



## Annual Report 31 December 2019

**Date:** 31 March 2020

**ASX Code:** WEL

**Directors**

Laurence Roe  
Non-Executive Chairman

Neville Henry  
Managing Director

John Kopcheff  
Non-Executive Director

Larry Liu  
Non-Executive Director

Tony Peng  
Non-Executive Director

Lloyd Flint  
Company Secretary

**Contact Details**

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Please find attached the Winchester Energy Ltd Annual Report for the year ended 31 December 2019

Authorised by:

Lloyd Flint  
**Company Secretary**

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ACN 168 586 445

# ANNUAL FINANCIAL REPORT

**For the year ended 31 December 2019**

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# CORPORATE INFORMATION

## **Directors**

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

## **Company Secretary**

Mr Lloyd Flint

## **Registered Office**

Level 3, 18 Richardson Street  
West Perth WA 6005 Australia

Telephone: +61 1300 133 921

Facsimile: +618 6298 6191

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

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

## **Principal place of business**

Level 3, 18 Richardson Street  
West Perth WA 6005 Australia

## **USA Office**

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

## **Share register**

Automic Registry Services  
Level 2, 267 St George's Terrace  
Perth WA 6000 Australia  
Postal Address: PO Box 2226  
Strawberry Hills, NSW 2012 Australia

Telephone: +61 8 9324 2099

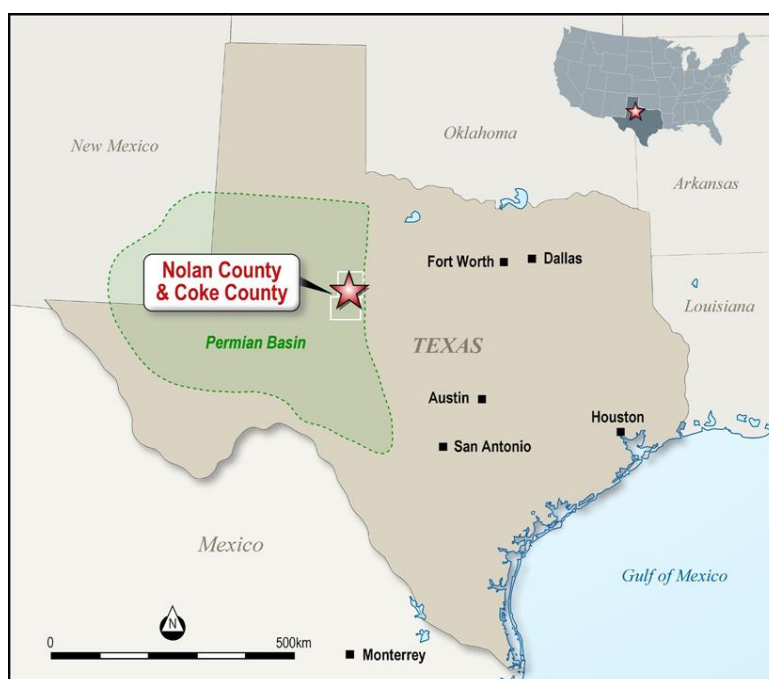
Facsimile: +61 2 8583 3040

## **Auditors**

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

## REVIEW OF OPERATIONS

The year ending 31 December 2019 was a transformative period for the Company as ongoing drilling and completion activities in its operated Permian Basin oil and gas leases materially improved production and cash flow.



**Location of the Company's acreage in Nolan and Coke County, Texas**

### Oil Production

Winchester recorded the following gross and working interest (WI) net oil production for the year ended 31 December 2019 (across all oil wells in which Winchester has a WI).

Oil Production (bo)*	Total Year end 31 Dec 2019	December Quarter 2019	September Quarter 2019	June Quarter 2019	March Quarter 2019
Gross Oil Production	<b>97,983</b>	39,461	29,771	18,913	9,838
WEL WI Share	<b>66,239</b>	28,702	20,556	12,087	4,894

\* Figures show oil production only - they exclude gas production. Winchester is entitled to its Working Interest share of revenue after royalty payments to the oil and gas mineral rights owners.

Winchester recorded significant quarter on quarter growth throughout 2019 with gross oil production in the December 2019 quarter representing a 301% increase from the March 2019 quarter.

To the end of the December 2019 quarter, Winchester's Permian Basin wells in Nolan County, Texas have produced a total gross 414,594 barrels of oil and 228 million cubic feet of gas.

Total WI sales revenue for the year ended 31 December 2019 from oil and gas production was US\$2,759,383<sup>1</sup> (AUD\$4,565,372).

<sup>1</sup> Using exchange rate 1 AUD = 0.6952 USD

## Oil and Gas Exploration Activities

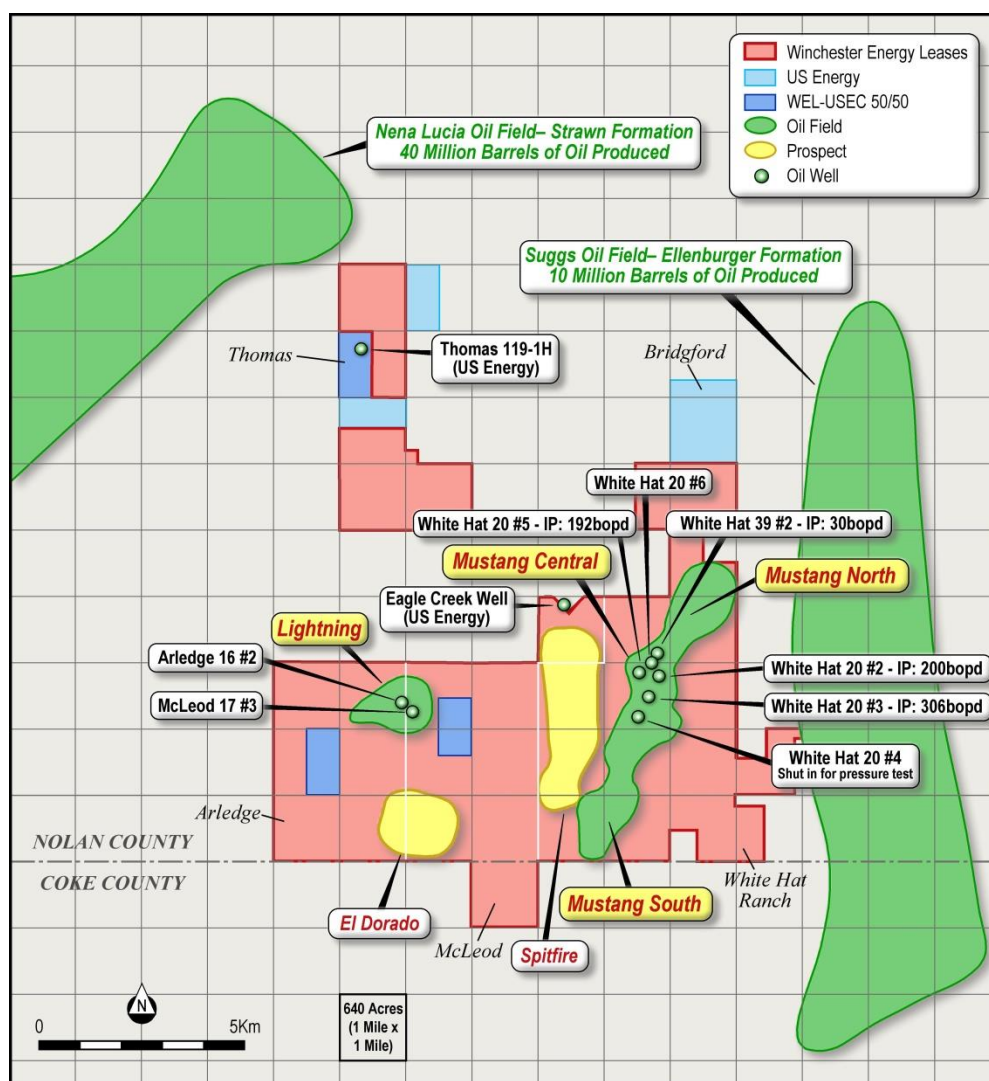
Winchester holds 17,137 acres under lease in Nolan and Coke Counties in the East Permian Basin in Texas, USA.

