivalents at beginning of the period		-
Effect of exchange rate changes on balance of cash held in foreign currencies		(1,205,858)
Cash and cash equivalents at the end of the period	10	12,447,714

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

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

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 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities").

The registered office and principal place of business of Winchester Energy Limited is located at Level 1, 100 Havelock 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 nine month period ended 31 December 2014. Given the Company was incorporated on 17 March 2014 there are no comparatives for this reporting period.

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 and the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 31 March 2015.

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 historical financial information 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.

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.

Subsequent to listing in ASX, the Company has experienced a period of sustained activity in US dollar streams including some assets acquisitions. As a consequence the Group has elected to change its presentation currency from Australian dollars to US dollars. The directors believe that changing the presentation currency to US dollars will enhance comparability with its industry peer group, the majority of which report in US dollars. The change in presentation currency represents a voluntary change in accounting policy. The change in presentation currency has been applied with effect from incorporation.

To give effect to the change in presentation currency, the assets and liabilities of the Group at 31 December were converted into US dollar at spot exchange rate on 31 December 2014, other reserve and retained earnings were converted at applicable historical rates. Revenue and expenses for the year ended 31 December 2014 were converted at the average exchange rate for the reporting period, or at the exchange rates ruling at the date of the transaction to the extent applicable.

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

3. Summary of Significant Accounting Policies

a) Basis of preparation (continued)

The exchange rates applied during the reporting period were as follows:

Australian Dollars (A\$) to United States dollars (US\$)	31 December 2014
Period-to-date average exchange rate	0.9047
Period-end closing exchange rate	0.8156

The basis for presenting the results and financial position from functional currency of Australian dollars into a presentational currency of United States dollars were as follows:

- The Australian denominated parent balance sheet as at 31 December 2014 was translated at the closing exchange rate of 0.8156;
- Income and expenses for the statement of comprehensive income were translated at average daily exchange rates from 17 March 2014 to 31 December 2014;
- Movements in equity and reserves for the comprehensive loss and for the financial position were translated at applicable historical rates.

The above stated procedures resulted in a foreign currency translation reserve of \$1,684,721 at 31 December 2014.

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 2014 and the results of all subsidiaries for the period 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 and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists 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 existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another 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.

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

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

2. Summary of Significant Accounting Policies (continued)

d) Application of new and revised Accounting Standards

Standards and interpretations in issue not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 31 December 2014. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

I. AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The Company will adopt this standard and the amendments from 1 July 2018 but the adoption of this amending standard does not have any material impact on the financial statements of the Group.

II. IFRS 15 'Revenue from Contracts with customers'

These amendments are applicable to annual reporting periods beginning on or after 1 January 2017. The requirements of IFRS 15 'Revenue from Contracts with customers' require that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

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 balance sheet date.

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.

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

2. Summary of Significant Accounting Policies (continued)

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

Trade receivables are recognised as the amount receivable and are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

h) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of GST.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

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.

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

2. Summary of Significant Accounting Policies (continued)

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.

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 performance.

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.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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) 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.

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

2. Summary of Significant Accounting Policies (continued)

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.

o) 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 and 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. 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.

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

2. Summary of Significant Accounting Policies (continued)

p) 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.

q) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

r) 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.

s) 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, leasing transactions that are within the scope of AASB 117, 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.

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

2. Summary of Significant Accounting Policies (continued)

Fair value measurement hierarchy

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

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

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:

Recoverability of 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 evaluate 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.

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 period ended 31 December 2014

4. Financial Risk Management (continued)

Categories of Financial Instruments:

	2014 US\$
Financial Assets	
Cash and cash equivalents	12,447,714
Trade and other receivables	299,104
	<u>12,746,818</u>
Financial Liabilities	
Trade and other payables	442,037
Borrowings	4,404
	<u>446,441</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:

	2014	
	Average interest rate	Balance US\$
Financial assets		
Cash and cash equivalents	0.5%	12,447,714
Term deposit	2.8%	41,343
Financial liabilities		
Borrowings	-	(4,404)
		<u>12,484,653</u>

Other than cash and other short term deposits, all the Group's financial assets are non-interest bearing.

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2014, 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 \$87,393 lower/higher.

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

4. Financial Risk Management

(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.

(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.

2014	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Trade and Other Payables	442,037	442,037	442,037	-	-	-
Borrowings	4,404	4,404	-	-	-	4,404
	446,441	446,441	442,037	-	-	4,404

(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.

