Lodgement of Half Year Financial Report

Date: 13 September 2017

ASX Code: WEL

Directors

John Kopcheff
Non-Executive Chairman

Neville Henry
Managing Director

Peter Allchurch
Non-Executive 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
17th Floor
Suite 1700
Houston Texas USA 77056

Tel: +1 713 333 0610

winchesterenergyltd.com

Winchester Energy Limited advises that it has lodged its reviewed Half Year Financial Report for the six month period ended 30 June 2017.

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

—ENDS—

For further information, please contact:

Neville Henry Managing Director

T: +1 713 333 0610

E: nh@winchesterenergyltd.com

WINCHESTER
ENERGY LIMITED
ACN 168 586 445

HALF YEAR FINANCIAL REPORT

Half year ended 30 June 2017

ASX Code: WEL

WINCHESTER ENERGY LIMITED
ACN 168 586 445

CONTENTS

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

Level 3, 18 Richardson Street
West Perth WA 6005 Australia

Telephone: +61 1300 133 921
Facsimile: +618 6298 6191
Email: admin@winchesterenergyltd.com
Website: www.winchesterenergyltd.com

Principal place of business

Level 3, 18 Richardson Street
West Perth WA 6005 Australia

USA Office
17th Floor, Two Riverway, Suite 1700
Houston, Texas USA 77056

Share register

Automic Registry Services
Level 1, 7 Ventnor Avenue
West Perth WA 6005 Australia
Postal Address: PO Box 223
West Perth WA 6872 Australia

Telephone: +61 8 9324 2099
Facsimile: +61 8 9321 2337

Auditors

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

ASX Code: WEL

DIRECTORS' REPORT

Your Directors submit their report for the period from 1 January 2017 to 30 June 2017.

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

Mr John Kopcheff	Non-Executive Chairman – appointed on 12 September 2017
Mr Peter Allchurch	Non-Executive Director and Chairman – resigned as Chairman on 12 September 2017
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 of Operations

During the half ending 30 June 2017 Winchester participated in completion activities at the White Hat ranch oil and gas lease located in the eastern shelf of the Permian Basin in central west Texas, USA. Winchester currently has a 50% working interest (WI) in eight wells drilled to date by the operator, CEGX, who holds the remaining 50% WI.

On 1 March 2017 the agreement with CEGX reverted from a 50%/50% WI arrangement to Winchester 75% WI/CEGX 25% WI. Winchester has also taken operatorship of the White Hat ranch lease operations outside the eight 40 acre drilling units operated by CEGX where CEGX will continue as operator.

This is a significant development for the Company as revenue per well drilled after 1 March 2017 will increase by 25% and, as operator, Winchester's technical team will be able to apply new drilling and completion techniques in its exploration and development of the Ellenburger Formation as well as other stacked pay targets (such as the recent successful completion in a sand unit in the Strawn Formation in the White Hat 20#2 well).

The Permian Basin in Texas is an attractive environment in which to develop energy assets, with the average cost per vertical well targeting the Ellenburger Formation (including completion) approximately US$890,000. This cost will reduce should the Company choose to target shallower oil bearing formations such as the Strawn Formation. With operatorship now with Winchester, there is potential for drilling costs to reduce further.

Total Oil Production

The following gross oil production for the half ending 30 June 2017 (March and June 2017 quarters) across all oil wells in which Winchester has a working interest was recorded for the Company:

Gross Oil Production (bo)*	June Quarter 2017	March Quarter 2017	December Quarter 2016	September Quarter 2016	June Quarter 2016
Oil Production (Gross 100%WI)	**39,533**	**28,633**	37,876	35,428	26,159
Oil Sales (Gross 100%WI)	**39,833**	**28,467**	37,642	35,113	26,537
Net Oil Production to Winchester (bo) (50% Working Interest)*					
Quarterly Oil Production (Net)	**19,766**	**14,316**	18,938	17,714	13,080
Quarterly Oil Sales (Net)	**19,916**	**14,233**	18,821	17,556	13,269