The year ending 31 December 2019 saw the Company, as operator, drill and complete numerous wells as well as generating multiple exciting drilling prospects within its oil and gas lease-holdings.

The Eastern Shelf contains a number of stacked oil and gas reservoirs and Winchester has high confidence that this region and in particular its leased acreage in Nolan County, has significant oil resource potential across a host of historically productive formations such as the Fry/Strawn Sands as well as the thick Penn Carbonate, Wolfcamp "D" organic shales, Crystal Falls (Canyon) and Cisco formations. These are at depths ranging between 4,000 – 7,500 feet and can be targeted with modest drilling and completion costs, with production supported by existing infrastructure.

The Company is now producing the majority of its oil from the Fry Member of the Strawn interval within the Mustang Oil Field.

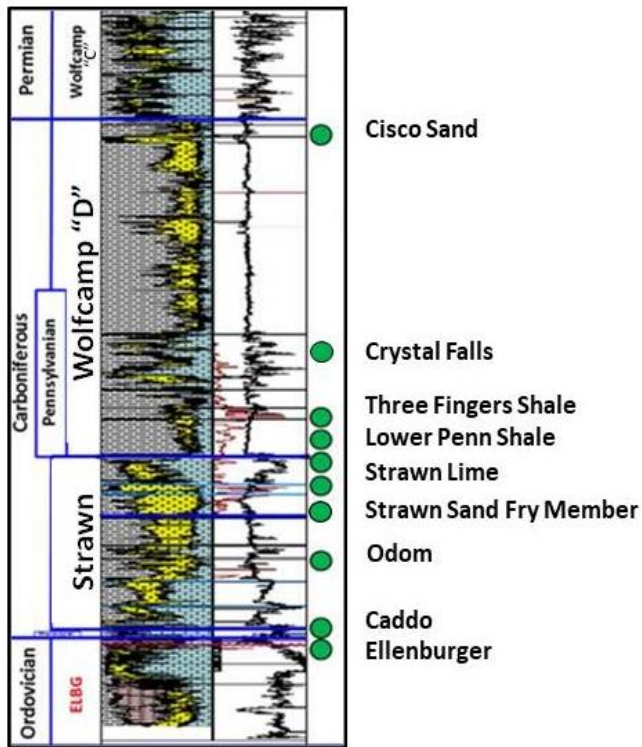
Encouraging preliminary results (which include ongoing oil production) from the emerging Cisco Sand play (Lightning Oil Field) suggests this may be a new regional play that the Company can expand and develop to enhance oil production from its existing acreage position.



Winchester Lease Map – Prospects and Wells

### Mustang Oil Field - Winchester Energy 50-100% Working Interest (WI)

The Mustang Oil Field is a stratigraphic trap interpreted from 3D seismic and well control data. The reservoir is composed of a series of Strawn-age (Fry) sand lobes deposited during marine lowstands in a linear trend at the base of the continental shelf slope, in front of the regional high to the east.



#### Stratigraphic Column – East Permian Basin

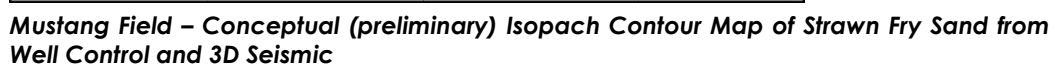
Carl E Gungoll Exploration LLC (CEGX), a private company, has the right to participate at a 25-50% working interest in the Mustang Oil Field.

Winchester is continuing to develop the Fry Sand in the Mustang Oil Field with highly commercial low-cost and low-risk wells designed to significantly increase oil production.

In 2019, the Company drilled four new wells in the Mustang Field targeting the Fry Sand (WHR 20#3, 20#5, 20#4 and 39#2) and by 31 December 2019 aggregate production at the White Hat 20#2, 20#3 and 20#5 wells exceeded 110,000 barrels of oil (gross), generating significant revenue for the Company.

Subsequent to 31 December 2019, Winchester drilled a further two Mustang Field wells, White Hat 20#4 and 20#6, generating further revenue for the Company.

With completed wells costing less than US\$700,000 and oil sales occurring almost immediately upon completion of the wells, development of the Mustang Oil Field is highly attractive.



In July 2019 Winchester drilled the Arledge 16#2 well targeting the Cisco Sands in the Lightning Oil Field.

Arledge 16#2 commenced drilling on 8 July, 2019 and was drilled to a total depth of 5,502 ft, encountering very good oil and gas shows in the target Cisco Sands. The total gross pay interval of the Upper and Lower Cisco Sands covered 506 feet with wireline log interpretation indicating an aggregate 100 feet of net oil pay in the Upper and Lower Cisco sands.

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The Company subsequently perforated and acidized a number of prospective intervals in the overlying Upper Cisco Sand (4,735 – 4,900 ft).

Detailed testing of the pressure regime and inter-relationship of the Upper and Lower Cisco Sands confirmed that these two units can be co-mingled for production. The co-mingled zones were put on production and flowed an average of 28 bopd in the first 30 days of production.

Testing and production at Arledge 16#2 has resulted in the production and sale of over 6,000 barrels of oil, primarily derived from the Lower Cisco Sands.

The McLeod 17#3 well, the second well drilled by Winchester at the Lightning Oil Field, was designed to test the Upper and Lower Cisco Sands as a follow up to the Arledge 16#2 discovery. The well commenced drilling in December 2019 and was drilled to a total depth of 5,692 ft with initial wireline log interpretation indicating 414 ft of gross Upper and Lower Cisco Sand section. In the Lower Cisco Sand, logs indicate 200 ft of gross pay with up to 124 ft of net pay, coinciding with excellent oil and gas shows. The Lower Cisco Sand has been perforated and acidized, swabbing recovered oil from multiple perforated intervals and is currently flowing back oil and water at low rates. The Company is considering adding the Upper Cisco interval shortly.

The discovery of a 400 – 500 ft oil column in two wells at Lightning is significant given the thickness and laterally pervasive nature of the unit. However, the play development is still in its infancy. To assess its viability and long term productivity, comprehensive systematic testing and assessment is required. This data is critical in assessing the future development options and allow the Company to better optimize future production rates and well spacing and in addition expand its drilling efforts.

### Mustang and Lightning Well Summary

Well ID	Drilled	Formation	Working Interest	Status
<b>Mustang Oil Field</b>				
White Hat 20#2	Apr 2017	Strawn	50%	Producing
White Hat 20#3	Mar 2019	Strawn	75%	Producing
White Hat 20#4	Oct 2019	Strawn	75%	Producing
White Hat 20#5	Aug 2019	Strawn	75%	Producing
White Hat 39#2	Dec 2019	Strawn	50%	Producing
White Hat 20#6	Jan 2020	Strawn	75%	Producing
<b>Lightning Oil Field</b>				
Arledge 16#2	Jul 2019	Cisco Sands	100%	Lower lobe producing after perforation and frac
McLeod 17#3	Dec 2019	Cisco Sands	100%	Ongoing testing

### 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 million 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
<b>Total Gross Prospective Resources*</b>	<b>4.265 mmboe</b>	<b>9.738 mmboe</b>	<b>22.7 mmboe</b>

\* 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 Spitfire and Mustang and 100% of El Dorado and Lightning. 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.