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 Note15, cash and cash equivalents, equity attributable to the equity holders of the parent comprising issued capital, reserves and retained earnings.

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

4. Financial Risk Management (continued)

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

	2014 US\$
Cash and cash equivalents	12,447,714
Less Debt	(4,404)
Net cash/(debt)	12,443,310
Net debt plus equity	22,682,523
Net cash to net debt plus equity	55%

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\$10,377,742 was capitalised as exploration and evaluation expenditure 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 Loss US\$	Segment Assets US\$
Australia	1,552,140	20,130,778
USA	149,513	2,993,782
Total	1,701,653	23,124,560

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

6. Loss before income tax

Loss before tax is arrived after charging following expenses	2014 US\$
Consultancy fees	908,088
Share based payment expense	836,276
Legal Fees	136,522
Rent	68,578

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

7. Income taxes

a) Income tax recognised in profit or loss

The major components of income tax expense are:

	2014 US\$
Current tax	-
Deferred tax	-
Income tax benefit reported in the Statement of profit and loss and other comprehensive income.	-

b) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

	2014 US\$
Accounting loss before income tax	(1,701,653)
Income tax benefit calculated at rate of 30%	(510,496)
Effect of revenue losses not recognised as deferred tax assets	510,496
Income tax reported in the consolidated Statement of profit and loss and other comprehensive income.	-

8. Auditor's remuneration

a) BDO

	2014 US\$
Audit and other assurance services	34,255
Other services – taxation advice, independent expert report	49,542
Total remuneration of BDO	83,797

9. Loss per share

	2014 Cents per share
Basic loss per share (using weighted average number of shares)	(1.66)
Diluted loss per share (using weighted average number of shares)	(1.66)

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

a) Earnings used in calculating earnings per share

	2014 US\$
For basic earnings per share	
Net loss attributable to ordinary equity holders of the parent	(1,701,653)
For diluted earnings per share	
Net loss attributable to ordinary equity holders of the parent	(1,701,653)

b) Weighted average number of shares used

	2014 No. Shares
Weighted average number of shares used in calculating basic and diluted earnings per share	102,424,205
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	102,424,205

10. Cash and cash equivalents

	2014 US\$
Cash on hand	-
Cash at bank	12,447,714
	12,447,714

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

10. Cash and cash equivalents (continued)

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

	2014 US\$
Net loss	(1,701,653)
Adjustments for:	
Depreciation of non-current assets	12,513
Interest received classified as investing cash flow	(114,451)
Share based payment expense	836,276
Foreign exchange gain	(507,636)
Changes in assets and liabilities	
(Increase)/decrease in trade receivables	(299,104)
Increase/(decrease) in trade and other creditors	442,037
Net cash flow from operating activities	(1,332,018)

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

	2014 US\$
Term deposits	41,343
GST receivables	244,470
Income tax receivables	446
Security Bond	7,646
Other	5,199
	299,104

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

12. Property, Plant & Equipment

	Office Equipment US\$	Total US\$
Balance at incorporation	-	-
Additions	11,168	11,168
Disposals	-	-
Depreciation expense	(11,168)	(11,168)
Balance at 31 December 2014	-	-
Cost	11,168	11,168
Accumulated depreciation	(11,168)	(11,168)
Net carrying amount	-	-

13. Exploration and evaluation expenditure

	2014 US\$
Balance at incorporation	-
Exploration and evaluation expenditure capitalised during the period	4,327,742
Acquisition of CEP (Note 20)	6,050,000
Closing balance	10,377,742

The recoverability of the carrying amounts of exploration and valuation assess is dependent on the successful development and commercial exploitation or sale of the respective are of interest.

14. Trade and other payables

	2014 US\$
Sundry creditors	442,037
	442,037

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.

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

15. Borrowings

	2014 US\$
Class A, B and C Convertible Milestone Notes*	4,404
	4,404

*Convertible Milestone Notes split as follows:

	Class A	Class B	Class C
Balance at the start of the period	-	-	-
Issued during the period	9,000	18,000	27,000
Loan due	\$734	\$1468	\$2,202
Total			\$4,404

Terms and conditions of Convertible Milestone Notes

	Issue price A\$	Interest rate	Security	Term	Conversion price A\$	Milestone
Class A Convertible Milestone Note	0.10	Interest free	unsecured	expires on 30 April 2019	\$0.0001 per fully paid ordinary share	Each Milestone Note converts to 1,000 fully paid ordinary shares in the Company upon the Company announcing to ASX that during the Term the Company has attained average daily production (net to the Company) of 500 barrels of oil equivalent (boe) per day for a period of 60 days (as determined by an independent petroleum reservoir engineer) from oil and gas leases located within Nolan County, Texas, USA.

