



## Grant of 5,000,000 Options

**Date:** 10 March 2017

**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

### Contact Details

**Australia**  
Level 3  
18 Richardson Street  
West Perth WA 6005  
Australia

PO Box 641  
West Perth WA 6872  
Australia

Tel: +61 1300 133 921  
Fax: +61(8) 6298 6191

### USA

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

Tel: +1 713 333 0610

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

Since 1 March 2017, Winchester Energy Limited (**Winchester**) has been the Operator of the White Hat ranch lease (7,378 gross acres).

Winchester's wholly owned USA subsidiary, Winchester Energy USA Holdings Inc., owns a 75%WI in the oil and gas mineral rights of the 7,058 gross acres which surround and adjoin the existing 8 White Hat wells. Carl E Gungoll Exploration LLC (**CEGX**) owns the remaining 25%WI in these 7,058 acres, all of which are located in Nolan County, Texas in the Eastern Shelf of the Permian Basin.

The 8 current vertical wells and their 40 acre drilling units (320 acres in total) are owned 50% by Winchester and 50% by CEGX.

Winchester has today granted 5,000,000 options to three senior consultants to Winchester on the terms and conditions set out below and in Annexure A. The three senior consultants and the number of options each of them were granted is as follows:

Executive	Executive Options
Hugh Idstein	3,500,000
Austin Gard	1,000,000
Eldar Hasanov	500,000

The options were granted for nil consideration and accordingly no funds were raised from their grant.

The primary purpose of the grant of these options to these three senior consultants is to provide an incentive component in the remuneration package for the consultants in order to motivate and reward the performance of the three consultants. This is especially relevant as a result of the increased workload and responsibility that accompanies the operatorship of the White Hat ranch lease by Winchester since 1 March 2017.



The relevant vesting periods for the grant of these options are as follows:

Executive	Vesting Period
Hugh Idstein	<ul style="list-style-type: none"><li>• 2,500,000 options are fully vested from the date of their grant.</li><li>• 500,000 options will vest (and therefore be capable of exercise) after a period of 12 months of continued further service to Winchester from the date of grant of the options.</li><li>• 500,000 options will vest (and therefore be capable of exercise) after a period of 24 months of continued further service to Winchester from the date of grant of the options.</li></ul>
Austin Gard	<ul style="list-style-type: none"><li>• 500,000 options are fully vested from the date of their grant.</li><li>• 500,000 options will vest (and therefore be capable of exercise) after a period of 12 months of continued further service to Winchester from the date of grant of the options.</li></ul>
Eldar Hasanov	<ul style="list-style-type: none"><li>• 250,000 options are fully vested from the date of their grant.</li><li>• 250,000 options will vest (and therefore be capable of exercise) after a period of 12 months of continued further service to Winchester from the date of grant of the options.</li></ul>

All the terms and conditions of the 5,000,000 options are contained in Annexure A at the end of this ASX announcement. Also attached is the relevant Appendix 3B.

—ENDS—

For further information, please contact:

Neville Henry  
Managing Director  
T: +1 713 333 0610  
E: [nh@winchesterenergy.com](mailto:nh@winchesterenergy.com)



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## ANNEXURE A – TERMS OF OPTIONS

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Each Option entitles the holder to subscribe for a Share on the following terms and conditions:

**1. Exercise Price**

The exercise price of each Option is twelve cents (A\$0.12) (**Exercise Price**).

**2. Expiry Date**

Each Option expires at 5.00pm WST on 31 January 2022 (**Expiry Date**).

**3. Exercise Period**

Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

**4. Exercise of Options**

The Options may only be exercised during the Exercise Period.

**5. No Official Quotation of Options**

The Company will not apply for official quotation of the Options.

**6. Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of each Option.

**7. Notice of Exercise**

The Options may be exercised by giving written notice to the Company at any time during the Exercise Period. The notice (**Exercise Notice**) must:

- (a) specify the number of Options being exercised and the number of Shares to be issued;
- (b) specify whether the Shares are to be issued to the holder of the Options or a nominee; and
- (c) be accompanied by payment of the Exercise Price for each Option being exercised.



Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

**8. Shares Issued on Exercise**

Shares issued on exercise of the Options rank equally with the then Shares currently on issue.

**9. Official Quotation of Shares on Exercise**

Application will be made by the Company to the ASX for official quotation of the Shares issued upon the exercise of the Options.

**10. Timing of issue of Shares**

- (a) Within 3 Business Days after the receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised, the Company will allot and issue the Shares pursuant to the exercise of the Options and will (subject to paragraph (ii) below), at the same time, issue a cleansing notice under section 708A(5) of the Corporations Act.
- (b) If the Company is not then permitted to issue a cleansing notice under section 708A(5) of the Corporations Act, the Company must either:
  - (i) issue a prospectus on the date that the Shares are issued under paragraph (a) above (in which case the date for issuing those Shares may be extended to not more than 10 Business Days after the receipt of the Notice of Exercise, to allow the Company time to prepare that prospectus); or
  - (ii) issue a prospectus before the date that the Shares are issued under paragraph (a) above, provided that offers under that prospectus must still be open for acceptance on the date those Shares are issued,

in accordance with the requirements of section 708A(11) of the Corporations Act.

**11. Participation in New Issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the



record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

## **12. Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

## **13. Adjustment for Rights Issue**

If the Company makes an issue of Shares pro rata to existing Shareholders (except a bonus issue) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price (as defined in the ASX Listing Rules) per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.



**14. Adjustments for Reorganisation**

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of the reorganisation.

**15. Options Transferable**

The Options are transferable provided that the transfer of Options complies with section 707(3) of the Corporations Act.

**16. Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.