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% after pay out 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 confirm 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.

## Oil and Gas Leases

Winchester's lease holding at 31 December 2019 quarter was 17,137<sup>2</sup> acres.

Winchester Working Interest	Lease	Location
75%	White Hat Ranch	Nolan County Texas
100%	Bridgford Ranch	Nolan County Texas
100%	Thomas Ranch	Nolan County Texas
50%	Thomas-US Energy	Nolan County Texas
100%	McLeod	Nolan County Texas
50%	McLeod-US Energy	Nolan County Texas
100%	Arledge	Nolan County Texas
50%	Arledge-US Energy	Nolan County Texas
100%	Coke	Coke County Texas

Subsequent to the reporting period Winchester completed the acquisition of a 92% interest in 320 acres, known as the Bast Oil Field, contiguous with its existing acreage position on the McLeod Ranch.

The acquisition includes three historic modest producing wells (aggregate production of approximately 10 barrels of oil per day (bopd)) enabling the lease area to be held by production – meaning there are no ongoing drilling commitments.

As well as further consolidating Winchester's dominant leasehold position in the wake of the discoveries at the Mustang and Lightning Oil Fields, the existing historic wells also represent a potential inexpensive opportunity for re-entry and completion across potential pay zones, such as the Cisco Sands, currently untested behind pipe.

### Competent Person's Statement

*The information in this report is based on information compiled or reviewed by Mr Neville Henry. Mr Henry is a qualified petroleum geologist with over 40 years of Australian, USA and other international technical, operational and executive petroleum experience in both onshore and offshore environments. He has extensive experience of petroleum exploration, appraisal, strategy development and reserve/resource estimation, as well as new oil and gas ventures identification and evaluation. Mr Henry has a BA (Honours) in geology from Macquarie University.*

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<sup>2</sup> The Company's net acreage position varies modestly in accordance with earned interests in drilling units of the current operations.

# DIRECTORS' REPORT

Your Directors submit their report for the year ended 31 December 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 John Kopcheff	Non-Executive Director – resigned 31 March 2020
Mr Peter Allchurch	Non-Executive Director – resigned 31 July 2019
Mr Neville Henry	Managing Director
Mr Larry Liu	Non-Executive Director
Mr Tony Peng	Non-Executive Director – Appointed 1 September 2019

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

## Information on Directors

### Mr Laurence Roe – Appointed 1 September 2019

#### Non-Executive Chairman

Laurence Roe (B.Sc) (Geophysics) is a petroleum professional with over 40 years industry experience in Australian, US and other international projects. He commenced his career with Santos Limited, later taking a senior technical position with Magellan Petroleum Australia Limited, where he was later appointed Exploration Manager. While with Magellan, he had substantial involvement with US and other international projects. In 1997, he left Magellan to start a consulting practice, providing services for a number of Australian exploration and production companies. In 2001, Mr Roe joined Bounty Oil & Gas NL as Exploration Manager, responsible for its portfolio of Australian and international acreage. He was later appointed as Managing Director.

Mr Roe was a co-founder of ASX-listed Target Energy Limited in 2006. The company worked exclusively in the US, with numerous oil and gas discoveries in the Texas and Louisiana Gulf coasts between 2007 and 2010, after which it focussed on the Permian Basin in West Texas and where it continued to drill successful oil and gas wells. He was the company's Managing Director from its inception until his resignation in early 2019.

In addition to the US, his experience encompasses most Australian sedimentary basins, as well as New Zealand, Mauritania, Tanzania, Canada, Indonesia, Belize and Argentina.

#### Current directorships held in other listed entities

None.

#### Former directorships held in other listed entities in the last three years

Target Energy Ltd.

### Mr John Kopcheff - resigned 31 March 2020

#### Non-Executive Chairman

Mr Kopcheff, B.Sc. (Hons)(Geology and Geophysics) AAPG, SPE, AIMM is a geologist and geophysicist, with 45 years of experience in Australia, South East Asia, USA, South America and the North Sea in exploration, production, oil field operations and management. He founded ASX listed public company Victoria Petroleum N.L. (now Senex Energy Ltd) (Senex) and held the position of Managing Director for 26 years from 1984 to 2010 where he successfully pioneered oil exploration and production on the western margin of the South Australian Cooper Basin. Under his stewardship, Victoria Petroleum discovered proved, probable and possible net oil reserves of 20 million bbls. During that time Victoria Petroleum increased its ASX market cap from \$10 million at IPO to \$162 million at his retirement.

#### Current directorships held in other listed entities

Vivid Technology Limited.

#### Former directorships held in other listed entities in the last three years

None.

## **Mr Peter Allchurch - resigned 31 July 2019**

### **Non-Executive Director**

Mr Allchurch is a geologist and resource venture capitalist and is the Non-Executive Chairman of the Company. He has 48 years of experience in mineral and petroleum exploration, development and production. Based in Perth, Australia, he has experience in several countries and has founded or co-founded a number of successful ASX listed public companies in the oil and gas and mineral sectors including, but not limited to, Cape Range Oil, Amity Oil, Aurora Oil & Gas Ltd and Eureka Energy Ltd (with the latter two companies having oil assets located in the Eagle Ford Shale, Texas, USA). Mr Allchurch has a BSc. (Geology) from the University of Adelaide and is a Member of the Petroleum Exploration Society of Australia, as well as a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Allchurch is currently a private investor in, and developer of, oil and gas properties and a consultant to independent oil and gas companies.

### **Current directorships held in other listed entities**

None.

### **Former directorships held in other listed entities in the last three years**

None

## **Mr Neville Henry**

### **Managing Director**

Mr Henry is a petroleum geologist with more than 40 years of experience in the global oil and gas industry and is the Managing Director of the Company. Mr Henry has been based in Houston, Texas, USA for more than 25 years. Mr Henry has experience in oil in more than 30 countries and has directly led oil exploration teams responsible for oil and gas discoveries across six basins and four countries for total discovered reserves of more than 4 billion barrels of oil. He worked for Anadarko for 12 years, most notably as International Exploration Manager and Worldwide Business Development Manager, and was part of the core team that built this non-US oil production business from 25,000 bopd to 400,000 bopd. Prior to his roles at Anadarko, Mr Henry worked at Adobe Petroleum, Marathon Oil and UNOCAL. Mr Henry has managed joint ventures involving 45 oil and gas companies, including majors, large and small oil independents and foreign and domestic oil companies, and has been responsible for all technical, business, financial and personnel aspects of their respective businesses. Mr Henry has a BA (Honours) in geology from Macquarie University, and is registered in Texas as a Professional Geoscientist.

### **Current directorships held in other listed entities**

None.

### **Former directorships in other listed entities in the last three years**

None.

## **Mr Larry Liu**

### **Non-Executive Director**

Mr Larry Liu obtained a Bachelor's Degree of Engineering from Southeast University, China and a MBA from a joint program between APESMA & Deakin University, Australia. He joined General Electric in 1997 from Contact Energy New Zealand, and served in various Asia Pacific leadership positions for GE. He was the general manager of South China, HK & Macau for GE Consumer & Industrial. He is now a professional investor.

