

# WINCHESTER ENERGY LIMITED

## ACN 168 586 445

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### OFFER DOCUMENT

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For a pro rata non-renounceable Rights Issue to Eligible Shareholders on the basis of one (1) New Share for every two (2) existing Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.02 per New Share to raise approximately \$2,851,488 (before costs) (**Offer**).

and

In the event the Shortfall is less than 30,000,000 Shares, the Company will offer to CPS such number of Shares that is equal to the difference between 30,000,000 Shares and the total available Shortfall at an issue price of \$0.02 per Share and otherwise on the same terms as the Offer (**Top-up Offer**).

**The Offer opens on 17 December 2018 and closes at 5:00pm (WST) on 23 January 2018 (unless it is lawfully extended). Valid acceptances must be received before that time.**

Applications for New Shares by Eligible Shareholders can only be made by using or following the instructions on an Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out the Eligible Shareholders' Entitlement to participate in the Offer.

Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form.

***This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document.***

***The New Shares offered by this Offer Document should be considered as speculative.***

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## CHAIRMAN'S LETTER

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6 December 2018

**Dear Shareholder,**

On behalf of the Winchester Energy Ltd (**Winchester**) Board, I am pleased to invite you to participate in a 1 for 2 pro-rata non-renounceable entitlement offer of new Winchester ordinary shares (**New Shares**) at an offer price of A\$0.02 per New Share (**Offer Price**), to raise gross proceeds of up to A\$2.85 million (**Entitlement Offer**).

I confirm that I, as Chairman, intend to take up my rights in full under this Offer as do my fellow Directors.

### **Purpose of the Entitlement Offer**

The funds raised from the Entitlement Offer will complement cash on hand and future cash flows from Winchester's 50% owned White Hat Ranch producing oil field in the Eastern Permian Basin, Texas and shall be used to fund Winchester's Eastern Permian Basin exploration and development program.

The exploration program will commence with the drilling of three wells, one on each of the Mustang, El Dorado and Spiffire prospects located on Winchester's leases in Nolan and Coke counties, Texas. The first well planned to commence in early February 2019 and will primarily target the Strawn Formation, which currently produces oil for Winchester.

This exploration program is considered to be significant as exploration and production testing success in the Strawn Formation of the Mustang, Spiffire and El Dorado prospects will provide further confidence for the presence of additional potential Strawn Formation stratigraphic and structural traps within Winchester's large leasehold of approximately 17,000 acres.

In the event of the discovery of oil productive Strawn stratigraphic and structural traps in the forthcoming exploration drilling program, such discoveries could be candidates for initial vertical fracking and subsequent future horizontal drilling and multi stage fracking. Both vertical and multi stage fracking have historically been successfully utilised by other companies in this part of the Permian Basin.

Potential re-completions in the Strawn Formation of existing wells originally drilled to test the Ellenburger Formation are also planned.

In addition to the potential prospectivity that may arise from exploration success in the Strawn Formation, the Ellenburger Formation remains a target and will therefore be penetrated in all planned exploration wells.

While Winchester will be focusing on conventional exploration of the Strawn and Ellenburger formations, Winchester also believes there is the possibility of unconventional shale oil potential in the Wolfcamp "D" Formation mapped as present over 15,000 acres of Winchester's leasehold.

Accordingly, Winchester has successfully attracted US Energy Corporation (USEC) to carry out, at minimal cost to Winchester, a fracture stimulation of a Wolfcamp "D" shale interval in one of Winchester's existing vertical wells.

Within Winchester's comprehensive leasehold of approximately 17,000 acres, horizontal drilling and fracking of the oil bearing Wolfcamp "D" shale interval has not previously been carried out.

As demonstrated by the above mentioned target programs, Winchester's large leasehold in the Eastern Permian Basin possesses multiple drill opportunities.

Winchester and your board believe that this multiplicity of target horizons enhances the chance of exploration and production success to enable the company to grow its oil reserves and production into the future from current modest levels, if oil and gas is present.

On behalf of the Board of Winchester, I thank you for your continued support and encourage you to consider this investment opportunity but keep in mind that exploration drilling is by its nature speculative and carries certain risks. While your Board considers the exploration drilling program detailed in the attached Offer Document to be justified on technical merits, exploration success cannot be guaranteed.

Yours sincerely

**John T. Kopcheff**  
**Chairman**

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## 1. IMPORTANT INFORMATION

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

### 1.1 This document is not a prospectus

This Offer Document is dated 7 December 2018, has been prepared by Winchester Energy Limited (ACN 168 586 445) and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered by this document.

This Offer Document including each of the documents attached to it and which form part of this Offer Document are important and should be read in their entirety prior to making an investment decision. In particular, Shareholders should refer to the risk factors set out in Section 5 of this document. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

### 1.2 Section 708AA of the Corporations Act

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84. In general terms, section 708AA permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is significantly less than the level of disclosure required in, and what you would expect in, a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to accept the Offer.

### 1.3 Eligibility

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

### 1.4 Overseas Shareholders

The Company is of the view that it is unreasonable to extend the Offer to Shareholders or investors with registered addresses outside of Australia or New Zealand (**Ineligible Shareholders**) having regard to:

- (a) the number of Ineligible Shareholders in each place where the Offer would be made;
- (b) the number and value of the Shares which would be offered to Ineligible Shareholders; and

- (c) the cost of complying with the legal requirements and the requirements of the regulatory authorities, in the respective overseas jurisdictions.

