WINCHESTER
ENERGY LIMITED

ACN 168 586 445

HALF YEAR FINANCIAL REPORT

Half year ended 30 June 2019

ASX Code: WEL

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CORPORATE INFORMATION

Directors

Mr Laurence Roe
Mr Neville Henry
Mr Tony Peng
Mr John Kopcheff
Mr Larry Liu

Company Secretary

Mr Lloyd Flint

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Share register

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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 2019 to 30 June 2019.

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

Mr Laurence Roe	Non-Executive Chairman – appointed 1 September 2019
Mr Neville Henry	Managing Director
Mr John Kopcheff	Non-Executive Director
Mr Tony Peng	Non-Executive Director – appointed 1 September 2019
Mr Peter Allchurch	Non-Executive Director – resigned 31 July 2019
Mr Larry Liu	Non-Executive Director

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

Review of Operations

The half year ending 30 June 2019 has been a transformative period for the Company as ongoing drilling and completion activities in its operated Permian Basin oil and gas leases have improved production and cash flow.

Mustang Oil Field Development

In the reporting period, the Company successfully drilled and completed a new oil well (White Hat 20#3) which is now producing commercial oil and gas from the Fry Sand Member of the Strawn Formation.

Located approximately 510 metres south west of Winchester's oil producing White Hat 20#2 well, White Hat 20#3 was drilled in March 2019 to a depth of 6,796 ft, encountering 28 ft of net pay in its primary target, the Fry Sand. Additional pay was also interpreted from wireline logs in the Wolfcamp 'D" shale (33 ft net oil pay), Strawn Lime (16 ft net oil pay) and a further 22 feet of net oil pay in other secondary targets. Winchester has a 75% working interest (WI) in White Hat 20#3.

The well was subsequently completed for production in the Fry Sand. Production from the White Hat 20#3 well, which had initial production in the first 30 days (IP 30) of 259 barrels of oil per day (bopd) with 100-140 thousand cubic feet per day (mcfgd) of gas, has already produced over 16,600 barrels of oil, augmenting White Hat 20#2 (IP of 200 bopd with 45,000 bo recovered to date and continuing to producing 30-40 bopd).

White Hat 20#3 has been responsible for the June quarter showing a 147% increase of the company's net (WI) production and a 154% increase in revenues over the previous quarter.

Based on the success of these wells in the Fry Sand, the company commissioned a development plan from Kurt Mire and Associates that determined there were 3 potential prospective lobes in the Mustang Prospect (now the Mustang Field) and identified 9 locations in the central lobe and a further 25 locations in the north and south lobes. In August 2019 Winchester drilled the White Hat 20#5 well north west of White Hat 20#3 and encountered 50 feet of gross Strawn Fry Sand with 20 feet of net pay with up to 15% porosity. That well is scheduled for fracture stimulation in September 2019. Winchester is currently finalizing locations for the next Mustang Oil Field development wells, White Hat 20#4 and White Hat 39#2.

Carl E Gungoll Exploration LLC (CEGX), a private company, has the right to participate at a 25% working interest in the Mustang oil Field and elected to participate in both the White Hat 20#5 and 20#4 wells.

Lightning Prospect Exploration – Arledge 16#2 (100% WEL Working Interest)

Also subsequent to the reporting period, Winchester drilled the Arledge 16#2 well at its Lightning Prospect.

The well successfully targeted a thick sequence of Cisco Sands. Two zones were predicted and the well successfully intersected the targets with gas and oil shows over 200 feet in July 2019. Initial testing of the lower intervals of the deeper sand recovered 35 bopd from 16 feet of perforations (Interval 1) and an additional 50 bopd from a 25 ft of perforations in the next interval above (Interval 2).

Winchester is planning to fracture stimulate Interval 1 which has significant pay in laminated thin sandstones. The fracture operation is scheduled for early September 2019. After the fracture stimulation of the lower zone, the company will decide on further completion operations above the current zone.