### **Current directorships held in other listed entities**

None

### **Former directorships in other listed entities in the last three years**

None

## Mr Tony Peng

### Non-Executive Director

Tony Peng is Houston-based and has an extensive experience in banking, investment and finance business for decades. He has worked for Bank of China for more than a decade as loan and asset management officer internationally. He has served as Chief Financial Officer for several energy companies with both public (i.e. China Recycling Energy Corp (Nasdaq:CREG), an alternative energy company during 2008-2010 ) and private (i.e. Ameril Energy LLC, an oil & gas E & P company focused on Texas' Eagle Ford Shale during 2012-2014) in the United States. He is currently Chief Financial Officer for Helios Energy Ltd (ASX: HE8). Tony holds an MBA degree from University of Miami and a Bachelor's degree from Shanghai Fudan University with major in International Finance.

### Current directorships held in other listed entities

None

### Former directorships in other listed entities in the last three years

None

## Company Secretary

Mr Flint BAcc, MBA, CAANZ. Appointed 27 October 2018. Mr Flint is an experienced professional gained over 25 years including periods as CFO and group Company Secretary for a number of listed ASX companies. Mr Flint provides financial and company secretarial services to a number of ASX listed companies.

## Directors' shareholdings

The following table sets out each Director's relevant interest in the shares of the Company or a related body corporate as at the date of this report:

	Shares	Options
Mr Laurence Roe	-	-
Mr John Kopcheff	8,426,869	2,500,000
Mr Peter Allchurch <sup>1</sup>	22,678,926	500,000
Mr Neville Henry	11,133,352	14,000,000
Mr Larry Liu	34,448,672	500,000
Mr Tony Peng	-	-

Note<sup>1</sup> As at resignation stated above.

## Principal activities

The principal activity of the Group during the financial period was acquiring oil and gas leases and working interests in areas situated on the Eastern Shelf of the Permian Basin in Texas, USA and exploring for oil and gas on those oil and gas leases and working interests.

## Corporate

On 7 December 2018, the Company 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 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 the related parties note for further information on this.

1,013,245 shares were issued to technical consultants at various deemed prices calculated on a monthly variable weighted average price in lieu of services provided.

The Company placed 126,900,000 shares pursuant to an announcement dated 7 August 2019 at AUD\$0.025 per share to raise AUD\$3,172,500 before costs. A further placement was announced 29 November 2019 which raised AUD\$6,417,500 before costs through the issue of 128,350,000 shares at AUD\$0.05 per share. 10,000,000 options were issued to co-lead managers and arrangers of the placement.

## Operating Results

Net loss of the Group for the period ended 31 December 2019 after providing for income tax was US\$2,316,573 (2018: Loss US\$(15,747,488). Net Assets of the entity as at 31 December 2019 were US\$10,817,716 (2018: US\$4,709,175).

## Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs occurred during the year ended 31 December 2019.

## Significant events subsequent to reporting date

Subsequent to the year-end, the COVID-19 pandemic announced by the World Health Organisation is having a negative impact on world stock markets, currencies and general business activity. The Group has developed a policy and is evolving procedures to address the health and wellbeing of employees, consultants and contractors in relation to COVID-19. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities, operations and the ability for the company to raise funds.

In conjunction with above, subsequent to the year end there has also been significant volatility in world oil and gas pricing resulting in a material decline in oil and gas sales prices. In addition, the recent supply variables affecting world oil markets are also impacting volatility and prices. Should the volatility continue for a sustained period, this may impact the future assessments of the recoverable values of assets held by the group and may impact the Group's ability to raise capital or debt and the ability of the Group to continue as a going concern.

The full impact of the COVID-19 outbreak and the volatility of world markets continues to evolve as at the date of this report. As such, it is uncertain as to the impacts this will have on the Group.

John Kopcheff resigned from the board effective 31 March 2020. James Allchurch has been appointed to the board of directors effective 1 April 2020.

Other than the above, there have been no significant events after the reporting date.

## Likely developments and expected results

Each year the Board will undertake a formal strategic planning process to provide guidance to management about the Company's strategic direction. The Company plans to continue with its business strategies as set out in this report. The execution of these strategies is expected to result in improved financial performance over the coming year. The achievement of the expected results is dependent on range of factors, some of which are outside the Company's control.

## Environmental regulation and performance

The Company has a policy of complying with its environmental performance obligations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

## Dividends

In respect of the year ended 31 December 2019, no dividends have been paid or declared since 1 January 2019 (2018 : nil) and the Directors do not recommend the payment of a dividend in respect of the financial period.

## Indemnification and insurance of officers and auditors

During or since the financial period, Winchester Energy Limited ('the Company') has paid premiums in respect of a contract insuring all Directors of the Company against legal costs incurred in defending proceedings for conduct involving, (a) wilful breach of duty or (b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The Company has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

## Shares under option

Unissued ordinary shares of Winchester Energy Limited under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number under option
10 March 2017	31 January 2022	\$A0.12	5,000,000
12 April 2017	31 January 2022	\$A0.12	9,000,000
2 November 2017	31 January 2022	\$A0.12	1,500,000
6 June 2018	31 January 2022	\$A0.12	4,500,000
14 June 2019	14 June 2024	\$A0.05	6,200,000
14 June 2019	14 June 2024	\$A0.10	7,700,000
2 December 2019	15 December 2022	\$A0.10	10,000,000

## Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the period and the number of meetings attended by each Director was as follows:

	Board of Directors		Audit & Risk committee		Remuneration committee	
	Held	Attended	Held	Attended	Held	Attended
Mr Laurence Roe	2	2	-	-	-	-
Mr John Kopcheff	5	5	2	2	1	1
Mr Peter Allchurch	2	2	-	-	-	-
Mr Neville Henry	5	5	-	-	-	-
Mr Larry Liu	5	4	2	2	1	1
Mr Tony Peng	2	2	-	-	-	-

## Diversity

The Company believes that the promotion of diversity on its Board and within the organisation generally is good practice and is committed to managing diversity as a means of enhancing the Company's performance. There are currently no women on the Company's board or filling senior management positions within the Company, however the Company (as set out in the Diversity Policy) will focus on participation of women on its Board and within senior management and has set objectives for achieving gender diversity.

## Auditor independence and non-audit services

The auditor's independence declaration is included on page 21 of the annual financial report.



The following non-audit services were provided by the entity's auditor, BDO. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

## Auditor independence and non-audit services

BDO received or are due to receive the following amounts for the provision of non-audit services:

	2019 US\$	2018 US\$
Taxation advice	3,545	5,100
	3,545	5,100

## Remuneration Report (Audited)

### 1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of Winchester Energy Limited.

For the purposes of this report, the term "Senior Management" includes the Managing Director, Directors and other senior executives of the Company.

Directors		
Mr Laurence Roe	Non-Executive Chairman	Appointed 1 September 2019
Mr John Kopcheff	Non-Executive Director	Appointed 11 September 2018
Mr Peter Allchurch	Non-Executive Director	Appointed 17 March 2014 – resigned 31 July 2019
Mr Neville Henry	Managing Director	Appointed 17 March 2014
Mr Larry Liu	Non-Executive Director	Appointed 10 December 2014
Mr Tony Peng	Non-Executive Director	Appointed 1 September 2019

### 2. Remuneration Policy

The remuneration policy has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and where relevant offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board believes the current remuneration policy to be appropriate and effective in its ability to attract and retain the most valued executives and Directors to run and manage the Group.

The remuneration policy, setting the terms and conditions for the executive Directors and other senior executives, was developed by the Board. All executives receive consultancy fees based on hours of service per month (which is based on factors such as length of service and experience). The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

Executive Directors and senior management do not receive a superannuation guarantee contribution and do not receive any other retirement benefits except for John Kopcheff who receives a superannuation guarantee contribution payment as part of his salary.