** Please note that all oil and gas production from the White Hat ranch oil and gas lease is subject to royalty payments of 23.5% to the oil and gas rights owners of the White Hat ranch. The figures represented above are for oil production only (and exclude gas sales) and are pre-royalty.*

Adjusted Average per Well Oil Production

The following table represents adjusted average gross per well oil production per quarter ending 30 June 2017:

Per Well Oil Production Summary Adjusted Average BOPD June 2017 Quarter				
Oil Well	**Adjusted Average Gross Oil Production Per Day (bopd)**	**WEL's WI %**	**Adjusted Average Net Oil Production to WEL (bopd)**	**Well Downtime[A] (days)**
White Hat 20#1	13 bopd	50%	6.5 bopd	18
White Hat 20#2	111 bopd	50%	55.5 bopd	1
White Hat 21#1	61 bopd	50%	30.5 bopd	4
White Hat 21#2	21 bopd	50%	10.5 bopd	2
White Hat 21#4	192 bopd	50%	96 bopd	6
White Hat 38#2	23 bopd	50%	11.5 bopd	2
White Hat 21#5	15 bopd	50%	7.5 bopd	2
Oden A#2[b]	26 bopd	25%	6.5 bopd	b
TOTAL	**462 bopd**		**224.5 bopd**	

Note A: The number of days a well is not producing due to maintenance, weather or well workover.
Note B: vertical well Oden A#2 commenced steady state production on June 26 2017.

In summary the Company is building a strong production base with good cash flow, it has secured a significant acreage position that can be held in its entirety at low cost. The Company has identified a relatively low risk trap for the Ellenburger Formation and has high-graded 5,000 acres in the White Hat ranch for future drilling. The upside potential for the Company and shareholders is significant and the downside risk is considered low.

Stacked Pay Opportunities

There also exists within the White Hat ranch oil and gas lease several other shallower intervals with future development potential. This has become particularly significant given the production rate observed from a sand unit within the Strawn Formation in the White Hat 20#2 well. As well as other intervals within the Strawn Formation, other prospective units include the high total organic carbon intervals (Three Fingers Shale and Lower Penn Shale) within the Cline Shale Formation and several intervals within the Canyon Sands package. The Barnett equivalent shales overlying the Ellenburger have high organic material and are expected to become a potential unconventional resource within Winchester's 19,210 net acres. Several of these formations have already produced significant oil and gas from Nolan County and other areas within the Permian Basin.

The Company is currently conducting a detailed assessment of these intervals for production given oil shows during drilling across all eight wells operated by CEGX and Clear Fork. Winchester recognises the potential value these intervals represent and will look to evaluate and assess these zones in the future.

Stacked Pay Opportunities (Cont.)

The Company's experienced and successful technical team has assembled a wealth of proprietary technical information on producing reservoirs along the Eastern Shelf of the Permian Basin. The Company has access to significant intellectual property that includes improved recovery techniques (IRT), reservoir permeability and fracture analyses and technologies identified to lower the costs of drilling and improve the productivity of wells. The Company intends to evaluate these improved recovery technologies over the next six months with the objective of unlocking the considerable volume of oil that remains trapped and unrecovered in several formations on the Eastern Shelf including the Ellenburger Formation.

Net Lease Area

The Company's lease holding increased 100 net acres to a total of 19,210 net acres at the end of the half ending 30 June 2017 as a function of earning a 25% interest in the 400 acre drilling unit of the Oden A#2 well.

Cash Position

Cash position at 30 June 2017 was US$2,931,380 (31 December 2016: US$ 2,440,550)

Financial Results

Revenue from continuing operations for 2017 was US$1,289,978, up 72% on revenue of US$749,968 for the previous year. The company reported a net loss before tax of US$587,843 for the half year ended 30 June 2017. This result included a depletion expense of US$501,186 and share based expenses US$431,723.

Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs that occurred during the half year ended 30 June 2017.

Events after the balance sheet date

On 12 September 2017, Winchester Energy Limited appointed Mr John Kopcheff, a Geologist and Geophysicist as non-executive chairman of the company.

There have been no other significant events after the balance sheet date.