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

	Issue price A\$	Interest rate	Security	Term	Conversion price A\$	Milestone
Class B Convertible Milestone Notes	0.10	Interest free	unsecured	expires on 30 April 2019	\$0.0001 per fully paid ordinary share	Each Milestone Note converts to 1,000 fully paid ordinary shares in the Company upon the Company announcing to ASX that during the Term the Company has attained 2P Reserves (net to the Company) of 5,000,000 barrels of oil equivalent (boe) (as determined by an independent petroleum reservoir engineer) from oil and gas leases located within the boundaries of Kent, Stonewall, Fisher, Nolan, Mitchell, Coke and Tom Green Counties, Texas, USA
Class C Convertible Milestone Notes	0.10	Interest free	unsecured	expires on 30 April 2019	\$0.0001 per fully paid ordinary share	Each Milestone Note converts to 1,000 fully paid ordinary shares in the Company upon the Company announcing to ASX that during the Term the Company has attained 2P Reserves (net to the Company) of 10,000,000 barrels of oil equivalent (boe) (as determined by an independent petroleum reservoir engineer) average daily production of 1,000 BOEPD from oil and gas leases located within the boundaries of Kent, Stonewall, Fisher, Nolan, Mitchell, Coke and Tom Green Counties, Texas, USA

16. Issued capital

	2014 US\$
215,416,672 fully paid ordinary shares	24,172,873
Fully paid ordinary shares	Number of Shares
	Share capital US\$
Balance at incorporation	-
Issue of shares	215,416,672
Share issue costs	(2,295,778)
Balance at 31 December 2014	24,172,873

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

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

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

Ordinary shares were issued as follows:

- a) 56,416,672 shares were issued as part of the Company seed raise;
- b) 108,000,000 shares were issued as part of the IPO; and
- c) 51,000,000 shares were issued as part of the consideration payable to acquire the CEP assets.

The following escrow restrictions on ordinary shares held in the Company are as follows:

- a) 24,755,822 vendor shares are escrowed for 12 months;
- b) 26,244,178 vendor shares are escrowed for 24 months;
- c) 9,833,334 seed shares are escrowed for 12 months;
- d) 31,427,088 seed shares are escrowed for 24 months;
- e) 8,000,000 broker shares are escrowed for 24 months

17. Option Premium Reserves

	Number of Options	2014 US\$
Balance at incorporation		-
Recognition of option premium reserve	30,000,000	1,891,620
Transferred to issued capital		-
Balance at 31 December 2014	30,000,000	1,891,620

Terms and conditions of options

Exercise Price	A\$0.25
Expiry Date	Expire at 5.00pm WST on 30 April 2019
Exercise Period	The Options are exercisable at any time on or prior to the Expiry Date
Entitlement	Each Option entitles the holder to subscribe for one Share upon exercise of each Option
Shares Issued on Exercise	Shares issued on exercise of the Options rank equally with the then Shares currently on issue

18. Foreign currency translation reserve

	2014 US\$
Balance at incorporation	-
Movement in foreign currency translation reserve	(1,684,721)
Balance at 31 December 2014	(1,684,721)

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

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

19. Retained earnings

	2014 US\$
Balance at incorporation	-
Movement in retained earnings	(1,701,653)
Balance at 31 December 2014	(1,701,653)

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

20. Assets acquisition

On 24 June 2014, the Company executed a Purchase Agreement to acquire the entire share capital of CEP Nolan Partners Inc. ('CEP') from the shareholders of CEP ('CEP Vendors'). CEP's main asset is the Van Hoogen Oil project. The Van Hoogen Oil project is located in the developing Cline Shale oil play of central west Texas, USA. The project area covers the counties of Kent, Stonewall, Fisher, Nolan, Mitchell, Coke and Tom Green, with major operators such as Devon Energy and Range Resources leasing tracts of land in the Cline Shale and experiencing successful horizontal drilling results.

