

## Lodgement of Half Year Financial Report

Winchester Energy Limited advises that it has lodged its audited Half Year Financial Report for the half year ended 30 June 2015.

Please note that the presentation currency for the Financial Report is USD\$. All relevant numbers are expressed in US dollars.

—ENDS—

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**Date:** 10 September 2015

**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

# HALF YEAR FINANCIAL REPORT

Half year ended 30 June 2015



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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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West Perth WA 6005 Australia

Telephone: +61 1300 133 921

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Email: [admin@winchesterenergy.com](mailto:admin@winchesterenergy.com)

Website: [www.winchesterenergy.com](http://www.winchesterenergy.com)

### Principal place of business

Level 3, 18 Richardson Street  
West Perth WA 6005 Australia

### USA Office

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

### Share register

#### Automatic Registry Services

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West Perth WA 6005 Australia  
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West Perth WA 6872 Australia

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### Auditors

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

ASX Code: WEL

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## DIRECTORS' REPORT

Your Directors submit their report for the period from 1 January 2015 to 30 June 2015.

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	Independent Non-Executive Director
Mr John D. Kenny	Non-Executive Director
Mr Larry Liu	Non-Executive Director

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

## Review and Results of operations

A result for the half-year ended 30 June 2015 attributable to Winchester Energy Limited was a net loss after tax of US\$502,289 (30 June 2014: US\$381,646).

Cash position at 30 June 2015 was US\$9,408,665 (31 December 2014: US\$12,447,714). Company's continual and careful focus on cash burn has resulted in a healthy US\$ cash position at 30 June 2015.

During the six month period ended 30 June 2015, oil production testing has continued on the White Hat 20#1 vertical well. The oil being sold from White Hat 20#1 is good quality 49° API gravity oil from the shallow depth conventional oil play in the Ellenburger Formation. During the June quarter, gross oil production from White Hat 20#1 totalled to 2,322 barrels of oil (bo) and the average sale price was US\$51 per bo. Winchester is entitled to 50% of net proceeds after royalty payments of 23.5% to the oil and gas mineral rights owners.

Drilling commenced in White Hat 21#1 situated approximately 1500 metres to the north-east of White Hat 20#1. The operator, Carl E Gungoll Exploration LLC (CEGX), has a 50% working interest (WI) in White Hat 21#1 as well as in the surrounding 40 acre drilling unit. Each party is contributing 50% of the costs of White Hat 21#1 which has a budgeted total cost for drilling and completion of US\$1,140,000.

The well operator, CraRuth, continued to flow test the Thomas 119-1H horizontal well drilled in the Ellenburger Formation. The operations on Thomas 119-1H suffered from significant weather and operational delays during the report period. Minor amounts of oil and gas from the testing were sold.

Overall, the Company is well positioned to expand drilling in Nolan County, Texas, USA. Over the past 6 months the Company has developed an extensive well and seismic database over Nolan County, Texas. The Company has undertaken detailed analysis of old well logs and then reprocessed those old well logs based on new rock data (from the White Hat 20#1 and White Hat 21#1 vertical wells). In addition, Winchester has collected cuttings and core samples from old vertical wells and re-examined these samples using multiple technologies, an undertaking which included the application of proprietary geological, geotechnical and geophysical intellectual property that the Company owns.

## Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs occurred during the half year ended 30 June 2015.

## Events after the balance sheet date

Since balance sheet date Winchester has reported the recovery of oil during tests on two separate perforated intervals in the Ellenburger target in the White Hat 21#1 well and that the well is being prepared for production. There have been no other significant events after the balance sheet date other than the events disclosed in note 9.

## Dividends

In respect of the period ended 30 June 2015, no dividends have been paid or declared since incorporation and the Directors do not recommend the payment of a dividend in respect of the financial period.

## Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half-year report.

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

On behalf of the Directors



Mr Peter Allchurch  
Non-Executive Chairman  
10 September 2015

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## DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes 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 consolidated entity.