Depending on the success of the Arledge 16#2 completion program, this well on the Lightning Prospect may open another development opportunity for Winchester that adds to its recent Mustang oil discoveries.

Total Oil Production

The following gross oil production for the half-year ending 30 June 2019 (March and June 2019 quarters) across all oil wells in which Winchester has a WI was recorded for the Company. Winchester's WI average oil production for the June 2019 quarter of 133 bopd is 2.4 times that of the March 2019 quarter WI average of 54 bopd.

Gross Oil Production (bo)*	**June Quarter 2019**	**March Quarter 2019**	**December Quarter 2018**	**September Quarter 2018**	**June Quarter 2018**
Oil Production (Gross 100%WI)	18,913	9,838	10,726	11,346	12,660
Oil Sales (Gross 100%WI)	18,429	10,387	12,500	10,279	14,210
Winchester Working Interest Oil Production**					
Quarterly Oil Production	12,087	4,894	5,249	5,503	6,346
Quarterly Oil Sales	11,710	5,193	5,679	5,098	6,969

** Note: These figures show gross oil production only (they exclude gas sales). Winchester is entitled to its Working Interest share of net proceeds after royalty payments to the oil and gas mineral rights owners.*

*** Note: All oil and gas production is subject to royalty payments to the oil and gas rights owners. The figures represented above are for oil production only (and exclude gas sales) and are pre-royalty.*

Exploration and Development Prospect Summary

Winchester has identified, from both 3D seismic and well control, the Mustang, Spitfire, El Dorado and Lightning prospects in the Strawn, Ellenburger and Cisco formations. In addition, Winchester has some 20 additional locations identified for potential future exploration.

The independent gross Prospective Resource best estimate (P50) for all four prospects above combined is 9.738 milion barrels of oil equivalent*.

Prospect (Productive unit)	**Low Estimate P90***	**Best Estimate P50***	**High Estimate P10***
Mustang (Strawn)**	1.078 mmboe	2.029 mmboe	3.773 mmboe
Spitfire(Ellenburger and Strawn)**	1.994 mmbo	4.490 mmbo	9.907 mmbo
El Dorado (Ellenburger and Strawn)**	0.591 mmbo	1.269 mmbo	2.628 mmbo
Lightning Prospect (Cisco)**	0.602 mmbo	1.95 mmbo	6.392 mmbo
Total Gross Prospective Resources⁺	**4.265 mmboe**	**9.738 mmboe**	**22.7 mmboe**

** Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of*

discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
***See ASX announcements - 15 October 2018, 21 June 2019 and 25 June 2019 for further detail.*
+ - Winchester currently owns a 75% working interest in the Spitfire and Mustang prospects and 100% of the El Dorado and Lightning prospects. WEL's future entitlement share may be subject to reduction in the event of farmout, should any farmout occur. WEL's future entitlement may also increase should the 25% working interest party (CEGX) not exercise its right to participate.
mmboe (million barrels of oil equivalent) - gas quantities are converted to boe using 6,000 cubic feet of gas to one barrel of oil. 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency. Quoted estimates are rounded to the nearest boe.

Winchester will maintiain its exploration and development drilling focus on these conventional targets with an aggressive exploration and development drilling program planned for the ensuing months.

In addition to the Strawn and Cisco Formations, other prospective units include shales in the Wolfcamp 'D' section with high total organic content, plus several intervals within the Canyon Sands package as well as the Odom sands and carbonates.

The shales in the Wolfcamp "D" include the Three Fingers Shale which ranges in thickness from 100 feet to 200 feet and the Lower Penn Shale which are the focus of operations by US Energy Corporation on the Thomas Ranch Lease. Those operations included a 500,000 lb. frac of the Three Fingers Shale in the Thomas 119 1H well (WEL has a 12.5% APO back in) which recovered oil at 69 bopd initially and is now producing 10 bopd. This is a good outcome from a vertical stimulation.