The consideration payable by the Company was as follows:

- 51 million ordinary shares in Winchester;
- 14 million options in Winchester, with an exercise price of \$A0.25 each and an expiry date of 30 April 2019;
- 1,000 Class A convertible milestone notes, with each note converting to 1,000 fully paid ordinary shares in Winchester in the event the Company announces to the ASX that it has attained average daily production of 500 barrels of oil equivalent per day ('BOEPD') for a period of 60 days from the oil and gas leases located within the Nolan County, Texas ('Class A Milestone Notes');
- 2,000 Class B convertible milestone notes, with each note converting to 1,000 fully paid ordinary shares in Winchester in the event the Company announces to the ASX that it has attained 2P Reserves of 5 million barrels of oil equivalent ('BOE') from the oil and gas leases located within the boundaries of Kent, Stonewall, Fisher, Nolan, Mitchell, Coke and Tom Green Counties, Texas ('Class B Milestone Notes');
- 3,000 Class C convertible milestone notes, with each note converting to 1,000 fully paid ordinary shares in Winchester in the event the Company announces to the ASX that it has attained 2P Reserves of 10 million BOE and average daily production of 1,000 BOEPD from the oil and gas leases located within the boundaries of Kent, Stonewall, Fisher, Nolan, Mitchell, Coke and Tom Green Counties, Texas ('Class C Milestone Notes').

The Class A, Class B and Class C Milestone Notes expire on 30 April 2019 (collectively referred to as 'the Milestone Notes'); and

- A deferred cash payment of US\$3.1 million following:
 - settlement of the Acquisition; and
 - the drilling and completion and achievement of commercial scale successful oil and gas production from at least 4 wells situated within the boundaries of Kent, Stonewall, Fisher, Nolan, Mitchell, Coke and Tom Green Counties, Texas, USA on or before 30 April 2019. The achievement of commercial scale successful oil and gas production is defined as average oil and gas production during the first 30 days of oil and gas production of 250 or higher BOEPD ('Deferred Cash Payment').

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

Following table summarises the acquisition accounting of CEP

	2014 US\$
Consideration transferred	
Share capital	4,159,870
Options	1,890,130
Convertible milestone notes ¹	-
Deferred Cash Payment ²	-
Total consideration	6,050,000
Less: Fair value of net assets acquired³	6,050,000

¹**Convertible milestone notes:** Directors are unable to determine, with any certainty whether the conditions for the convertible milestone notes will be satisfied at this point in time. Directors are also unable to reliably assess the value of the CEP assets being acquired if these conditions were to be met. For these reasons, value was not assigned to the convertible milestone notes.

²**Deferred Cash Payment:** Winchester will be required to pay US\$3.1 million on the achievement of commercial scale successful oil and gas production from at least 4 wells on or before 30 April 2019. Directors are unable to determine, with any certainty whether this condition will be satisfied at this point in time. Directors are also unable to reliably assess the value of the CEP assets being acquired if this condition was to be met. For these reasons, value was not assigned to the Deferred Cash Payment.

³The acquisition of CEP by Winchester is not deemed to be a business combination, as CEP is not considered to be a business under AASB 3 Business Combinations. Therefore treated the acquisition of CEP was treated as an asset acquisition and have accounted for this under AASB 2 Share Based Payments whereby equity instruments were issued as consideration for the net assets of CEP. In accordance with AASB 2, the entity measures the goods and services received by reference to the fair value of those goods and services or if that is not considered reliable or obtainable then the fair value of equity instruments issued is assessed to obtain the value of the goods and services provided.

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

21. Key management personnel

Key management personnel compensation	2014 AUD\$
Short-term employee benefits	513,000
Post-employment benefits	-
Other long-term benefits	-
Termination benefits	-
Share-based payment	-
	513,000

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

22. Commitments and contingencies

Operating lease commitments	2014 US\$
Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:	
Within 1 year	20,000
After 1 year but not more than 5 years	-
More than 5 years	-
	20,000
Finance lease commitments	
Within 1 year	-
After 1 year but not more than 5 years	-
	-

Capital expenditure commitments

There are no capital commitments at 31 December 2014.

Other expenditure commitments

There are no other expenditure commitments at 31 December 2014.

23. Contingent assets and liabilities

Winchester will be required to pay US\$3.1 million on the achievement of commercial scale successful oil and gas production from at least 4 wells on or before 30 April 2019. Refer to note 20 for further details.

24. 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

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NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

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.

25. 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.