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

On behalf of the Directors



Mr Peter Allchurch  
Non-Executive Chairman  
10 September 2015

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

As lead auditor for the review of Winchester Energy Limited for the half-year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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



Glyn O'Brien  
Director

BDO Audit (WA) Pty Ltd  
Perth, 10 September 2015

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

For the half year ended 30 June 2015

	Note	30 June 2015 US\$	30 June 2014 US\$
Interest income		40,019	3,688
Foreign exchange Income		431,420	-
Administration expenses	3	(904,019)	(326,710)
Depreciation		(2,339)	(8,325)
Finance costs		(2,094)	(553)
Other expenses		(65,276)	(49,746)
Loss before income tax	3	(502,289)	(381,646)
Income tax benefit	4	-	-
Loss for the period after income tax		(502,289)	(381,646)
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		(1,898,837)	27,289
Total comprehensive loss for the period		(2,401,126)	(354,357)
Loss per share for the half year attributable to the members of Winchester Energy Ltd		Cents	Cents
Basic loss per share (cents per share)		(0.23)	(1.74)
Diluted loss per share (cents per share)		(0.23)	(1.74)

The above condensed 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\$).

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 US\$	31 December 2014 US\$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		9,408,665	12,447,714
Other receivables		78,609	299,104
Total current assets		<u>9,487,274</u>	<u>12,746,818</u>
Non-current assets			
Property, plant and equipment		-	-
Exploration and evaluation expenditure	5	10,980,493	10,377,742
Total non-current assets		<u>10,980,493</u>	<u>10,377,742</u>
<b>TOTAL ASSETS</b>		<u><u>20,467,767</u></u>	<u><u>23,124,560</u></u>
<b>LIABILITIES</b>			
Current liabilities			
Other payables		186,642	442,037
Total current liabilities		<u>186,642</u>	<u>442,037</u>
Non-current liabilities			
Borrowings		4,132	4,404
Total non-current liabilities		<u>4,132</u>	<u>4,404</u>
<b>TOTAL LIABILITIES</b>		<u>190,774</u>	<u>446,441</u>
<b>NET ASSETS</b>		<u><u>20,276,993</u></u>	<u><u>22,678,119</u></u>
<b>EQUITY</b>			
Issued capital	6	24,172,873	24,172,873
Option Premium Reserve		1,891,620	1,891,620
Foreign currency translation reserve		(3,583,558)	(1,684,721)
Retained earnings		<u>(2,203,942)</u>	<u>(1,701,653)</u>
<b>TOTAL EQUITY</b>		<u><u>20,276,993</u></u>	<u><u>22,678,119</u></u>

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2014/5

	Ordinary Shares	Retained earnings	Option Premium reserve	Foreign Currency Translation Reserve	Total
	US\$	US\$	US\$	US\$	US\$
Balance at incorporation	-	-	-	-	-
Loss for the period	-	(381,646)	-	-	(381,646)
Other comprehensive loss, net of tax	-	-	-	27,289	27,289
Total comprehensive loss for the period	-	(381,646)	-	27,289	(354,357)
<i>Transactions with owners in their capacity as owners</i>					
Option premium	-	-	1,489	-	1,489
Issue of share capital (net of costs)	2,836,380	-	-	-	2,836,380
	2,836,380	-	1,489	-	2,837,869
Balance at 30 June 2014	2,836,380	(381,646)	1,489	27,289	2,483,512
Balance at 1 January 2015	24,172,873	(1,701,653)	1,891,620	(1,684,721)	22,678,119
Loss for the period	-	(502,289)	-	-	(502,289)
Other comprehensive loss, net of tax	-	-	-	(1,898,837)	(1,898,837)
Total comprehensive loss for the period	-	(502,289)	-	(1,898,837)	(2,401,126)
<i>Transactions with owners in their capacity as owners</i>					
Option premium	-	-	-	-	-
Issue of share capital (net of costs)	-	-	-	-	-
	-	-	-	-	-
Balance at 30 June 2015	24,172,873	(2,203,942)	1,891,620	(3,583,558)	20,276,993