Accordingly, the Company is making the Offer to Shareholders with registered addresses in Australia and New Zealand only. Where this Offer Document has been sent to Shareholders with registered addresses outside Australia or New Zealand who are not entitled to participate in the Offer, it is sent to them for information purposes only.

This Offer Document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

### **New Zealand Shareholders**

The Offer is not being made to the public in New Zealand other than to existing Shareholders with registered addresses in New Zealand to whom the Offer is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

## **1.5 Notice to nominees and custodians**

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

## **1.6 Forward-looking statements**

This Offer Document contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Offer Document, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Offer Document will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Offer Document, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5 of this Offer Document.

## **1.7 Privacy Act**

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

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## 2. CORPORATE DIRECTORY

### Directors

John Kopcheff (Non-Executive Chairman)  
Neville Henry (Managing Director)  
Peter Allchurch (Non-Executive Director)  
Larry Cheng Kang Liu (Non-Executive Director)

### Company Secretary

Lloyd Flint

### Registered Office

Level 3  
18 Richardson Street  
WEST PERTH WA 6872

Telephone: + 61 1300 133 921

Facsimile: +61 8 6298 6191

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

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

### ASX Code

WEL

### Share Registry\*

Automatic Registry Services  
Level 2, 267 St Georges Terrace,  
PERTH WA 6000

### Legal Advisers

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

### Auditor\*

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

\*These parties have been included for information purposes only. They have not been involved in the preparation of this Offer Document.



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### 3. DETAILS OF THE OFFER

#### 3.1 The Offer

The Offer is being made as a non-renounceable entitlement offer of one (1) New Share for every two (2) Shares held by Eligible Shareholders registered at the Record Date at an issue price of 2 cents (\$0.02) per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as set out in Section 3.7 of this Offer Document, a maximum of approximately 142,574,416 New Shares will be issued pursuant to this Offer to raise up to approximately \$2,851,488.

As at the date of this Offer Document, the Company has 50,000,000 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to section 3.7 of this Offer Document for information on the exercise price and expiry date of the Options on issue.

All of the New Shares offered under this Offer Document will rank equally with the Shares on issue at the date of this Offer Document. Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The Directors may at any time decide to withdraw this Offer Document and the offer of New Shares made under this Offer Document in which case the Company will return all Application monies (without interest) within 28 days of giving such notice of withdrawal.

#### 3.2 Use of Funds

Completion of the Offer (excluding the Top-up Offer) will result in an increase in cash in hand of up to approximately \$2,851,488 before the payment of costs associated with the Offer).

The Company intends to apply the funds raised under the Offer (excluding the Top-up Offer) as follows:

Items of Expenditure	\$	%
Well Drilling: Mustang, El Dorado and Spitfire prospects	2,300,000	80.7
Working capital <sup>1</sup>	439,988	15.4
Expenses of the Offer <sup>4</sup>	111,500	3.9
<b>Total<sup>2,3</sup></b>	<b>2,851,488</b>	<b>100</b>

**Notes:**

1. Funds allocated to working capital will be used for administration expenses of the Company over the next 9 months, including consultant's fees of \$90,000, Director Remuneration of \$198,000 and other administration and obligatory overheads (\$151,988).
2. The Top-up Offer (of up to \$600,000) is dependent on the level of Shortfall under the Offer. See Section 3.13 for further details.

3. In the event the Top-up Offer proceeds:
  - i. the amount raised will be allocated to the Company's drilling program, and will allow the Company to bring forward the drilling and exploration of the Ellenberger Formation, a secondary target in the Spitfire prospect and additional lease acquisitions. Any increase in expenditure on drilling and leasing will result in the Company gaining an increased working interest in its prospects; and
  - ii. additional expenses will be payable.
4. Expenses of the Offer include: advisor's fees (legal and broker) of approximately \$90,000, ASX listing fees of approximately \$10,792.00, and Share registry and printing fees of approximately \$10,000.

In the event the Company raises less than the full \$2,851,488 under the Offer, the Company will scale back its proposed use of funds, likely on a pro-rata basis, with the exception of the expenses of the Offer which will remain unchanged. On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

The above table and associated notes are a statement of the Board's current intentions as at the date of this Offer Document. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

### 3.3 Indicative Timetable

Event	Date
Announcement of Rights Issue	7 December 2018
Lodgement of Offer Document, Appendix 3B and s708AA Cleansing Notice with ASX Notice sent to Option holders	7 December 2018
Notice sent to Shareholders	7 December 2018
Ex-date	13 December 2018
Record Date for determining Entitlements	14 December 2018
Despatch of Offer Document to Eligible Shareholders, Company announces this has been completed and Offer Opening Date	17 December 2018
Closing Date*	23 January 2019
Shares quoted on a deferred settlement basis	24 January 2019
ASX notified of under subscriptions	29 January 2019
Issue date/Shares entered into Shareholders' security holdings	31 January 2019
Dispatch of holding statements	1 February 2019
Quotation of Shares issued under the Offer	1 February 2019

\* Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

\*\* These dates are indicative only and are subject to change.

### 3.4 Underwriting

The Offer is not underwritten.

### 3.5 Entitlements and acceptance

Details of how to apply under the Offer are set out in Section 4 of this Offer Document.

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

You can also apply for Additional Shares under the Shortfall Offer in addition to your Entitlement by following the instructions set out in Section 4. The Shortfall Offer is described in Section 4.5 below.