Dividends

In respect of the period ended 30 June 2017, 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 7 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 Director
12 September 2017

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 Director
12 September 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2017, 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, 12 September 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 30 June 2017

	Note	30 June 2017 US$	30 June 2016 US$
Revenue		1,289,978	749,968
Interest income		4,089	30,562
Foreign exchange expenses (Income)		(63,685)	(49,090)
Operating costs		(199,041)	(94,565)
Administration expenses	3	(1,116,876)	(627,054)
Depletion, Depreciation and Amortization		(501,186)	(624,765)
Finance costs		(1,122)	(1,060)
Loss before income tax		**(587,843)**	**(616,004)**
Income tax benefit	4	-	-
Loss for the period after income tax		**(587,843)**	**(616,004)**
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		114,243	74,003
Total comprehensive loss for the period		**(473,600)**	**(542,001)**

Loss per share for the half year attributable to the members of Winchester Energy Ltd	Cents	Cents
Basic loss per share (cents per share)	(0.27)	(0.29)
Diluted loss per share (cents per share)	(0.27)	(0.29)

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 2017

	Note	30 June 2017 US$	31December 2016 US$
ASSETS			
Current assets			
Cash and cash equivalents		2,931,380	2,440,550
Other receivables		583,149	549,755
Total current assets		**3,514,529**	**2,990,305**
Non-current assets			
Property, plant and equipment		18,496	8,985
Exploration and evaluation expenditure	5	15,725,084	15,002,839
Oil & Gas properties	6	2,252,691	1,751,126
Total non-current assets		**17,996,271**	**16,762,950**
TOTAL ASSETS		**21,510,800**	**19,753,255**
LIABILITIES			
Current liabilities			
Other payables		236,852	435,285
Total current liabilities		**236,852**	**435,285**
Non-current liabilities			
Borrowings		4,154	3,907
Total non-current liabilities		**4,154**	**3,907**
TOTAL LIABILITIES		**241,006**	**439,192**
NET ASSETS		**21,269,794**	**19,314,063**
EQUITY			
Issued capital	7	26,170,481	24,172,873
Option Premium Reserve		1,891,620	1,891,620
Share based payment reserve		431,723	-
Foreign currency translation reserve		(3,056,681)	(3,170,924)
Accumulated losses		(4,167,349)	(3,579,506)
TOTAL EQUITY		**21,269,794**	**19,314,063**

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 2017

	Ordinary Shares	Accumulated losses	Option Premium reserve	Share based payment reserve	Foreign Currency Translation Reserve	Total
	US$	US$	US$	US$	US$	US$
Balance at 1 January 2016	**24,172,873**	**(2,794,696)**	**1,891,620**	**-**	**(3,231,113)**	**20,038,684**
Loss for the period	-	(616,004)	-	-	-	(616,004)
Other comprehensive loss	-	-	-	-	74,003	74,003
Total comprehensive loss for the period	-	(616,004)	-	-	74,003	(542,001)
Transactions with owners in their capacity as owners						
Issue of share capital (net of costs)	-	-	-	-	-	-
	-	-	-	-	-	-
Balance at 30 June 2016	**24,172,873**	**(3,410,700)**	**1,891,620**	**-**	**(3,157,110)**	**19,496,683**
Balance at 1 January 2017	**24,172,873**	**(3,579,506)**	**1,891,620**	**-**	**(3,170,924)**	**19,314,063**
Loss for the period	-	(587,843)	-	-	-	(587,843)
Other comprehensive loss	-	-	-		114,243	114,243
Total comprehensive loss for the period	-	(587,843)	-	-	114,243	(473,600)
Transactions with owners in their capacity as owners						
Share based payment transactions	-	-	-	431,723	-	431,723
Issue of share capital (net of costs)	1,997,608	-	-	-	-	1,997,608
	1,997,608	-	-	431,723	-	2,429,331
Balance at 30 June 2017	**26,170,481**	**(4,167,349)**	**1,891,620**	**431,723**	**(3,056,681)**	**21,269,794**

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$).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 30 June 2017