	2014 US\$
Assets	
Current assets	11,543,441
Non-current assets	11,562,091
Total assets	23,105,532
Liabilities	
Current liabilities	273,498
Non-current liabilities	4,404
Total liabilities	277,902
Equity	
Issued capital	24,172,873
Retained earnings	(1,552,142)
Option premium reserve	1,891,620
Foreign currency translation	(1,684,721)
Total equity	22,827,630

Financial Performance

	2014 US\$
Loss for the period	(1,552,142)
Other comprehensive loss	(1,684,721)
Total comprehensive loss	(3,236,863)

NOTES TO FINANCIAL STATEMENTS

For the period ended 31 December 2014

26. 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
Winchester Energy Limited LLC	Oil and Gas Exploration	USA	100%
Winchester Energy USA Holdings Inc	Oil and Gas Exploration	USA	100%

27. Related party note

Chatsworth Stirling Pty Ltd (director related entity of John Kenny) provided consulting services to the Group in relation to the offer of securities under a prospectus.

Two of Chatsworth Stirling Pty Ltd's nominees were issued the following securities as consideration for these services:

2014	Grant date	Granted as Compensation No.	Grant date fair value ¹	Vesting conditions
Mr Peter Allchurch	16 September 14	2,319,125	\$A20 cents	Listing on ASX
Mr John D. Kenny	16 September 14	2,319,125	\$A20 cents	Listing on ASX

¹ Fair value of shares issued under a prospectus.

28. Events after balance sheet date

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

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INDEPENDENT AUDITOR'S REPORT

To the members of Winchester Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Winchester Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Winchester Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Winchester Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the period ended 31 December 2014. 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.

Opinion

In our opinion, the Remuneration Report of Winchester Energy Limited for the period ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Glyn O'Brien

Director

Perth, 31 March 2015

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SHAREHOLDINGS

Ordinary share capital

As at 31 March 2015 Winchester Energy had 215,416,672 fully paid ordinary shares on issue which were held by 549 individual shareholders.

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

Substantial Shareholder

	Fully Paid	
	Number	Percentage
Mr Yang Xiangyang (Mandarin) / Mr Yeung Heung Yeung (Cantonese) and China Leader Group Pty Ltd and Inventive Holdings Ltd	55,192,837	25.62%
Peter Donald Allchurch and Haifa Pty Ltd and Energetico Pty Ltd and Azuree Pty Ltd	12,278,994	5.70%
JDK Nominees Pty Ltd as trustee for the Kenny Capital Trust and Chatsworth Stirling Pty Ltd	11,718,994	5.44%
	79,190,825	36.76%

Twenty Largest Holders of Quoted Equity Securities

	Fully Paid	
	Number	Percentage
1 China Leader Group Ltd	38,333,333	17.79
2 Inventive Holdings Ltd	16,859,504	7.83
3 JDK Nominees Pty Ltd <The Kenny Capital A/C>	9,399,869	4.36
4 Eaglewood Energy LLC	7,724,127	3.59
5 Azuree Pty Ltd	6,640,001	3.08
6 Trend E & P LLC	4,670,407	2.17
7 Lugano Holdings LLC	4,630,407	2.15
8 Mr Jason Peterson	4,431,280	2.06
9 Adrian Darby Investments Pty Ltd	4,424,725	2.05
10 Bellarine Gold Pty Ltd	4,396,000	2.04
11 Berenes Nominees Pty Ltd	2,774,351	1.29
12 Bring On Retirement Ltd	2,529,226	1.17
13 Stanley Rogers Pty Ltd	2,375,520	1.10
14 Peter Donald Allchurch	2,319,868	1.08
15 Energetico Pty Ltd	2,319,125	1.08
16 Chatsworth Stirling Pty Ltd	2,319,125	1.08
17 William Taylor Nominees Pty Ltd	2,300,000	1.07
18 Raegan Pty Ltd	2,033,753	0.95
19 Celtic Capital	2,000,000	0.93
20 Asprey Pty Ltd	1,933,752	0.90
TOTAL	124,414,373	57.77
Balance of Register	92,002,299	42.23
Grand Total	215,416,672	100.00

CORPORATE GOVERNANCE

To the extent applicable, and to the extent able (given the current size and structure of the Company and the Board), the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**). Any departures from the Recommendations are set out in the 'Departures from Recommendations' section on page 48.

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The corporate governance statement contained in this section and the section entitled 'Departures from Recommendations' on page 48 are current as at the date of this report and have been approved by the Board.

1. Board of Directors

The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. Clearly articulating the division of responsibilities between the Board and management will help manage expectations and avoid misunderstandings about their respective roles and accountabilities. The responsibilities of the Board are outlined in the Company's Board Charter, available at www.winchesterenergy.com.

The Company is committed to ensuring that appropriate checks are undertaken before the appointment of a Director and has in place written agreements with each Director and senior executive, setting out the terms of their appointment.

2. Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. The Board currently consists of one Non-Executive Chairman, three Non-Executive Directors and only one Executive Director (who is the Managing Director of the Company). As the Company's activities develop in size, nature and scope, the composition of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

3. Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

4. Remuneration and Nomination Committee

The remuneration of any Executive Director (which includes the Managing Director) will be decided by the Board following the recommendation of the Remuneration Committee, without the affected Executive Director or Managing Director participating in that decision-making process. The Remuneration Committee is currently comprised of the Non-Executive Chairman and two Non-Executive Directors.

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).

At a General Meeting of the Company held on 28 August 2014, approval was sought from Shareholders to set the maximum aggregate remuneration payable to Directors at A\$1,000,000 per annum. The determination of Non-Executive Directors' remuneration within that maximum aggregate sum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director.

In addition, subject to any necessary Shareholder approval, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director (e.g. non-cash performance incentives such as options).

Directors are also entitled to be paid reasonable travel and other expenses incurred by them in the course of the performance of their duties as Directors.

The Remuneration and Nomination Committee reviews and approves the Company's remuneration strategy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having consideration to the amount considered to be commensurate for an entity of the Company's size and level of activity as well as the relevant Directors' time, commitment and responsibility.

The Board is also responsible for reviewing any employee incentive remuneration and shares and equity-based plans.

5. Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Managing Director). The policy generally provides that the written approval of the Chairman (or a delegate of the Chairman) must be obtained prior to trading. It also set out certain 'closed periods' when key management personnel must refrain from dealing in Company securities.

6. Diversity policy

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has set in place a diversity policy. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

7. Audit and Risk Committee

The Company has established an Audit and Risk Committee which operates under a Charter which includes, but is not limited to, monitoring and reviewing any matters of significance affecting financial and corporate reporting and compliance, the integrity of the financial and corporate reporting of the Company, the Company's accounting and internal financial control systems and the Company's risk management processes and the external audit function. The Audit and Risk Committee is currently comprised of the Non-Executive Chairman and two Non-Executive Directors.

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

8. External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors following the recommendation from the Audit and Risk Committee.

Departures from Recommendations

Following admission to the Official List, the Company is required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this report are detailed in the table below.

PRINCIPLES AND RECOMMENDATIONS		COMMENT
1.	Lay solid foundations for management and oversight	
1.1	Companies should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the board and those delegated to management.	The Board has adopted a formal charter setting out the responsibilities of the Board. This charter can be accessed at: www.winchesterenergy.com
1.2	Companies should undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and should provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company has undertaken appropriate police, credit and other relevant checks prior to the appointment of the Directors.
1.3	Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.	Written agreements have been entered into with all Directors and senior management. In respect of new board members the Company will endeavour to enter into written agreements as soon as possible.

PRINCIPLES AND RECOMMENDATIONS	COMMENT
1.4 The company secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	A written agreement with the Company Secretary provides for this.
1.5 Companies should: <ul style="list-style-type: none"> ▪ have a diversity policy which includes requirements for the board to set measurable objectives for achieving gender diversity and assess both the objectives and the company's progress in achieving them; ▪ disclose that policy or a summary of it; and ▪ disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the company's diversity policy and its progress towards achieving them and either: <ul style="list-style-type: none"> - the respective proportions of men and women on the board, in senior executive positions and across the whole organisation; or - the company's 'Gender Equality Indicators' as defined in the Workplace Gender Equality Act 2012. 	The Company has adopted a Diversity Policy which can be accessed at www.winchesterenergy.com . Information in relation to measurable objectives for achieving gender diversity is set out in the Directors' Report.
1.6 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors and disclose in relation to each reporting period whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The performance evaluation of board members occurs in accordance with the Remuneration and Nomination Committee Charter which can be accessed at www.winchesterenergy.com . Performance reviews are currently ongoing.
1.7 Companies should disclose a process for periodically evaluating the performance of its senior executives and disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Board will meet annually to review the performance of executives. The senior executives' performance is to be assessed against the performance of the Company as a whole. Performance reviews are currently ongoing.
2. Structure the board to add value	
2.1 Companies should have a nomination committee which: <ul style="list-style-type: none"> ▪ has at least 3 members, a majority of whom are independent directors; and ▪ is chaired by an independent director; and disclose: <ul style="list-style-type: none"> ▪ the charter of the committee; ▪ the members of the committee; and ▪ as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meeting. 	The Board has established a Remuneration and Nomination Committee and has adopted a formal Charter which can be accessed at www.winchesterenergy.com . The Remuneration and Nomination Committee is currently comprised of the Non-Executive Chairman (who is not independent) and two Non-Executive Directors (only one of whom is independent). These 3 Directors constitute the Remuneration and Nomination Committee. The Company Secretary acts as secretary to the committee and attends its meetings. Given the size and structure of the Company, there is only one independent Director on the Board, being James Hodges. For this reason the