## Remuneration Report (Audited) (continued)

### 3. Summary of Senior Management contractual arrangements

The Company's KMP are employed under individual consulting agreements, which contain standard terms and conditions on notice and termination provisions, restraint and confidentiality provisions and leave entitlements. Specific terms and conditions of service agreements of KMP at the end of the financial year are summarised in the table below:

Name	Position	Notice Period	Restraint of Trade
Mr Laurence Roe	Non-Executive Chairman	n/a	None
Mr John Kopcheff	Non-Executive Director	n/a	None
Mr Neville Henry	Managing Director	3 months	None
Mr Larry Liu	Non-Executive Director	3 months	None
Mr Tony Peng	Non-executive director	n/a	None

### 4. Director remuneration arrangements

#### Managing Director

Managing Director's executive service agreement, which contains standard terms and conditions on notice and termination provisions, restraint and confidentiality provisions and leave entitlements, comprises an entitlement to an annual fixed remuneration of US\$252,000 (inclusive of superannuation). The actual amount earned during the period is included in the remuneration table of the Annual Report.

#### Other Key Management Personnel

The Constitution provides that the Directors will be paid by way of remuneration for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Directors prior to the first annual general meeting of the Company or pursuant to a resolution passed at a general meeting of the Company (subject to complying with the Corporations Act and the Listing Rules, as applicable).

The Shareholders of the Company set the maximum aggregate remuneration payable to Directors at the level of A\$1,000,000 per annum.

Each of the Directors had been entitled to the following remuneration over the 12 month period ended 31 December 2019:

Name	Currency	Fees
Mr Laurence Roe	AUD\$	60,000
Mr John Kopcheff <sup>1</sup>	AUD\$	36,000
Mr Peter Allchurch	AUD\$	36,000
Mr Neville Henry	US\$	252,000
Mr Larry Liu	AUD\$	36,000

<sup>1</sup> John Kopcheff stood down from the role of non-executive chairman role effective 1 September 2019 and his fee was reduced to AUD\$3,000pm from that date.

Where a Director performs duties or provides services other than acting as a Director he or she may be paid fees or other amounts as the Directors determine. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

## Remuneration Report (Audited)

### 5. Key management personnel remuneration

The remuneration for each Director and key management personnel of the Company receiving the highest remuneration during the year ended 31 December 2019 was as follows:

2019		Short term benefits			Post-employment	Long term benefits				
		Salary & fees <sup>1</sup>	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Share based payments	Termination payments	Total	Performance related
<b>Directors</b>		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
L Roe	2019	18,597	-	-	-	-	-	-	18,597	0%
	2018	-	-	-	-	-	-	-	-	-
J Kopcheff <sup>2</sup>	2019	40,785	-	-	3,875	-	12,622	-	57,282	0%
	2018	56,647	-	-	4,321	-	19,668	-	80,636	24%
P. Allchurch <sup>3</sup>	2019	14,599	-	-	-	-	23,050	-	37,649	0%
	2018	26,924	-	-	-	-	-	-	26,924	0%
N. Henry <sup>4</sup>	2019	125,063	22,688	-	-	-	110,489	-	258,240	22%
	2018	261,000	-	30,015	-	-	-	-	291,015	0%
J. Hodges	2019	-	-	-	-	-	-	-	-	-
	2018	26,100	-	-	-	-	-	-	26,100	0%
J. D. Kenny	2019	-	-	-	-	-	-	-	-	-
	2018	22,894	-	-	-	-	-	29,166	52,060	0%
L Liu <sup>5</sup>	2019	25,027	-	-	-	-	23,050	-	48,077	0%
	2018	26,924	-	-	-	-	-	-	26,924	0%
T Peng	2019	8,400	-	-	-	-	-	-	8,400	0%
	2018	-	-	-	-	-	-	-	-	-
<b>Total</b>	2019	232,471	22,688	-	3,875	-	169,211	-	428,245	13%
<b>Total</b>	2018	420,490	-	30,015	4,321	-	19,668	29,168	503,662	4%

1. Salary and fees were converted to USD using the average rate for the period ending 31 December.

2. The Share Based Payments to John Kopcheff consist of shares in lieu of salary accrued and not paid during 2018.

3. The Share Based Payments to Peter Allchurch consist of shares in lieu of salary accrued and not paid during 2018.

4. The Share Based Payments to Neville Henry consist of options in lieu of salary accrued and not paid during 2018 along with options issued in lieu of a portion of 2019 salary foregone.

5. The Share Based Payments to Larry Liu consist of shares in lieu of salary accrued and not paid during 2018.

## Remuneration Report (Audited) (continued)

### 6. Additional statutory disclosures

#### Key management personnel equity holdings

The following table sets out each Director's relevant interest in the shares of the Company or a related body corporate as at 31 December 2019.

2019	Balance at 1 January No.	Granted as Compensation No. <sup>3</sup>	Net other change No.	Balance at 31 December No.
Mr Laurence Roe <sup>1</sup>	-	-	-	-
Mr John Kopcheff	3,987,632	605,421	3,833,816	8,426,869
Mr Peter Allchurch <sup>2</sup>	15,348,744	1,105,263	6,224,919	22,678,926
Mr Neville Henry	6,922,235	-	4,211,117	11,133,352
Mr Larry Liu	70,143,733	1,105,263	(36,840,324)	34,408,672
Mr Tony Peng <sup>1</sup>	-	-	-	-

<sup>1</sup> Opening balance as at appointment.

<sup>2</sup> Closing balance is as at the time of resignation.

<sup>3</sup> Granted as compensation in lieu of prior year salaries and fees accrued but not paid.

#### Key management personnel option holdings

The following table sets out each Director's relevant interest in the options of the Company or a related body corporate as at 31 December 2019.

2019	Balance at 1 January No.	Granted as Compensation No.	Net other change No.	Balance at 31 December No.
Mr Laurence Roe <sup>1</sup>	-	-	-	-
Mr John Kopcheff	3,078,512	-	(578,512)	2,500,000
Mr Peter Allchurch <sup>2</sup>	4,576,828	-	(4,076,828)	500,000
Mr Neville Henry <sup>3</sup>	8,777,759	9,000,000	(3,777,759)	14,000,000
Mr Larry Liu	5,128,099	-	(4,628,099)	500,000
Mr Tony Peng <sup>1</sup>	-	-	-	-

<sup>1</sup> Opening balance as at appointment.

<sup>2</sup> Closing balance is as at the time of resignation.

<sup>3</sup> 4.0m options granted as compensation in lieu of prior year salaries and fees accrued but not paid and 5.0m options in lieu of 2019 salary foregone.

### Share based payment

There were share based payment arrangements in the form of ordinary shares affecting remuneration of key management personal in the current financial year. These share based payments pertained to salaries and fees accrued and not paid during the year ended 31 December 2018 and are as per the table above. These issues were all approved at the Annual General meeting held 31 May 2019. The shares were valued at AUD3c per share which was the market value on the date of issue.

There were 9.0m (2018: 2.5m) options over shares issued to key management per the table above that were approved in general meeting of the shareholders on 31 May 2019. There were two series issued being 4.0m options granted in lieu of 2018 salary foregone and 5.0m options granted in lieu of 2019 salary foregone. The terms of the options were as follows and valued using the Black and Scholes methodology:

## Remuneration Report (Audited) (continued)

	KMP 4m 5c options (AUD) <sup>1</sup>	KMP 5m 10c options (AUD) <sup>1</sup>
Valuation date (equal to grant date under AASB 2)	14 June 2019	14 June 2019
Exercise price	5 cents	10 cents
Expiration date	14 June 2025	14 June 2025
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

<sup>1</sup> These options vested on grant and were therefore expensed in full during the period.