Winchester's recent successes in the Strawn Fry Sand and the Cisco Formation prove that the Company's leases hold significant potential at several formation levels. The Company's ongoing efforts remain focused on a vertical drilling program, designed to optimise exploitation of multiple reservoir, "stacked" targets that include Cisco Lower Permian and Pennsylvanian, Strawn reservoirs, while partnering in fracking in the Wolfcamp "D" shales. The Company also continues to assess further opportunities in the Ellenburger Formation which to date has produced some 300,000 barrels in Winchester's wells (WEL WI 50%).

Successful fund raising along with recent success with the Mustang Oil Field wells (WEL WI 75%) and potential new production revenues from the Arledge 16#2 well (WEL WI 100%) is restoring the Company's cash reserves and cashflow. This strengthening position will continue to support Winchester Energy's ongoing programs in its 17,000 net acre lease position.

Net Lease Area

The Company's lease holding is a total of 17,213 net acres at the end of the half ending 30 June 2019[1].

[1] *The Company's net acreage position varies modestly in accordance with earned interests in drilling units of the current operations.*

Corporate

0n 7 December 2018, the Company issued announced an Entitlement Offer on the basis of 1 share for every 2 shares held at $0.02 cents per share. The Company issued 142,574,438 shares to raise to $2,851,488 before costs and completed the offer in June 2019.

On the 30 April 2019, 30,000,000 options exercisable $0.25 cents per share expired along with 60,000 converting performance notes. None of the performance hurdles had been achieved at that date. The converting notes converted to debt of $6,000 which has been repaid.

The Company sought shareholder approval at the annual general meeting in May 2019 to settle undrawn salaries and fees to directors and officers by the issue of 3,622,580 shares and 13,900,000 options were issued in lieu of services provided - refer to note 8 for further information on this.

Financial Results

Revenue from continuing operations for half year to 30 June 2019 was US$693,565 (2018: US$739,573). The company reported a net loss before tax of US$331,634 for the half year ended 30 June 2019 (2018: US$14,894,827). This result included no impairment expense for the period (2018: US$14,398,526), a depreciation and depletion expense of US$340,222 (2018: US$363,516) and share based expenses US$178,442 (2018: US$73,589). Cash position at 30 June 2019 was US$1,019,630 (31 December 2018: US$307,236).

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 2019.

Events after the reporting date

The Company undertook a placement during August 2019, issuing 106,900,000 shares at $0.025 cents each to raise $2,672,500 before costs.

Dividends

In respect of the period ended 30 June 2019, 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 Laurence Roe
Non-Executive Chairman
13 September 2019

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 Laurence Roe
Non-Executive Chairman
13 September 2019

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

As lead auditor for the review of Winchester Energy Limited for the half-year ended 30 June 2019, 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, 13 September 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 30 June 2019

	Note	30 June 2019 US$	30 June 2018 US$
Revenue from contracts with customers		693,565	739,573
Interest income		92	1,447
Other income		-	74,074
Foreign exchange (expenses)/Income		(274)	542
Operating costs		(183,691)	(204,974)
Administration expenses	3	(315,171)	(668,817)
Depletion, Depreciation and Amortization		(340,222)	(363,516)
Impairment expense	5	-	(14,398,526)
Share based payments		(178,442)	(73,589)
Finance costs		(7,491)	(1,040)
Loss before income tax		**(331,634)**	**(14,894,827)**
Income tax benefit	4	-	-
Loss for the period after income tax		**(331,634)**	**(14,894,827)**
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(20,594)	(53,548)
Total comprehensive loss for the period		**(352,228)**	**(14,948,375)**

Loss per share for the half year attributable to the members of Winchester Energy Ltd	Cents	Cents
Basic loss per share (cents per share)	(0.9)	(5.22)
Diluted loss per share (cents per share)	(0.9)	(5.22)