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PRINCIPLES AND RECOMMENDATIONS	COMMENT
	<p>recommendation that the Remuneration and Nomination Committee have a majority of independent members has not been followed.</p> <p>During the period the Remuneration and Nomination Committee met once formally, with all members of the Committee in attendance.</p>
<p>2.2 Companies should disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve its membership.</p>	<p>The skills, experience and expertise relevant to the position held by each Director is disclosed in the Directors' Report.</p>
<p>2.3 Companies should disclose:</p> <ul style="list-style-type: none"> ▪ the names of the directors considered by the board to be independent directors; ▪ if a director has an interest, position, association, or relationship affecting independent status but the board is of the opinion that it does not compromise the independence of the director, the nature of that interest position or association or relationship in question and an explanation of why the Board is of that opinion; and ▪ the length of service of each director. 	<p>The Board currently has only one independent Director and that is James Hodges.</p> <p>The date of appointment of each Director is set out in the Director's Report.</p>
<p>2.4 A majority of the board of a company should be independent directors.</p>	<p>Given the size and structure of the Company, the board currently has only one independent Director and that is James Hodges.</p>
<p>2.5 The chair should be an independent director and should not be the same person as the CEO of the company.</p>	<p>Given the size and structure of the company, the Chairman is not independent.</p>
<p>2.6 Companies should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skill and knowledge needed to perform their role as directors effectively.</p>	<p>The Company has adopted a program for inducting new directors and providing appropriate professional development opportunities.</p>
<p>3. Act ethically and responsibly</p>	
<p>3.1 Companies should establish a code of conduct for its directors, senior executives and employees and disclose the code or a summary of the code.</p>	<p>The Company has adopted a Code of Conduct and Diversity Policy both of which can be accessed at www.winchesterenergy.com</p>
<p>4. Safeguard integrity in corporate reporting</p>	
<p>4.1 The board should establish an audit committee which:</p> <ul style="list-style-type: none"> ▪ has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and ▪ is chaired by an independent director, who is not the chair of the board, <p>and disclose:</p> <ul style="list-style-type: none"> ▪ the charter of the committee; 	<p>The Company has established an Audit and Risk Committee which consists of three members. The Committee currently has a Non-Executive Chairman (but who is not independent) along with two Non-Executive Directors (of whom only one is independent). These 3 Directors constitute the Audit and Risk Committee. The Company Secretary acts as secretary to the committee and attends its meetings.</p>

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PRINCIPLES AND RECOMMENDATIONS	COMMENT
<ul style="list-style-type: none"> the relevant qualifications and experience of the members of the committee; and in relation to each reporting period the number of times and committee met throughout the period and the individual attendances of the members at those meeting. 	<p>The qualification and experience of the committee members are set out in the Directors' Report.</p> <p>The formal charter of the Committee can be accessed at www.winchesterenergy.com. Given the size and structure of the Company, there is only one independent Director on the board, being James Hodges. For this reason the recommendation that the Audit and Risk Committee have a majority of independent members has not been followed.</p> <p>During the period the Audit and Risk Committee met once formally, with all members in attendance.</p>
<p>4.2 The board of a company should, before it, approves the company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The Board has adopted the policy that before it approves the Company's financial statements for a financial period it will receive from its CEO and CFO (or the persons performing those functions) a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company.</p>
<p>4.3 Companies that have an AGM should ensure that its external auditor attends its AGM and is available to answer question from shareholders relevant to the audit.</p>	<p>The Board has adopted the policy that it will request the Company's auditor to attend the Company's AGM.</p>
<p>5. Make timely and balanced disclosure</p>	
<p>5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and disclose that policy or a summary of it.</p>	<p>The Company has adopted a Continuous Disclosure Policy which can be accessed at www.winchesterenergy.com.</p>
<p>6. Respect the rights of security holders</p>	
<p>6.1 Companies should provide information about itself and its governance to investors via its website.</p>	<p>Information on the Company can be accessed at www.winchesterenergy.com.</p>
<p>6.2 Companies should design and implement an investor relations program to facilitate effective two way communications with investors.</p>	<p>The Company has adopted a Shareholder Communications Policy which can be accessed at www.winchesterenergy.com.</p>
<p>6.3 Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of shareholders.</p>	<p>The Company has adopted a Shareholder Communications Policy which can be accessed at www.winchesterenergy.com.</p>