### Loans to key management personnel

No loans were provided to key management personnel during the period.

### Other Transactions with KMP

During the year Winchester Energy LLC paid US\$54,509 to Siena Energy LLC, a company owned by Neville Henry and Hugh Idstein for use of server, software, data and data room services. During the year Winchester Energy LLC paid US\$289,368 to TRL Operating Services a shared services company owned by Neville Henry and Hugh Idstein for office personnel, rent, office equipment & furniture and shared office overhead. The payments are all "arms length" transactions on a cost reimbursement basis and includes Neville Henry's annual salary payments.

### Voting at the Annual General Meeting

At the Annual General Meeting held on 31 May 2019, 98% of proxy votes cast voted in favour of the 2018 remuneration report.


### End of audited remuneration report

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

## Corporate Governance Statement

Under ASX Listing Rule 4.10.3 the Company's Corporate Governance Statement can be located at the URL on the Company's website: <http://www.winchesterenergyllc.com/corporate-governance>

On behalf of the Directors



**Mr Laurence Roe**  
**Non-Executive Chairman**  
**31 March 2020**

## 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;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;
- (c) 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 Company; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act.

Signed in accordance with a resolution of the Directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'Laurence Roe', is written over a faint, rectangular grid background.

**Mr Laurence Roe**  
**Non-Executive Chairman**  
**31 March 2020**

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

As lead auditor of Winchester Energy Limited for the year ended 31 December 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 31 March 2020

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

For the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
Revenue		2,757,119	1,193,179
Interest income		2,264	2,007
Other income		-	75,340
Foreign exchange loss		(66,370)	1,033
Operating costs		(496,571)	(437,665)
Impairment expense	14/15	(2,120,890)	(14,673,849)
Depreciation expense		(111,282)	(9,286)
Depletion Expense		(1,220,303)	(599,471)
Administration expenses		(678,301)	(1,187,476)
Share-based payment expense	19	(196,585)	(81,147)
Finance costs		(23,666)	(1,723)
Other expenses		(161,988)	(28,430)
<b>Profit/(Loss) before income tax</b>	6	<b>(2,316,573)</b>	<b>(15,747,488)</b>
Income tax benefit	7	-	-
<b>Profit/(Loss) for the year after income tax</b>		<b>(2,316,573)</b>	<b>(15,747,488)</b>
<b>Other comprehensive loss, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	20	32,776	(65,065)
<b>Total comprehensive profit/(loss) for the year</b>		<b>(2,283,797)</b>	<b>(15,812,553)</b>
Loss per share for the year		Cents	Cents
<b>Basic profit/(loss) per share (cents per share)</b>	9	<b>(0.52)</b>	<b>(5.52)</b>
<b>Diluted Profit/(loss) per share (cents per share)</b>	9	<b>(0.52)</b>	<b>(5.52)</b>

The above 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\$).



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 US\$	2018 US\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	5,415,985	307,236
Trade and other receivables	11	1,318,931	478,421
<b>Total current assets</b>		<b>6,734,916</b>	<b>785,657</b>
<b>Non-current assets</b>			
Right of use asset	12	166,922	-
Property, plant and equipment	13	9,405	9,405
Exploration and evaluation expenditure	14	4,803,971	3,940,924
Oil & Gas properties	15	1,181,269	747,639
<b>Total non-current assets</b>		<b>6,161,568</b>	<b>4,697,968</b>
<b>TOTAL ASSETS</b>		<b>12,896,484</b>	<b>5,483,625</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	1,899,149	770,639
Lease liability	17	114,764	-
Borrowings	17	-	3,811
<b>Total current liabilities</b>		<b>2,013,913</b>	<b>774,450</b>
<b>Non-current liabilities</b>			
Lease liability	17	64,855	-
<b>Total non-current liabilities</b>		<b>64,855</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>2,078,768</b>	<b>774,450</b>
<b>NET ASSETS</b>		<b>10,817,716</b>	<b>4,709,175</b>
<b>EQUITY</b>			
Issued capital	18	36,968,297	28,925,619
Option reserve	19	1,891,620	1,891,620
Share based payments	19	933,677	584,016
Foreign currency translation reserve	20	(2,919,368)	(2,952,144)
Accumulated losses	21	(26,056,510)	(23,739,936)
<b>TOTAL EQUITY</b>		<b>10,817,716</b>	<b>4,709,175</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 31 December 2019

	Ordinary Shares	Accumulate d losses	Option Premium reserve	Share based payment reserve	Foreign Currency Translation Reserve	Total
	US\$	US\$	US\$		US\$	US\$
<b>Balance at 1 January 2018</b>	<b>28,937,201</b>	<b>(7,992,449)</b>	<b>1,891,620</b>	<b>502,869</b>	<b>(2,887,079)</b>	<b>20,452,162</b>
Loss for the period	-	(15,747,488)	-	-	-	(15,747,488)
Other comprehensive loss, net of tax	-	-	-	-	(65,065)	(65,065)
Total comprehensive loss for the year	-	(15,747,488)	-	-	(65,065)	(15,812,553)
<i>Transactions with owners in their capacity as owners</i>						
Share based payment transactions	-	-	-	81,147	-	81,147
Issue of share capital (net of costs)	(11,582)	-	-	-	-	(11,582)
<b>Balance at 31 December 2018</b>	<b>28,925,619</b>	<b>(23,739,936)</b>	<b>1,891,620</b>	<b>584,016</b>	<b>(2,952,144)</b>	<b>4,709,175</b>
Profit for the year	-	(2,316,573)	-	-	-	(2,316,573)
Other comprehensive income, net of tax	-	-	-	-	32,776	32,776
Total comprehensive loss for the year		(2,316,573)	-	-	32,776	(2,283,797)
<i>Transactions with owners in their capacity as owners</i>						
Share based payment transactions	-	-	-	349,660	-	349,660
Issue of share capital (net of costs)	8,042,678	-	-	-	-	8,042,678
<b>Balance at 31 December 2019</b>	<b>36,968,297</b>	<b>(26,056,510)</b>	<b>1,891,620</b>	<b>933,677</b>	<b>(2,919,368)</b>	<b>10,817,716</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

### For the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,946,937	1,617,020
Payments to suppliers and employees (inclusive of GST)		(1,060,971)	(2,348,043)
Interest paid		(21,415)	-
Net cash generated/(used in) by operating activities	10(a)	864,551	(731,023)
<b>Cash flows from investing activities</b>			
Payment for exploration activities		(3,817,869)	(1,682,255)
Interest received		2,264	2,007
Purchase of property, plant, equipment and software		-	-
Net cash used in investing activities		(3,815,605)	(1,680,248)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		8,687,772	-
Costs associated with issue of securities		(492,692)	(11,582)
Repayment of borrowings		(3,477)	-
Payment of lease liability		(98,434)	-
Net cash generated by financing activities		8,093,169	(11,582)
Net decrease in cash and cash equivalents		5,142,115	(2,422,853)
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		(33,366)	(63,992)
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>5,415,985</b>	<b>307,236</b>

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

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 1. Corporate Information

Winchester Energy Limited (**the Company**) is a limited company incorporated and domiciled in Australia.

The consolidated financial statements of the Company as at 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities").

The registered office and principal place of business of Winchester Energy Limited is located at Level 3, 18 Richardson Street, West Perth WA 6005 Australia.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

This report presents financial information for the year ended 31 December 2019.