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

## CONDENCED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 30 June 2015

	Note	30 June 2015 US\$	30 June 2014 US\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		431,419	-
Payments to suppliers and employees (inclusive of GST)		(1,004,194)	(160,841)
Interest paid		(2,094)	(552)
Income tax refund/(paid)			-
Net cash used in operating activities		(574,869)	(161,393)
<b>Cash flows from investing activities</b>			
Payment for exploration activities		(1,758,686)	(2,038,282)
Interest received		40,019	3,688
Purchase of property, plant, equipment and software		(2,339)	(8,325)
Net cash used in investing activities		(1,721,006)	(2,042,919)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		(270)	2,837,870
Proceeds from borrowings		-	13,916
Repayment of borrowings		-	-
Net cash generated by financing activities		(270)	2,851,786
Net increase in cash and cash equivalents		(2,296,145)	647,474
Cash and cash equivalents at beginning of the period		12,447,714	-
Effect of exchange rate changes on balance of cash held in foreign currencies		(742,904)	-
Cash and cash equivalents at the end of the period		9,408,665	647,474

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2015

## 1. Summary of Significant Accounting Policies

### a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include all of the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

### b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in US dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 31 December 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### 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.

#### New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 31 December 2015 annual report as a consequence of these amendments.

#### Impact of standards issued but not yet applied by the entity

There were no new standards issued since 31 December 2014 that have been applied by the Group. The 31 December 2014 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 30 June 2015.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2015

### 2. 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\$10,980,493 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.

Segment Loss	30 June 2015 US\$	30 June 2014 US\$
Australia	88,930	381,646
USA	413,359	-
<b>Total</b>	<b>502,289</b>	<b>381,646</b>

Segment Assets	30 June 2015 US\$	30 December 2014 US\$
Australia	16,904,247	20,130,778
USA	3,563,520	2,993,782
<b>Total</b>	<b>20,467,767</b>	<b>23,124,560</b>

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

### 3. Loss before income tax

Loss before tax is arrived after charging following expenses	30 June 2015 US\$	30 June 2014 US\$
Consultancy fees	611,652	289,310
Legal Fees	-	38,144
Rent	103,850	19,136

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2015

### 4. Income taxes

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

The major components of income tax expense are:

	30 June 2015 US\$	30 June 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:

	30 June 2015 US\$	30 June 2014 US\$
Accounting loss before income tax	502,289	(381,646)
Income tax benefit calculated at rate of 30%	(150,687)	(114,494)
Effect of revenue losses not recognised as deferred tax assets	150,687	114,494
Income tax reported in the consolidated Statement of profit and loss and other comprehensive income.	-	-

### 5. Exploration and evaluation expenditure

	30 June 2015 US\$	31 December 2014 US\$
Opening balance	10,377,742	-
Exploration and evaluation expenditure capitalised during the period	1,758,686	4,327,742
Acquisition of CEP	-	6,050,000
Effect of foreign exchange differences	(1,155,935)	-
Closing balance	10,980,493	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.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2015

### 6. Issued capital

	30 June 2015 US\$	31 December 2014 US\$
215,416,672 fully paid ordinary shares	24,172,873	24,172,873

	Number of Shares	Share capital US\$
Fully paid ordinary shares		
Balance at 1 July 2014	56,416,672	2,836,380
Issue of shares	159,000,000	23,632,271
Share issue costs		(2,295,778)
Balance at 31 December 2014	215,416,672	24,172,873
Issue of shares	-	-
Share issue costs	-	-
Balance at 30 June 2015	215,416,672	24,172,873

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.

### 7. Fair values of financial instruments

#### Recurring fair value measurements

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

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

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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2015

### 8. Related party transactions

Remuneration arrangements and related party transactions of key management personnel (KMP) are disclosed in the annual report for the year ended 31 December 2014.

During the period Winchester Energy LLC paid US\$15,000 to Siena Energy LLC, a company owned by Neville Henry for use of server and data room services.

### 9. Events after balance sheet date

On August 2015, Company purchased a 100% working interest in the oil and gas mineral rights of 8,062 acres which surround and adjoin both the White Hat 20#1 and White Hat 21#1 vertical wells located in Nolan Country, Texas.

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 REVIEW REPORT

To the members of Winchester Energy Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Winchester Energy Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Winchester Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, 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 review report.

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## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Winchester Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd



Glyn O'Brien

Director

Perth, 10 September 2015

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