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 2019

	Note	30 June 2019 US$	31December 2018 US$
ASSETS			
Current assets			
Cash and cash equivalents		1,019,630	307,236
Trade and Other receivables		733,999	478,421
Right of use asset		118,234	-
Total current assets		**1,871,863**	**785,657**
Non-current assets			
Property, plant and equipment		9,405	9,405
Exploration and evaluation expenditure	5	4,251,704	3,940,924
Oil & Gas properties	6	1,342,469	747,639
Total non-current assets		**5,603,578**	**4,697,968**
TOTAL ASSETS		**7,475,441**	**5,483,625**
LIABILITIES			
Current liabilities			
Other payables		829,451	770,639
Lease liability		121,844	-
Borrowings		-	3,811
Total current liabilities		**951,295**	**774,450**
TOTAL LIABILITIES		**951,295**	**774,450**
NET ASSETS		**6,524,146**	**4,709,175**
EQUITY			
Issued capital	7	30,925,430	28,925,619
Option Premium Reserve		1,891,620	1,891,620
Share based payment reserve		751,404	584,016
Foreign currency translation reserve		(2,972,738)	(2,952,144)
Accumulated losses		(24,071,570)	(23,739,936)
TOTAL EQUITY		**6,524,146**	**4,709,175**

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 2019

	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 2018	**28,937,201**	**(7,992,449)**	**1,891,620**	**502,869**	**(2,887,079)**	**20,452,162**
Loss for the period	-	(14,894,827)	-	-	-	(14,894,827)
Other comprehensive loss	-	-	-	-	(53,548)	(53,548)
Total comprehensive loss for the period	-	(14,894,827)	-	-	(53,548)	(14,948,375)
Transactions with owners in their capacity as owners						
Share based payment transactions	-	-	-	73,589	-	73,589
Issue of share capital (net of costs)	-	-	-	-	-	-
Balance at 30 June 2018	**28,937,201**	**(22,887,276)**	**1,891,620**	**576,458**	**(2,940,628)**	**5,577,376**
Balance at 1 January 2019	**28,925,619**	**(23,739,937)**	**1,891,620**	**584,016**	**(2,952,144)**	**4,709,175**
Loss for the period	-	(331,634)	-	-	-	(331,634)
Other comprehensive loss	-	-	-	-	(20,594)	(20,594)
Total comprehensive loss for the period	-	(331,634)	-	-	(20,594)	(352,228)
Transactions with owners in their capacity as owners						
Share based payment transactions	-	-	-	167,388	-	167,388
Issue of share capital (net of costs)	1,999,811	-	-	-	-	1,999,811
Balance at 30 June 2019	**30,925,430**	**(24,071,570)**	**1,891,620**	**751,404**	**(2,972,738)**	**6,524,146**

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 2019

	Note	30 June 2019 US$	30 June 2018 US$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		443,879	823,628
Payments to suppliers and employees (inclusive of GST)		(464,460)	(1,457,491)
Interest paid		-	-
Net cash generated by/(used in) operating activities		(20,581)	(633,863)
Cash flows from investing activities			
Payment for exploration activities		(1,186,715)	(958,558)
Interest received		92	1,447
Purchase of property, plant, equipment and software		-	-
Payment for term deposits		-	-
Net cash used in investing activities		(1,186,623)	(957,111)
Cash flows from financing activities			
Proceeds from issue of shares and options		2,067,419	-
Costs associated with the issue of securities		(67,609)	-
Lease liability payments		(55,509)	
Repayment of borrowings		(3,477)	-
Net cash generated by financing activities		1,940,825	-
Net increase/(decrease) in cash and cash equivalents		733,620	(1,590,974)
Cash and cash equivalents at beginning of the period		307,236	2,794,081
Effect of exchange rate changes on balance of cash held in foreign currencies		(21,226)	(52,695)
Cash and cash equivalents at the end of the period		**1,019,630**	**1,150,412**

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 INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2019

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 2018 annual financial report for the financial year ended 31 December 2018, 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.