### 2. Summary of Significant Accounting Policies

#### a) Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

For the purposes of preparing the financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 31 March 2020.

The financial statements have been prepared on the basis of historical cost. All amounts are presented in US dollars, unless otherwise noted.

#### Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

At 31 December 2019, the Group had a cash and cash equivalent balance of \$5,415,985 (2018: \$307,236), had net working capital of \$4,721,003 (2018: 11,206) and incurred a net operating loss of \$2,316,573 (2018: loss \$15,747,488).

The ability of the Group to continue as a going concern is dependent on the Group securing additional funding through the issue of equity, the raising of debt, joint venturing assets or the sale of assets as and when the need to raise working capital arises to continue to fund its planned operational activities.

Subsequent to reporting date, as disclosed in Note 30, the COVID-19 pandemic announced by the World Health Organisation on March 11, 2020 is having a negative impact on world stock markets, currencies and business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of employees, consultants and contractors in relation to COVID-19. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities, operations and the ability for the company to raise funds in an uncertain market.

In conjunction with above, there has also been significant volatility in world oil and gas pricing resulting in a material decline in oil and gas sales prices. In addition, the recent supply variables affecting world oil markets is also impacting volatility and prices. Should the volatility continue for a sustained period, this may impact the future assessments of the recoverable values of assets held by the group and may impact the Group's ability to raise capital or debt and the ability of the Group to continue as a going concern. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Management has prepared a cash flow forecast for a period of 12 months beyond the sign off date of this financial report and believes there are sufficient funds to meet the Group's working capital requirements and as at the date of this report. The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Group has a recent proven history of successfully raising capital;
- The Directors believe that there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities;
- Cash spending can be reduced or slowed below its current rate if required; and
- The Directors are continuing to explore alternative options in an effort to mitigate the possible impact of COVID-19.

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 2. Summary of Significant Accounting Policies (continued)

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

#### 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.

#### b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Winchester Energy Limited (the "**Company**" or "**parent entity**") as at 31 December 2019 and the results of all subsidiaries for the year ended. Winchester Energy Limited and its subsidiaries together are referred to in this financial report as the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

#### c) Foreign currency translation

##### *Functional and presentational currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars. The parent entity's functional currency is Australian dollars and is translated into US dollars for purposes of consolidation.

##### *Transactions and balances*

Foreign currency transactions are translated into functional currency using average exchange rates for the period, or where possible, the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities denominated in functional currencies are translated at the year-end exchange rate.

##### *Group companies*

The functional currency of the overseas subsidiaries is currency US dollars. The Directors assess the appropriate functional currency of these entities on an ongoing basis.

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 2. Summary of Significant Accounting Policies (continued)

#### d) Application of new and revised Accounting Standards

##### **Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

##### **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 standards:

- AASB 16 Leases.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The impact of these 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**

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.

##### *Initial recognition*

	USD\$
Operating lease commitment at 31 December 2018,	312,500
Effect of discounting the lease commitment at an annual rate of 9.57%	(33,946)
Right of Use asset and Lease liability recognised as at 1 January 2019,	<u>278,204</u>

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.

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

#### e) Income Tax

The income tax expense or benefit (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 2. Summary of Significant Accounting Policies (continued)

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### f) Cash and Cash Equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

#### g) Trade and other receivables

Trade receivables are recognised as the amount receivable and are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

#### h) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of GST.

##### *Interest*

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

##### *Revenue from sales of oil & gas*

Revenue from sales of oil & natural gas is recognised at the fair value of consideration received or receivable, after deducting sales taxes, excise duties and similar levies, when the group transfers control of the goods to the customer.

#### i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

#### j) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days of recognition.

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 2. Summary of Significant Accounting Policies (continued)

#### k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of financial position over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

#### l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### m) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure, including costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore the area are recognised in the statement of financial performance.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) The expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, and accumulated costs in respect of that area are written off in the financial period the decision is made.

#### n) Oil & Gas properties

Upon the commencement of commercial production from each identifiable area of interest, the exploration & evaluation expenditure incurred up to this point is tested for impairment and then classified to oil & gas properties.



# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 2. Summary of Significant Accounting Policies (continued)

Oil and gas properties are stated at cost less accumulated depletion and impairment charges. Oil and gas properties include construction, installation or completion of production and infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation assets, development wells and the cost of dismantling and restoration. Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Otherwise costs are charged to the income statement during the financial year in which they are incurred.

When production commences, the accumulated costs for the relevant area of interest are amortised on a unit of production method based on the ratio of actual production to remaining proved reserves (P1) as estimated by independent petroleum engineers over the life of the area according to the rate of depletion of the economically recoverable reserves.

The carrying amount of producing assets is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, an asset's estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash flows that are largely independent from other assets or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. For producing assets, the estimated future cash flows for the value-in-use calculation are based on estimates, the most significant of which are 1P hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Under a fair value less costs to sell calculation, future cash flows are based on estimates of 1P hydrocarbon reserves. Estimates of future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. Future commodity prices are reviewed at least annually.

An assets carrying amount is written down to the recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

### o) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

#### *Depreciation*

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives applied to the Group's major category of property, plant and equipment are as follows:

<b>Class of fixed asset</b>	<b>Useful life</b>
Plant and equipment	Over 5 to 15 years
Leasehold improvements	Life of lease
Motor vehicles	4 years
Computer Equipment	2.5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### p) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of profit or loss and other comprehensive income.

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 2. Summary of Significant Accounting Policies (continued)

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### *Financial Assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

#### *Non-Financial Assets*

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups and for exploration and oil & gas properties, the cash generating unit is identified by field basis. Impairment losses are recognised in the statement of financial position. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

### q) Contributed Equity

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

### r) Financial Instruments

#### *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

#### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

#### *Impairment*

The Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### s) Employee Benefits

#### *Wages and Salaries, Annual Leave and Sick Leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the statement of financial position date are recognised in respect of employees' services rendered up to statement of financial position date and measured at amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 2. Summary of Significant Accounting Policies (continued)

#### *Long Service Leave*

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the statement of financial position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### **t) Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

#### *Fair value measurement hierarchy*

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

#### **t) Fair Value Measurement (continued)**

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### i. Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluate on asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

#### ii. Oil & gas properties

As discussed in note 2(n) producing assets are amortised on a unit of production basis on P1 reserves. P1 reserve has been determined by an independent expert. The method of amortisation necessitates the estimation of oil & gas reserves over which the carrying value of the relevant asset will be expensed to profit or loss. See 3(iii) for judgments relating to reserve estimates. Producing assets are assessed for impairment when facts or circumstances suggest that carrying amount of a producing asset may exceed its recoverable amount. See note 2(n) for details.

#### iii. Reserve estimates

Estimation of reported recoverable quantities of proved and probable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact assets' carrying amounts, provision for restoration and recognition of deferred tax assets due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, amortisation and impairment charged to the income statement.

#### iv. Share-based Payments

Under AASB 2 Share Based Payments, the company must recognise the fair value of options, shares and performance rights granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the statement of Profit or Loss and Other Comprehensive Income with a corresponding adjustment to equity.

The company provides benefits to employees (including directors) of the Company in the form of share based payment transactions. The costs of these equity-settled transactions with employees (including directors) is measured by reference to the fair value at the date they were granted. The fair value of options is determined using the Black-Scholes option pricing model.

### 4. Financial Risk Management

The Group activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Group Finance Department under the authority of the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit allowances, and future cash flow forecast projections.