### 3.6 No rights trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

### 3.7 Capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below.

Shares	Number
Shares currently on issue	285,148,832
New Shares offered pursuant to the Offer <sup>1</sup>	142,574,416
<b>Total Shares on issue after completion of the Offer<sup>1,2</sup></b>	<b>427,723,248</b>

**Notes:**

1. This number may vary due to rounding of Entitlements and may increase as a result of the rounding up of New Shares offered under the Offer.
2. Up to 30,000,000 additional Shares may be issued under the Top-up Offer.

Options	Number
Options currently on issue <sup>1</sup> :	
Unquoted exercisable at \$0.25 on or before 30 April 2019	30,000,000
Unquoted exercisable at \$0.12 on or before 31 January 2022	20,000,000
<b>Total</b>	<b>50,000,000</b>

**Notes:**

1. The total number of these Options will not be affected by the Offer. These Options may be exercised by Option Holders in accordance with the terms of the Options. The terms of each of these Options provide that if the Company makes an issue of Shares pro-rata to existing shareholders (except in the instance of a bonus issue) the exercise price of an Option will be reduced according to the following formula (**Adjustment Mechanism**):

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

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.

The Offer will trigger the Adjustment Mechanism and the Company will inform Option holders of the relevant amended exercise price of each of their Options once the Offer is completed.

Convertible Notes	Number
Convertible Notes currently on issue <sup>1</sup> :	
Class A Convertible Milestone Notes	10,000
Class B Convertible Milestone Notes	20,000
Class C Convertible Milestone Notes	30,000
<b>Total</b>	<b>60,000</b>

**Notes:**

- Each Convertible Milestone Note converts to 1,000 Shares upon the satisfaction of certain performance milestones. The milestones that are applicable to each of the Class A, B and C Convertible Milestone Notes have not been met and will not be met before the completion of the Offer. Refer to Note 16 on pages 42 and 43 of the Company's Annual Report for the Year Ending 31 December 2017 released to ASX on 29 March 2018 for the full terms and conditions of all the Class A, B and C Convertible Milestone Notes. The milestones that are applicable to each of the Class A, B and C Convertible Milestone Notes have not been met and will not be met before the completion of the Offer.

The capital structure on a fully diluted basis as at the date of this Offer Document would be 395,148,832 Shares and on completion of the Offer (assuming all Entitlements are accepted, no Options are exercised, and no Convertible Notes are converted) would be 427,723,248 Shares.

No securities on issue are subject to escrow restrictions, either voluntary or ASX imposed.

### 3.8 Directors Interests and Participation

Each Director's relevant interest in the securities of the Company at the date of this Offer Document and their Entitlement is set out in the table below.

Director	Shares	Voting Power (%)	Entitlement	\$
John Kopcheff <sup>1</sup>	3,987,632	1.40	1,993,816	39,876
Neville Henry <sup>2</sup>	6,922,234	2.43	3,461,117	69,222
Peter Allchurch <sup>3</sup>	15,348,744	5.38	7,674,372	153,487
Larry Cheng Kang Liu <sup>4</sup>	70,143,733	24.60	35,071,867	701,437

**Notes:**

1. Mr Kopcheff also holds a relevant interest in 578,512 Options (exercisable at \$0.25 on or before 30 April 2019) and 246 Convertible Milestone Notes. Refer to the Appendix 3Y for Mr Kopcheff dated 6 June 2018 for further details.
2. Mr Henry also holds a relevant interest in 5,000,000 Options (exercisable at \$0.12 on or before 31 January 2022), 3,777,759 Options (exercisable at \$0.25 on or before 30 April 2019) and 11,754 Convertible Milestone Notes. Refer to the Appendix 3Y for Mr Henry dated 22 May 2018 for further details.
3. Mr Allchurch also holds a relevant interest in 500,000 Options (exercisable at \$0.12 on or before 31 January 2022), 4,076,828 Options (exercisable at \$0.25 on or before 30 April 2019) and 11,886 Convertible Milestone Notes. Refer to the Appendix 3Y for Mr Allchurch dated 28 June 2017 for further details.
4. Mr Liu also holds an interest in 500,000 Options (exercisable at \$0.12 on or before 31 January 2022), 4,076,828 Options (exercisable at \$0.25 on or before 30 April 2019) and 1,980 Convertible Milestone Notes. Refer to the Appendix 3Y for Mr Liu dated 28 June 2017 for further details.

Mr Larry Liu was appointed as a nominee director of Mr Yang Xiangyang on 10 December 2014 (refer to the Company's announcement on 10 December 2014 for details). For transparency and based solely on the aforementioned nominee relationship, when disclosing the interest of Mr Larry Liu in the securities of the Company in this Offer Document and other Company documents previously released to the ASX, the Company has chosen to include the interests of Mr Yang Xiangyang. This is despite the fact that Mr Larry Liu does not exercise any control over the securities held by Mr Yang Xiangyang (or his associated entities) and vice versa.

Each of the Directors intend to take up their Entitlements in full.