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.

Adoption of new and amended accounting standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standard:

- AASB 16 *Leases*

The impact of the adoption of the standard and the new accounting policies are disclosed below. The impact of the standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

AASB 16 Leases – Impact of Adoption

The Group has adopted AASB 16 *Leases* from 1 January 2019, under the modified retrospective method which resulted in changes to accounting policies. Adjustments to the amounts have been recognised in the financial statements.

AASB 16 Leases – Accounting policies

Group has reviewed contracts to assess whether the contract is or contains a lease. The Group leases buildings for its office space. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2019

Initial recognition

	USD$
Operating lease commitment at 31 December 2018,	189,696
Effect of discounting the lease commitment at an annual rate of 9.57%	(12,344)
Right of Use asset and Lease liability recognised as at 1 January 2019,	177,352

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise an extension option. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of offices that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 $4,251,704 capitalised as exploration and evaluation expenditure and $1,342,469 is capitalised as oil and gas properties 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$)		Segment (Loss)/Profit (US$)		Segment Assets (US$)	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	31 December 2018
Unallocated	92	75,520	(395,833)	(292,563)	248,351	253,990
USA	693,565	739,573	64,199	(14,602,264)	7,227,090	5,229,635
Total	**693,657**	**815,093**	**(548,673)**	**(14,894,827)**	**7,475,441**	**5,483,625**

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

3. Administration expenses

	30June 2019 US$	30 June 2018 US$
Consultancy fees	-	249,369
Legal Fees	17,300	3,060
Rent	80,987	137,755
Accounting & compliance expense	47,674	25,612
Employee benefit expense	56,889	125,433
Other expenses	112,321	127,588
Total	315,171	668,817

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2019

4. Income taxes

a) Income tax recognised in profit or loss

The major components of income tax expense are:

	30 June 2019 US$	30 June 2018 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 2019 US$	30 June 2018 US$
Loss before income tax	331,634	14,894,827
Income tax benefit calculated at rate of 27.5% (2018: 30%)	(91,199)	(4,096,077)
Effect of revenue losses not recognised as deferred tax assets	91,199	4,096,077)
Income tax reported in the consolidated Statement of profit or loss and other comprehensive income.	-	-

5. Exploration and evaluation expenditure

	30 June 2019 US$	31 December 2018 US$
Opening balance	3,940,925	16,948,845
Exploration and evaluation expenditure capitalised during the period	1,186,714	1,682,563
Impaired during the year	-	(14,398,526)
Transferred to Oil & Gas properties	(875,935)	(291,649)
Closing balance	**4,251,704**	**3,940,924**

The write down of exploration expenditure relates to a number of oil leases over the total acreage leased by Winchester Energy Limited. None of the lease have been abandoned but it has been recognised that the carrying value of certain of the lease potentially exceeds recoverable value. In certain circumstances costs have been written off where it was perceived there might be diminished prospectivity of securing production and more prospective leases pursued.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2019

6. Oil & Gas properties

	30 June 2019 US$	31 December 2018 US$
Opening balance	747,639	1,330,784
Transferred from Exploration and evaluation expenditure	875,935	291,649
Depletion expense	(281,105)	(599,471)
Impairment expense	-	(275,323)
Closing balance	**1,342,469**	**747,639**

7. Issued capital

	30 June 2019 US$	31 December 2018 US$
431,345,850 fully paid ordinary shares (31 December 2018: 285,148,832)	28,937,201	28,925,619

Fully paid ordinary shares	Number of Shares	Share capital US$
Balance at 1 July 2018	285,148,832	28,925,619
Issue of shares	-	-
Share issue costs	-	-
Balance at 31 December 2018	**285,148,832**	**28,937,201**
Issue of shares	146,197,018	2,067,419
Share issue costs	-	(67,608)
Balance at 30 June 2019	**431,345,850**	**30,925,430**

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 INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2019