	Note	30 June 2017 US$	30 June 2016 US$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,272,613	628,695
Payments to suppliers and employees (inclusive of GST)		(1,140,830)	(772,869)
Interest paid		-	(1,060)
Net cash used in operating activities		131,783	(145,234)
Cash flows from investing activities			
Payment for exploration activities		(1,691,018)	(960,460)
Interest received		4,169	30,562
Purchase of property, plant, equipment and software		(8,945)	(910)
Payment for term deposits		2,628	(34,311)
Net cash used in investing activities		(1,693,166)	(965,119)
Cash flows from financing activities			
Proceeds from issue of shares and options		1,997,608	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash generated by financing activities		1,997,608	-
Net increase in cash and cash equivalents		436,225	(1,110,353)
Cash and cash equivalents at beginning of the period		2,440,550	5,641,407
Effect of exchange rate changes on balance of cash held in foreign currencies		54,593	24,913
Cash and cash equivalents at the end of the period		**2,931,368**	**4,555,967**

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 2017

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 2016 annual financial report for the financial year ended 31 December 2016, 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 2016 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations that may have an impact on the Group is set out below:

AASB 9: Financial Instruments

AASB 9 includes requirements for the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation. The Group has yet to undertake a detailed impact assessment, however does not expect the new guidance to have a material impact for the Group. This standard is not applicable until the financial year commencing 1 January 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2017

Impact of standards issued but not yet applied by the entity (cont.)

AASB 16: Leases

The Standard will AASB 16 will replace AASB 117 Leases. The new Standard introduces three main changes:

- Enhanced guidance on identifying whether a contract contains a lease;
- A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; and
- Enhanced disclosures.

The Group has yet to undertake a detailed impact assessment, however does not expect the new guidance to have a material impact for the Group. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

AASB 15: Revenue from Contracts with Customers

The core principle of the Standard is 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 the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The Group has yet to undertake a detailed impact assessment, however does not expect the new guidance to have a material impact for the Group. This standard is not applicable until the financial year commencing 1 January 2018.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2017

2. Segment information

The Company's operating segments are based on the information that is available to the Managing Director and the Board of Directors. Segment results are reviewed regularly by the Managing Director and the Board of Directors.

The Company has one reportable segment being the oil and Gas operations 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 $15,725,084, was capitalised as exploration and evaluation expenditure in the statement of financial position. The remaining unallocated 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 Revenue (US$)		Segment Loss (US$)		Segment Assets (US$)	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	31 December 2016
Unallocated	-	-	(785,591)	(292,178)	2,924,809	2,267,720
USA	1,289,978	749,968	197,748	(323,826)	18,585,991	17,485,535
Total	1,289,978	749,968	**(587,843)**	**(616,004)**	**21,510,800**	19,753,255

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

3. Administration expenses

	30June 2017 US$	30 June 2016 US$
Consultancy fees	259,956	240,431
Legal Fees	4,272	10,321
Share based payment expense	431,723	-
Rent	151,987	161,327
Accounting & compliance expense	37,558	41,692
Employee benefit expense	72,401	17,784
Other expenses	158,979	155,499
Total	1,116,876	627,057

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2017

4. Income taxes

a) Income tax recognised in profit or loss

The major components of income tax expense are:

	30 June 2017 US$	30 June 2016 US$
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of profit or loss and other comprehensive income.	**-**	**-**

b) Reconciliation of income tax expense:

	30June 2017 US$	30 June 2016 US$
Loss before income tax	587,843	**616,004**
Income tax benefit calculated at rate of 30%	(176,353)	(184,801)
Effect of revenue losses not recognised as deferred tax assets	176,353	184,801
Income tax reported in the consolidated Statement of profit or loss and other comprehensive income.	**-**	**-**

5. Exploration and evaluation expenditure

	30 June 2017 US$	31 December 2016 US$
Opening balance	**15,002,839**	**13,052,468**
Exploration and evaluation expenditure capitalised during the period	3,347,185	3,555,278
Transferred to Oil & Gas properties	(2,624,940)	(1,604,907)
Closing balance	**15,725,084**	**15,002,839**