**3.9 Substantial Shareholders**

Below are the details of those Shareholders who hold more than 5% of the Company's Shares as at the date of this Offer Document (**Substantial Shareholders**):

Substantial Holder	Shares	Voting Power (%)	Entitlement	\$
Mr Yang Xiangyang (Mandarin) / Mr Yeung Heung Yeung (Cantonese) and China Leader Group Pty Ltd and Inventive Holdings Ltd <sup>1</sup> .	70,143,733	24.6	35,071,867	701,437
Peter Donald Allchurch and Haifa Pty Ltd and Energetico Pty Ltd and Azuree Pty Ltd <sup>2</sup> .	15,348,744	5.4	7,674,372	153,487
JDK Nominees Pty Ltd aft the Kenny Capital Trust and Chatsworth Stirling Pty Ltd <sup>3</sup> .	14,908,744	5.2	7,454,372	149,087

**Notes:**

1. Mr Yang and the China Leader Group has indicated that it will take up its full Entitlement.
2. Mr Allchurch has indicated that he will take up its full Entitlement.
3. Mr Kenny has indicated that he will take up his full Entitlement.
4. The voting power in the table is prior to settlement of the Offer.

The potential effect that the issue of the New Shares under the Offer will have on the control of the Company is as follows:

- (a) if all eligible shareholders take up their Entitlements under the Offer, the issue of New Shares under the Offer will have no effect on the control of the Company and all Shareholders will hold the same percentage interest in the Company, subject only to changes resulting from ineligible Shareholders being unable to participate in the Offer;
- (b) in the more likely event that there is a shortfall, eligible Shareholders who do not subscribe for their full Entitlement of New Shares under the Offer and ineligible Shareholders unable to participate in the Offer will be diluted relative to those Shareholders who subscribe for some or all of their Entitlement as shown by the table in Section 3.10; and
- (c) in respect of any shortfall, Eligible Shareholders will be entitled to top-up their shareholding, by subscribing for Additional Shares to be issued from the shortfall pool. No Shares will be issued under the Shortfall Offer if the issue of Shares would contravene the takeover prohibition in section 606 of the Corporations Act.

### 3.10 Effect on control of the Company

The table below sets out the voting power of the Company's largest Shareholder, Mr Yang Xiangyang (Mandarin) / Mr Yeung Heung Yeung (Cantonese) and China Leader Group Pty Ltd and Inventive Holdings Ltd (the **Largest Shareholder**), as at the Record Date and the potential increase in the voting power of the Largest Shareholder under several scenarios relating to the percentage acceptance of Entitlements under the Offer and prior to any placement of any Shortfall.

Event	Number of Shares held	Voting Power %
As at the Record date	70,143,733	24.6
100% take up from Eligible Shareholders	105,215,600	24.6
75% take up from Eligible Shareholders	105,215,600	26.8
50% take up from Eligible Shareholders	105,215,600	29.5
39% take up from Eligible Shareholders (which assumes that the only Eligible Shareholders taking up their Entitlements under the Offer are the Directors and the 3 Substantial Shareholders)	105,215,600	30.9

The table above provides an example of how the Offer may potentially affect control of the Company. However, it is unlikely that no Shareholders, other than the Directors and Substantial Shareholders, will take up Entitlements under the Offer. Any Entitlement not taken up pursuant to the Offer will fall into the Shortfall Offer, and the Company has engaged CPS to assist with placing the Shortfall. For further information, refer to Sections 3.11 and 3.12 below.

The Company understands that, other than as disclosed in this Offer Document and previously announced by the Company, the Largest Shareholder has no present intention of making any significant changes to the business of the Company.

These intentions are based on information concerning the Company, its business and the business environment which is known to the Largest Shareholder at the date of this Offer Document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

The Company will not issue any New Shares if, to do so, would (to the extent of the knowledge of the Directors) result in a breach of the ASX Listing Rules or the restrictions on obtaining or increasing relevant interests of greater than 20% under the Corporations Act, or would otherwise be in contrary to the Corporations Act or ASX Listing Rules.

In addition, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 33% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document). Further, the Offer is not being extended to Shareholders with registered addresses outside of Australia and New Zealand and the holdings of those Shareholders will be diluted by the Offer.

Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record date	Approximate % at Record Date <sup>1</sup>	Entitlements under the Offer	Holdings if Offer not taken Up	Approximate % post Offer
Shareholder 1	50,000,000	17.53%	25,000,000	50,000,000	11.7%
Shareholder 2	25,000,000	8.77%	12,500,000	25,000,000	5.84%
Shareholder 3	10,000,000	3.51%	5,000,000	10,000,000	2.33%
Shareholder 4	1,000,000	0.35%	500,000	1,000,000	0.23%
Shareholder 5	100,000	0.035%	50,000	100,000	0.023%

**Notes:**

1. This is based on a share capital of 285,148,832 Shares at the date of this Offer Document.

### 3.11 Broker to the Shortfall Offer

CPS Capital Group Pty Ltd (**CPS**) has been appointed as Lead Manager and Broker to the Shortfall Offer. CPS will be paid a fee of 6% (plus GST) in respect of funds raised by them from the placement of Shortfall Shares (with a minimum fee of \$60,000 plus GST).

### **3.12 Shortfall Offer**

Any Entitlement not taken up pursuant to the Offer will fall into the Shortfall Offer. Applications under the Shortfall Offer will be placed by the Directors (in consultation with CPS, however in the Directors sole and absolute discretion) in accordance with the Corporations Act and the ASX Listing Rules.

The offer of any Shortfall is a separate offer made pursuant to this Offer Document and will remain open after the Closing Date for a period of up to three (3) months from the Closing Date (or such shorter date as determined by the Directors of the Company at their sole and absolute discretion, in consultation with CPS).

The Shortfall will be offered at the same price and on the same terms as the New Shares were offered under the Offer. The Shortfall Shares, once issued, will have the same rights as the New Shares issued pursuant to the Offer.