8. Share based payments

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 2019	Exercisable at 30 June 2019
Executive options					
Hugh Idstein	4,900,000	4,900,000	-	-	4,900,000
Total	**4,900,000**	**4,900,000**		**-**	**4,900,000**
Directors options					
Neville Henry	9,000,000	9,000,000	-	-	9,000,000
Total	**9,000,000**	**9,000,000**	**-**	**-**	**9,000,000**

The AASB 2 fair value of the option was calculated using Black-Scholes modelling. For expensing purposes, a fair value of AUD$0.01936 and $0.0163 cents per share respectively for 5c and 10c executive and director's options were calculated. The following inputs were used in the calculation:

	Directors and Executive options	Directors and Executive options
Valuation date (equal to grant date under AASB 2)	31 May 2019	31 May 2019
Exercise price	5 cents	10 cents
Expiration date	14 June 2024	14 June 2024
Share price at valuation date	$0.029	$0.029
Risk free rate of interest	1.05% p.a.	1.05% p.a.
Company share price volatility	100% p.a.	100% p.a.
Fair value	$0.01936	$0.0163

The value recognised on issue of options is as follows:

Name	Options	Quantity	AUD$
Executive options			
Hugh Idstein	5 cent	2,200,000	42,592
	10 cent	2,700,000	44,010
Total			**86,602**
Directors options			
Neville Henry	5 cent	4,000,000	77,440
	10 cent	5,000,000	81500
Total			**158,940**

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2019

9. Related party transactions

During the period 3,622,580 ordinary full paid shares were issued to directors and officers of the company at a deemed price of AUD$0.03 per share in lieu of undrawn salaries and fees for the period 1 June to 31 December 2018. The issue was approved by shareholders at the annual general meeting on 31 May 2019.

Issued to:	Shares	Deemed Value AUD$
John Kopcheff	605,421	18,163
Peter Allchurch	1,105,263	33,158
Larry Liu	1,105,263	33,158
James Hodge	600,233	18,007
James Allchurch	206,400	6,192

During the period, Company issued 4,900,000 share options to executives of the company and 9,000,000 options to company directors. The options vested on grant and were approved at the annual general meeting on 31 May 2019 (refer note 8 above).

Remuneration arrangements and related party transactions of key management personnel (KMP) are disclosed in the annual report for the year ended 31 December 2018.

During the period Winchester Energy paid $27,015 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 $202,560 to TRL Operating Services (Formerly WEL Operating Services) a company owned by Neville Henry and Hugh Idstein for salaries of employees including the salaries of Neville Henry, Hugh Idstein and also 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. Leases

The Group leases office buildings. Information about leases for which the Group is a lessee is presented below. Property, plant and equipment comprises owned and leased assets that do not meet the definition of investment property:

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2019

Statement of financial position	**Right-of-use assets, except for investment property**
Right of use asset at 1 January 2019	177,352
Accumulated depreciation	(59,117)
	118,235
Lease liability	(121,844)
Statement of Profit and Loss	
Depreciation expense	59,117
Interest expense	6,891
Statement of cashflows	
Lease expenditure	(60,000)

12. Events after reporting date

The Company undertook a placement during August 2019, issuing 106,900,000 shares at $0.025 cents each to raise $2,672,500 before costs.

Peter Allchurch resigned as a director effective 31 July 2019. Laurence Roe was appointed as non-executive chairman effective 1 September 2019 and Tony Peng was appointed as a non-executive director effective the same date.

Other than the placement there were no events affecting the Company after 30 June 2019.

13. Commitments and Contingencies

Capital expenditure commitments

There are no capital commitments at 30 June 2019.

Other expenditure commitments

There are no other expenditure commitments at 30 June 2019.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Winchester Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Winchester Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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 Group's financial position as at 30 June 2019 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor’s review report.

BDO Audit (WA) Pty Ltd

Glyn O'Brien

Director

Perth, 13 September 2019