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PRINCIPLES AND RECOMMENDATIONS	COMMENT
<p>6.4 Companies should give shareholders the option to receive communications from, and send communications to, the company and its share registry electronically.</p>	<p>The Company has adopted a Shareholder Communications Policy which can be accessed at www.winchesterenergy.com.</p>
<p>7. Recognise and manage risk</p>	
<p>7.1 Companies should have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> ▪ has at least 3 members, a majority of whom are independent directors; and ▪ is chaired by an independent director, and disclose: <ul style="list-style-type: none"> ▪ the charter of the committee; ▪ the members of the committee; and ▪ as at the end of each reporting period, the number of times and committee met throughout the period and the individual attendances of the members at those meeting. 	<p>The Company has adopted an Audit and Risk Committee Charter which can be accessed at www.winchesterenergy.com. This charter outlines the key duties of the Audit and Risk Committee in relation to the Company's risk management practices.</p> <p>The Company has established an Audit and Risk Committee which consists of three members. The Committee currently has a Non-Executive Chairman (but who is not independent) along with two Non-Executive Directors (of whom only one is independent). These 3 Directors constitute the Audit and Risk Committee. The Company Secretary acts as secretary to the committee and attends its meetings.</p> <p>Given the size and structure of the Company, there is only one independent Director of the Board, being James Hodges. For this reason the recommendation that the Audit and Risk Committee have a majority of independent members has not been followed.</p> <p>During the period the Audit and Risk Committee met once formally, with all members in attendance.</p>
<p>7.2 The board or a committee of the board should review the company's risk management framework at least annually to satisfy itself that it continues to be sound and disclose in relation to each reporting period, whether such a review has taken place.</p>	<p>The Board receives assurance in the form of a declaration, from the Managing Director and Chief Financial Officer (equivalent) as required by the Corporations Act. However, given the Audit and Risk Committee Charter was only recently adopted by the Board and has been in place for less than 12 months, no review has taken place of this framework as yet.</p>
<p>7.3 Companies should disclose if it has an internal audit function, how the function is structured and what role it performed, or if it does not have an internal audit function, that fact, and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company due to its size does not have an internal audit department. However, pursuant to the Audit and Risk Committee Charter, the Audit and Risk Committee has been allocated the task of overseeing internal (and external) audit functions, monitoring internal control process and reviewing risk management processes.</p>

PRINCIPLES AND RECOMMENDATIONS	COMMENT
<p>7.4 Companies should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.</p>	<p>The risks the Company faces are set out in Section 9 of the Company's Prospectus dated 8 August 2014.</p>
<p>8. Remunerate fairly and responsibly</p>	
<p>8.1 The board should establish a remuneration committee which:</p> <ul style="list-style-type: none"> ▪ has at least 3 members, a majority of whom are independent directors; and ▪ is chaired by an independent director; and disclose: <ul style="list-style-type: none"> ▪ the charter of the committee; ▪ the members of the committee; and ▪ as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members of those meetings. 	<p>The Company has established a Remuneration and Nomination Committee under a formal charter (which can be accessed at www.winchesterenergy.com), which consists of three members. The Committee currently has a Non-Executive Chairman (but who is not independent) along with two Non-Executive Directors (of whom only one is independent). These 3 Directors constitute the Remuneration and Nomination Committee. The Company Secretary acts as secretary to the committee and attends its meetings.</p> <p>Given the size and structure of the Company, there is only one independent Director of the Board, being James Hodges. For this reason the recommendation that the Remuneration and Nomination Committee have a majority of independent members has not been followed.</p> <p>During the period the Remuneration and Nomination Committee met once formally, with all members of the committee in attendance.</p>
<p>8.2 Companies should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>The structure of Non-Executive Directors' remuneration is clearly distinguished from that of Executive Directors and senior executives and is described in the Directors' Report.</p> <p>The remuneration of Executive Directors and senior executives is monitored by the Remuneration and Nomination Committee, in accordance with the charter for that committee (which can be accessed at www.winchesterenergy.com).</p>
<p>8.3 Companies with an equity based remuneration scheme should:</p> <ul style="list-style-type: none"> ▪ have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and ▪ disclose that policy or a summary of it. 	<p>The Company has yet to adopt any equity based remuneration scheme. When it does the details of the scheme will be disclosed to Shareholders.</p>

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