There is no guarantee that Eligible Shareholders will receive Shares applied for under the Shortfall Offer. The Directors do not intend to refuse an application for Shortfall Shares from Eligible Shareholders other than in circumstances of oversubscription or where acceptance may result in a breach of the Corporations Act or ASX Listing Rules. If the number of Shortfall Shares applied for by Eligible Shareholders exceeds the total Shortfall, the Shortfall Shares will be allocated among applying Eligible Shareholders proportionally.

The Company notes that no Shares will be issued to an applicant under this Offer Document or via the Shortfall Offer if the issue of Shares would contravene the takeover prohibition in section 606 of the Corporations Act. Similarly, no Shares will be issued via the Shortfall Offer to any related parties of the Company.

If Eligible Shareholders wish to apply for any Shortfall they should complete the relevant section of the Entitlement and Acceptance Form.

The Directors do not intend to refuse an application for Shortfall from Eligible Shareholders other than in circumstances of oversubscription or where acceptance may result in a breach of the Corporations Act. If the number of applications from Eligible Shareholders exceeds the Shortfall, the Shortfall will be allocated among applying Eligible Shareholders proportionally.

### **3.13 Top Up Offer and Placement**

The Company has also mandated with CPS that the Shortfall Offer shall be for a minimum of \$600,000, or 30,000,000 Shares.

In the event the Shortfall is less than 30,000,000 Shares, the Company will offer to CPS (or its nominees) such number of Shares that is equal to the difference between 30,000,000 Shares and the total available Shortfall at an issue price of \$0.02 per Share and otherwise on the same terms as the Offer. The maximum amount that can be raised under the Top-up Offer is \$600,000.

Successful Applicants under the Top-Up Offer will be notified in writing of the number of New Shares allocated to them as soon as possible following the allocation being made.

As the Top-up Offer is a separate offer of New Shares, it can only be accepted by completing a relevant Entitlement and Acceptance Form which shall be provided to any potential recipient in due course following completion of the Offer.



### 3.14 Foreign holder nominee

The Company is proposing to appoint an ASIC approved nominee to act as nominee for the purposes of section 615 of the Corporations Act (**Nominee**).

The nominee sale procedure will be implemented in accordance with section 615 of the Corporations Act as follows:

- (a) the Company will, at the issue price of \$0.02, issue to the Nominee, the New Shares that Ineligible Shareholders would be entitled to if they were eligible to participate in the Entitlement Offer (**Nominee Shares**);
- (b) the Nominee will then sell the Nominee Shares at a price and otherwise in a manner and at such time as determined by the Nominee in its absolute and sole discretion; and
- (c) the net proceeds of the sale of the Nominee Shares (after deducting the aggregate subscription price of the Nominee Shares and costs of sale including brokerage and commission), if any, will be distributed to the Ineligible Shareholders for whose benefit the New Shares are sold in proportion to their shareholdings as at the Record Date.

If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company. Accordingly there is a possibility that Ineligible Shareholders may receive no net proceeds if the subscription price plus costs of the sale of the Nominee Shares are greater than the sale proceeds. The Company and the Nominee will not be held liable for a failure to obtain any net proceeds, or for the sale of any the Nominee Shares at any particular price or the timing of such sale.

The Company notes that if the Company cannot not appoint a Nominee to be issued the Nominee Shares, then no Shares will be issued to an applicant under this Offer Document or via the Shortfall Offer if the issue of Shares would contravene the takeover prohibition in section 606 of the Corporations Act. Similarly, no Shares will be issued via the Shortfall Offer to any related parties of the Company.

### 3.15 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document and the respective dates of those sales were:

	(\$)	Date
Highest	0.039	19 November 2018
Lowest	0.020	21 September 2018
Last	0.028	6 December 2018

### 3.16 Opening and Closing Dates

The Offer opens on the Opening Date, being 17 December 2018, and closes on the Closing Date, being 5:00pm (WST) on 23 January 2019 (or such other dates

as the Directors in their discretion shall determine subject to the ASX Listing Rules). The Company will accept Entitlement and Acceptance Forms until the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the ASX Listing Rules.

### **3.17 Issue and dispatch**

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the indicative timetable set out in Section 3.3 of this Offer Document. Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis.

Pending the issue of the Shares or payment of refunds pursuant to this Offer Document, all Application monies will be held by the Registry in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest by completing and returning the Entitlement and Acceptance Form.

The expected dates for issue of New Shares offered by this Offer Document and dispatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 3.3 of this Offer Document.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

### **3.18 ASX listing**

Application for official quotation by ASX of the New Shares offered pursuant to this Offer Document will be made.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

### **3.19 CHESS**

The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

### **3.20 Risk Factors**

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are non-exhaustive. Please refer to Section 5 of this Offer Document for further details.

### **3.21 Taxation implications**

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

### **3.22 Continuous disclosure obligations**

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website [www.winchesterenergy.com](http://www.winchesterenergy.com) or the ASX [www.asx.com.au](http://www.asx.com.au).

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

### **3.23 Enquiries concerning Offer Document**

Enquiries relating to this Offer Document should be directed to the Company on + 61 1300 133 921.