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2017

6. Oil & Gas properties

	30 June 2017 US$	31 December 2016 US$
Opening balance	**1,751,126**	**1,318,406**
Transferred from Exploration and evaluation expenditure	2,624,940	1,604,907
Accumulated depletion	(2,123,375)	(1,172,187)
Closing balance	**2,252,691**	**1,751,126**

7. Issued capital

	30 June 2017 US$	31 December 2016 US$
244,691,332 fully paid ordinary shares (2016: 215,416,672)	26,170,481	24,172,873

Fully paid ordinary shares	Number of Shares	Share capital US$
Balance at 1 July 2016	215,416,672	24,172,873
Issue of shares	-	-
Share issue costs	-	-
Balance at 31 December 2016	215,416,672	24,172,873
Issue of shares	29,274,660	2,018,722
Share issue costs	-	(21,114)
Balance at 30 June 2017	244,691,332	26,170,481

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2017

8. Share based payments

During the period, Company issued 5,000,000 share options to executives of the company subject to vesting conditions and another 9,000,000 options to company directors subject to shareholder approvals.

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

Name	No of options granted	No of options vested	No of options forfeited	Outstanding at 30 June 2017	Exercisable at 30 June 2017
Executive options					
Hugh Idstein	3,500,000	2,500,000	-	1,500,000	3,500,000
Austin Gard	1,000,000	500,000	-	500,000	1,000,000
Eldar Hasanov	500,000	250,000	-	250,000	500,000
Total	**5,000,000**	**3,250,000**		**2,250,000**	**5,000,000**
Directors options					
Newille Henry	5,000,000	5,000,000	-	-	5,000,000
Peter Allchurch	500,000	500,000	-	-	500,000
John Kenny	2,500,000	2,500,000	-	-	2,500,000
James Hodges	500,000	500,000	-	-	500,000
Larry Liu	500,000	500,000	-	-	500,000
Total	**9,000,000**	**9,000,000**	**-**	**-**	**9,000,000**

Vesting conditions

Executive	Options	Vesting conditions
Hugh Idstein	2,500,000	Fully vested from the date of their grant
	500,000	Vest after a period of 12 months of continued further service from the date of grant
	500,000	Vest after a period of 24 months of continued further service from the date of grant
Austin Gard	2,500,000	Fully vested from the date of their grant
	500,000	Vest after a period of 12 months of continued further service from the date of grant
	500,000	Vest after a period of 24 months of continued further service from the date of grant
Eldar Hasanov	250,000	Fully vested from the date of their grant
	250,000	Vest after a period of 12 months of continued further service from the date of grant

The AASB 2 fair value of the option was calculated using Black-Scholes modelling. For expensing purposes, a fair value of 4.6 cents per share for executive options and 4.5 cents per share for director's options were calculated. The following inputs were used in the calculation:

	Executive options	Directors options
Valuation date (equal to grant date under AASB 2)	9 March 2017	12 April 2017
Exercise price	12 cents	12 cents
Expiration date	31 January 2022	31 January 2022
Share price at valuation date	$0.081	$0.080
Risk free rate of interest	2. 39% p.a.	2. 04% p.a.
Company share price volatility	80% p.a.	80% p.a.
Fair value	$0.046	$0.045

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2017

9. 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 2016.

During the period Winchester Energy paid $28,934 to Siena Energy LLC a company owned by Neville Henry and Hugh Idstein for use of server and data room services.

During the period Winchester Energy paid $333,051 to TRL Operating Services (Formerly WEL Operating Services) a company owned by Neville Henry and Hugh Idstein for salaries of employees including Neville Henry, Hugh Idstein and others, in addition for the use of office equipment and office rent.

10. 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.

11. Events after balance sheet date

On 12 September 2017, Winchester Energy Limited appointed John Kopcheff, a Geologist and Geophysicist as Non-Executive Chairman of the Company. Mr Peter Allchurch continues in office as a Non Executive Director of the Company.

There have been no other significant events after the balance sheet date.

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 consolidated statement of financial position as at 30 June 2017, 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 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 2017 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.

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 2017 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

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 12 September 2017