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## **4. ACTION REQUIRED BY SHAREHOLDERS**

### **4.1 How to Accept the Offer**

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. You may participate in the Offer as follows:

- (a) **if you wish to accept your Entitlement in full:**
  - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
  - (ii) attach your cheque or arrange payment by BPAY® for the amount indicated on the Entitlement and Acceptance Form; or
- (b) **if you only wish to accept part of your Entitlement:**
  - (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.02 per New Share); or
- (c) **if you wish to apply for your Entitlement in full and the Shortfall Offer:**
  - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided;
  - (ii) fill in the number of New Shares under the Shortfall Offer you wish to apply for in the space provided on the Entitlement and Acceptance Form; and
  - (iii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.02 per New Share); or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Your completed Entitlement and Acceptance Form and payment must reach the Registry no later than 5:00pm (WST) on the Closing Date.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

### **4.2 Implications of an acceptance**

Returning a completed Entitlement and Acceptance Form or paying any Application monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Offer Document and the accompanying Entitlement and Acceptance Form, and read them both in their entirety; and
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any

Application monies, the Application may not be varied or withdrawn except as required by law.

#### **4.3 Payment by cheque/bank draft**

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to **“WINCHESTER ENERGY LIMITED – RIGHTS ISSUE”** and crossed “Not Negotiable”.

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm WST on the Closing Date.

#### **4.4 Payment by BPAY®**

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

**It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 2:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.**

#### **4.5 Shortfall Offer**

You may, in addition to taking up your Entitlement in full, apply for additional Shares under the Shortfall Offer in excess of your Entitlement pursuant to a top-up facility, by completing the relevant part of the Entitlement and Acceptance Form relevant to the Shortfall Offer which accompanies this Offer Document. Please read the instructions on the Entitlement and Acceptance Form carefully.

Payment for the total amount of your Entitlement amount and your application for additional Shortfall Shares can be made by way of cheque/bank draft or BPAY, as per sections 4.3 and 4.4 above, and outlined on the Entitlement and Acceptance Form. Completed Entitlement and Acceptance Forms together with payment as per sections 4.3 and 4.4 above must reach the Company's share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm AEST on the Closing Date.

Refer to Sections 3.11 and 3.12 for further details with respect to the Shortfall Offer.

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## **5. RISK FACTORS**

### **5.1 Introduction**

The New Shares offered under this Offer Document should be considered speculative because of the nature of the Company's business.

There are numerous risk factors involved with the Company's business. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade.

The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and potential investors should examine the contents of this Offer Document in its entirety and consult their professional advisors before deciding whether to apply for the New Shares.

### **5.2 Key investment risks**

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. Prospective investors should read this Offer Document in its entirety before deciding whether to apply for Shares under this Offer Document.

These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Offer Document.

#### **(a) Uncertainty of Development of Oil and Gas Projects and Exploration Risk**

The primary business of the Company is exploration for, and commercial development of, conventional and unconventional oil reservoirs, which is subject to the risks inherent in these activities. The Company has interests of between 25% to 100% working Interest in 12 wells and several prospects on various oil and gas leases. These wells are currently operated variously by both the Company and a third party, namely, Carl E Gungoll Exploration LLC. The current and future operations of the Company may be affected by a range of factors, including:

- (i) geological conditions;
- (ii) the flow potential of oil reservoirs after any stimulation by hydraulic fracturing;
- (iii) limitations on activities due to seasonal weather patterns;
- (iv) alterations to exploration programs and budgets;
- (v) unanticipated operational and technical difficulties encountered in drilling, development, production and treatment activities;
- (vi) mechanical failure of operating plant and equipment;

- (vii) adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- (viii) unavailability of drilling, processing and other equipment;
- (ix) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment and labour;
- (x) prevention of access by reason of inability to obtain regulatory or landowner consents or approvals;
- (xi) terms imposed by government on the development of projects including conditions such as environmental rehabilitation and taxes;
- (xii) delays in completing feasibility studies and obtaining development approvals; and
- (xiii) risks of default or non-performance by third parties providing essential services.

No assurance can be given that future exploration will be commercially successful. The ongoing financial viability of the Company depends on the continued discovery and delineation of economically recoverable oil and gas reserves, design and construction of efficient processing facilities, and competent operational and managerial performance.

Development of a commercial oil and gas business is also dependent on the Company's ability to obtain necessary governmental and other regulatory approvals, including but, not limited to, environmental approvals on a timely basis. Development of a commercial oil and gas business is also dependent on the Company's ability to establish basic infrastructure such as (but not limited to) power, water, transport and housing to support its operations.

(b) **Going concern**

The Company's financial report for the half-year ended 30 June 2018 includes a note on the financial condition of the Company and the possible existence of a material uncertainty about the Company's ability to continue as a going concern.

Notwithstanding the 'going concern' paragraph included in the half-year financial report, the Directors believe that upon the successful completion of the Offer, the Company will have sufficient funds to adequately meet the Company's current expenditure commitments and short term working capital requirements. However, it is highly likely that further funding will be required to meet the medium to long term working capital costs of the Company.

In the event that the Offer is not completed successfully there is significant uncertainty as to whether the Company can continue as a going concern.

(c) **Reliance on and sourcing of Key Personnel**

The Company is dependent on its Directors', managers' and consultants' ability to implement the Company's strategy in respect of the

exploration and development of the Company's conventional and unconventional oil and gas interests. A number of factors, including the departure of Directors and/or senior management of the Company and/or senior consultants, could adversely affect the Company's ability to implement its strategy. There can be no assurance that any Director, manager or consultant of the Company will remain a Director, manager or consultant of the Company.

The success of the Company's operations may also depend on continued access to competent management and technical expertise, prudent financial administrators and the availability of appropriately skilled and experienced employees, contractors and consultants operating in relevant sectors. The continued access to such personnel cannot be guaranteed. In the event that the Company is unable to source such personnel, the Company could be adversely affected.

(d) **Future financing**

Whilst production and development of the oil discovery on the various oil and gas leases is in progress by way of the existing wells and prospects, the Company has not reached the stage where it is generating positive free cash flow and can therefore finance from this free cash flow an ongoing drilling program. The Company must fund its exploration and development of the wells and prospects through its cash reserves, equity capital or debt. The accelerated exploration and development of the Mustang, El Dorado and Spitfire prospects is therefore dependent upon the success of the Offer.

If the cash reserves currently available to the Company and the funds to be raised under the Offer which are to be used to drill additional wells into the interpreted oil trap in the Ellenburger Formation do not result in the Company generating enough free cash flow to self-sustain an ongoing drilling programme on the Mustang, El Dorado and Spitfire prospects then there may be a need for the further raising of equity or debt funds in the future. There can be no guarantee that the Company will be able to successfully raise project debt or equity finance for the drilling of additional wells.

(e) **Importance of Future Prices, Supply and Demand for Oil and Gas**

The revenues generated from the activities of the Company will be highly dependent upon the future prices and demand for oil and gas. Factors which may affect prices and demand for oil and gas include, but are not limited to, the worldwide supply of oil and gas; the price of oil produced in the United States of America or imported from foreign countries; consumer demand for oil and gas; the price and availability of alternative fuels; federal and state regulation; and general, national and worldwide economic political conditions.

In addition to the widely-recognised volatility of the oil market, the gas market is also unsettled due to a number of factors. In the past, production from gas wells in many geographic areas of the United States of America has been curtailed for considerable periods of time due to a lack of market demand, and such curtailments may exist in the future. Further, there may be an excess supply of gas in the area of the Company wells. In that event, it is possible that wells in the area of the Company wells, including the Company wells, will be shut in or that gas in those areas will be sold on terms less favourable than might otherwise



be obtained. The combination of these factors, among others, makes it particularly difficult to estimate accurately future prices of oil and gas, and any assumptions concerning future prices may prove incorrect.

(f) **Competition**

The Company competes with many other companies. Some of these companies have greater financial and other resources available to them than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce oil and gas, but also carry out refining operations on a global scale. There can be no assurances that the Company will be able to compete effectively with these companies.

(g) **Markets for sale of production**

The ability of the Company to market oil and gas found and produced, if any, will depend on numerous factors beyond the control of the Company, the effect of which cannot be accurately predicted or anticipated. Some of these factors include, without limitation, the availability of a ready market, the effect of federal and state regulation of production, refining, transportation and sales, and general national and worldwide economic conditions.

There is no assurance that the Company will be able to market any oil or gas produced by it, or, if such oil or gas is marketed, that favourable prices can be obtained by the Company. The Company's currently sells all its oil and gas at spot prices and is completely unhedged as to the sale of its oil and gas.

(h) **Price control and possible energy legislation**

There are currently no US Federal Government price controls on oil or gas production so that sales of oil or gas by the Company can be made at uncontrolled market prices. However, there can be no assurance that either the United States Federal Government or the Texas legislature will not enact controls at any time. No prediction can be made as to what additional energy legislation may be proposed, if any, nor which bills may be enacted nor when any such bills, if enacted, would become effective.

(i) **Environmental risk**

The exploration, development and production of oil and gas are subject to various federal and state laws and regulations to protect the environment. Various US government states and governmental agencies are considering, and some have adopted, laws and regulations regarding environmental control which could adversely affect the business of the Company.

Compliance with such legislation and regulations, together with any penalties resulting from non-compliance therewith, will increase the cost of oil and gas development and production. Some of these costs may ultimately be borne by the Company.

(j) **Operating risks**

The Company and its operations in the United States of America will be subject to usual industry operating risks including fire, accidental damage caused by contractor or employee errors or negligence, adverse weather conditions and industrial action.

The occurrence of any of these risks could result in substantial liability being incurred by the Company.

To mitigate this risk the Company intends to ensure that insurance is maintained within ranges of coverage that the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that the Company will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any potential claims. Insurance cover may not be available for every risk faced by the Company. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(k) **Tenure risk**

The oil and gas mineral rights and interests held by the Company are subject to commercial terms and applicable laws regarding exploration and production, expenditure, plus extension and renewal costs.

Laws and policies in the United States of America may impact on both the Company's ability to secure and maintain its oil and gas mineral rights and interests and its ability to access these leases that it holds. Oil and gas mineral rights and interests are granted subject to various conditions including, but not limited to, work and expenditure conditions. Failure to comply with these conditions may expose the leases to forfeiture.

(l) **Taxation**

In all places where the Company has operations, in addition to the normal level of corporate income tax imposed on all industries, the Company may be required to pay royalties, indirect taxes, goods and services tax and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

(m) **Government regulation**

The oil and gas business is subject to extensive governmental regulation under which, among other things, rates of production from the Company wells may be fixed.

Governmental agencies may impose a moratorium on drilling, such as the moratorium on deepwater drilling operations in the Outer Continental Shelf of the Gulf of Mexico that occurred in 2010. A drilling moratorium or other regulatory initiatives in response to oil spills in the geographical areas where the Company conducts operations could have a material adverse effect the Company's business. Governmental regulation also may limit or otherwise affect the market for the

Company's wells' production and the price which may be paid for that production. Governmental regulations relating to environmental matters could also affect the Company's operations.

The nature and extent of various regulations, the nature of other political developments and their overall effect upon the Company are not predictable.

(n) **Contractual risk**

The Company's ability to efficiently conduct its operations in a number of respects depends upon a number of contracts. As in any contractual relationship, the ability for the Company to ultimately receive the benefit of the contract is dependent upon the relevant counterparty complying with its contractual obligations. To the extent that such counterparties default in their obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms. Most oil field operations are administered between the joint interest parties under a joint operating agreement and this contract included remedies for non-performance of either party.

(o) **Litigation risk**

Legal proceedings may also arise from time to time in the course of the Company's business. The Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute, if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently the subject of any legal proceedings which would adversely affect the Company's operations, financial performance or financial position.

### **5.3 General Risks**

(a) **Share market conditions**

The value of Shares quoted on ASX will be subject to varied and often unpredictable influences on the market for equities and particularly for speculative stocks such as the Company's. It is important to recognise that share prices may fall as well as rise, and the Company's Shares may trade below or above the issue price. The price of the Company's Shares, when quoted on the ASX, will be influenced by international and domestic factors as well as general equity market fluctuations. Should these produce a negative effect on the Share price, this may also affect the Company's ability to raise capital.

(b) **Dividends**

There is no guarantee as to future earnings of the Company or that the Company will be profitable and there is no guarantee that the Company will be in a financial position to pay dividends. At the time of the issue of this Offer Document, the Directors do not anticipate that any dividend will be declared in respect of the current financial year and no dividends are anticipated to be declared for the foreseeable future.

(c) **Dilution risk**

The Company may require further financing in the future in addition to the amounts being raised under the Offer. If any additional funds are raised through the issue of further Shares, Shareholders voting and relevant interest in the Company may be diluted if they do not participate in the offer.

(d) **Liquidity**

As with all securities listed on ASX, there can be no guarantee that an active market in Shares will develop over and above its current levels. There may be relatively few or many potential buyers or sellers of Shares on ASX at any given time. This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the Offer Price.

(e) **General economic conditions**

Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, government policy and legislation have an impact on operating costs, commodity prices, and the parameters in which the Company operates. Factors that may be beyond the control of the Company include:

- (i) general economic conditions in Australia and the United States and their trading partners and, in particular, inflation rates, interest rates, exchange rates, commodity supply and demand factors;
- (ii) financial failure or default by a participant in any of the joint ventures or other contractual relationship to which the Company is, or may become, a party;
- (iii) insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- (iv) industrial disputes.

These as well as other conditions can affect the Company's future revenues and profitability and the price of its securities.

(f) **Changes in Government policies and laws**

Changes in government laws, regulations, policies and administrative regimes, particularly those affecting ownership of oil and gas interests, taxation, royalties, land access, labour relations, environmental pollution and exploration activities, may adversely affect the financial performance or the current and proposed operations generally of the Company. These changes may increase operating costs and may have a material adverse effect on the Company.

(g) **Industrial risk**

Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

(h) **Management actions**

The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its Shares.

#### **5.4 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Offer Document. Therefore, the securities to be issued pursuant to this Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Offer Document.

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## 6. DEFINED TERMS

**\$ or A\$** means an Australian dollar.

**Additional Shares** means those New Shares not issued under the Offer.

**Applicant** refers to a person who submits an Entitlement and Acceptance Form, or submits a payment of subscription monies in respect of the Offer.

**Application** refers to the submission of an Entitlement and Acceptance Form or Shortfall Application Form (as the case may be).

**ASX** means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

**ASX Listing Rules** means the Listing Rules of the ASX.

**Closing Date** means the closing date set out in Section 3.3 or such other date as may be determined by the Directors.

**Company** means Winchester Energy Limited (ACN 168 586 445).

**Corporations Act** means the *Corporations Act 2001* (Cth).

**CPS** means CPS Capital Group Pty Ltd (ACN 088 055 636; AFSL 294 848).

**Directors** mean the directors of the Company.

**Eligible Shareholder** means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand.

**Entitlement** means the entitlement to subscribe for 1 New Share for every 2 Shares held by an Eligible Shareholder on the Record Date.

**Entitlement and Acceptance Form** means the Entitlement and Acceptance Form accompanying this Offer Document.

**Ineligible Shareholder** means a Shareholder having a registered address outside Australia and New Zealand.

**New Share** means a new Share proposed to be issued pursuant to this Offer.

**Offer** or **Rights Issue** means the pro rata non-renounceable offer of New Shares at an issue price of \$0.02 each on the basis of 1 New Share for every 2 Shares held on the Record Date subscribed for pursuant to this Offer Document.

**Offer Document** means this Offer Document.

**Opening Date** means the opening date set out in Section 3.3 of this Offer Document.

**Record Date** means the record date set out in Section 3.3 of this Offer Document.

**Section** means a section of this Offer Document.

**Share** means an ordinary fully paid share in the capital of the Company.

**Shareholder** means a holder of Shares.

**Shortfall** or **Shortfall Shares** means those Shares under the Offer not applied for by Shareholders under their Entitlement.

**Shortfall Offer** means as defined in Section 3.11 of this Offer Document.

**Top-up Offer** means the offer on the terms and conditions set out in Section 3.13 of this Offer Document.