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 4. Financial Risk Management

#### Categories of Financial Instruments:

	2019 US\$	2018 US\$
<b>Financial Assets</b>		
Cash and cash equivalents	5,415,985	307,236
Trade and other receivables	1,318,931	478,421
	<u>6,734,916</u>	<u>785,657</u>
<b>Financial Liabilities</b>		
Trade and other payables	1,899,149	770,639
Borrowings	-	3,811
Lease liability	179,619	-
	<u>2,078,768</u>	<u>774,450</u>

#### (i) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group operates internationally but has minimal exposure to foreign exchange risk as the majority of transactions, assets and liabilities are in its functional currency.

#### (ii) Interest rate risk

At the end of the reporting period, the interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Company was as follows:

	2019		2018	
	Average interest rate	Balance US\$	Average interest rate	Balance US\$
<b>Financial assets</b>				
Cash and cash equivalents	0.14%	5,415,985	0.2%	307,236
<b>Financial liabilities</b>				
Discounted lease commitments	-	(179,619)	-	-
Borrowings	-	-	-	(3,811)
		<u>5,236,366</u>		<u>303,425</u>

Other than cash, all the Group's financial assets are non-interest bearing.

#### Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2019, for the balances above, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, pre-tax profit/(loss) for the year would have been \$54,160 lower/higher (2018: \$3,072 lower/higher).

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 4. Financial Risk Management (Continued)

#### (iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Certain businesses within the Group are largely reliant on a small number of customers which increases the concentration of credit risk. However, as the Group deals mainly with large reputable clients, the concentration of credit risk is minimised. Management does not expect any losses as a result of counterparty default.

At reporting date, there was no significant concentration of credit risk at Group level as all cash and cash equivalents and term deposits were held in AA & A+ credit rated banks (S&P). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position.

Receivables balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant. The receivable balances are held in the same currency as the functional currency of the entities to which they relate therefore there is no foreign currency risk.

#### (iv) Liquidity risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Group being unable to meet its obligations in an orderly manner as they arise.

The Group's liquidity position is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost-effective manner. The Group is primarily funded through on-going cash flow, debt funding and equity capital raisings, as and when required.

Management regularly monitors actual and forecast cash flows to manage liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity Group's based on their contractual maturities.

2019	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Trade and Other Payables	1,899,149	1,899,149	1,899,149	-	-	-
Lease commitments	179,619	179,619	9,151	18,522	87,089	64,855
	2,078,768	2,078,768	1,908,300	18,522	87,089	64,855

2018	Carrying Amount	Contracted Cash Flows	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Trade and Other Payables	770,639	770,639	770,639	-	-	-
Borrowings	3,811	3,811	-	3,811	-	-
	774,450	774,450	770,639	3,811	-	-

#### (v) Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

#### (vi) Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of its equity balance.

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 4. Financial Risk Management (continued)

The Company's Board of Directors review the capital structure of the Company and as a part of this review, considers the cost of capital and the risk associated with each class of capital. There were no changes in the Company's approach to capital management during the year.

The Company's capital structure consists of debt, which includes the borrowings disclosed in Note 16, cash and cash equivalents, equity attributable to the equity holders of the parent comprising issued capital, reserves and retained earnings.

The Company is not subject to externally imposed capital requirements. The gearing ratio at the end of the reporting period was as follows:

	2018 US\$	2017 US\$
Cash and cash equivalents	5,415,985	307,236
Less Debt	-	(3,811)
Net cash/(debt)	5,415,985	303,424
Net cash/(debt) plus equity	16,264,016	5,012,599
Net cash to net debt plus equity	33%	6%

### 5. Segment information

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

The Company believes that the aggregation of the market sectors for segment reporting purposes is appropriate. Accordingly, all market sectors have been aggregated to form one reportable segment. The Company's corporate administration function has been in Australia and the Company's operations are in the USA. For the purposes of this disclosure, the operations carried out are in respect of the acquisition and drilling program of the Company's oil and gas leases of which US\$8,311,514 was capitalised as exploration and evaluation expenditure and oil and gas properties in the statement of financial position. The remaining items in the statement of profit or loss and statement of financial position are in relation to the Company's administrative functions in Australia and USA.

Following is an analysis of entity's results from operations and asset for each of the geographic location.

Geographical information	Segment Profit/(Loss) (US\$)		Segment Assets (US\$)	
	2019	2018	2019	2018
Australia	(770,699)	(587,404)	5,208,404	253,990
USA	(1,545,874)	(15,160,083)	7,688,078	5,229,636
Total	(2,316,574)	(15,747,488)	12,896,482	5,483,625

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

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 6. Loss before income tax

Loss before tax is arrived after charging following expenses	2019 US\$	2018 US\$
Consultancy fees – technical and corporate	145,592	409,448
Legal Fees	20,581	6,045
Operating Rent and lease expense	34,008	212,132

#### 7. Income taxes

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

The major components of income tax expense are:

	2019 US\$	2018 US\$
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of profit or loss and other comprehensive income.	-	-

##### b) Reconciliation income tax expense:

	2019 US\$	2018 US\$
Accounting profit/(loss) before income tax	(2,316,573)	(15,747,488)
Income tax benefit calculated at rate of 27.5% (2018 : 27.5%)	(637,508)	(4,330,559)
Effect of revenue losses not recognised as deferred tax assets	637,508	4,330,559
Income tax reported in the consolidated Statement of profit or loss and other comprehensive income.	-	-

The deferred tax assets on revenue losses in Australia and USA have not been recognised as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. At reporting date, group has unrecognised losses of US\$6,216,616 (2018: US\$ US\$5,750,523) and unrecognised deferred tax balances of US\$1,709,569 (2018: US\$1,581,394).

#### 8. Auditor's remuneration

##### a) BDO

	2019 US\$	2018 US\$
Audit and other assurance services	41,291	47,089
Other services – taxation advice, independent expert report	3,545	5,100
Total remuneration of BDO	64,498	52,189



## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 9. Loss per share

	2019 Cents per share	2018 Cents per share
Basic loss per share (using weighted average number of shares)	(0.52)	(5.52)
Diluted loss per share (using weighted average number of shares)	(0.52)	(5.52)

#### a) Earnings used in calculating earnings per share

	2019 US\$	2018 US\$
<b>For basic earnings per share</b>		
Net profit/(loss) attributable to ordinary equity holders of the parent	(2,316,573)	(15,747,488)
<b>For diluted earnings per share</b>		
Net profit/(loss) attributable to ordinary equity holders of the parent	(2,316,573)	(15,747,488)

#### b) Weighted average number of shares used

	2019 No. Shares	2018 No. Shares
Weighted average number of shares used in calculating basic and diluted earnings per share	449,426,916	285,148,832
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	449,426,916	285,148,832

#### 10. Cash and cash equivalents

	2019 US\$	2018 US\$
Cash at bank	5,415,985	307,236
	5,415,985	307,236

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 10. Cash and cash equivalents (continued)

##### a) Reconciliation of net profit after tax to net cash flows from operation

	2019 US\$	2018 US\$
Net profit/(loss)	(2,316,573)	(15,747,488)
<b>Adjustments for:</b>		
Depreciation of non-current assets	111,282	9,826
Interest received classified as investing cash flow	(2,264)	(2,007)
Depletion expense	1,220,303	599,471
Impairment expense	2,120,890	14,673,849
Share based payments	196,585	81,147
Other	66,371	(1,003)
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade receivables	(840,552)	371,715
Increase/(decrease) in trade and other creditors	308,509	(715,963)
Net cash flow (used in)/from operating activities	864,551	(731,023)

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

#### 11. Trade and other receivables

	2019 US\$	2018 US\$
Trade Receivables	1,282,173	470,033
GST receivables	36,376	6,044
Other	382	2,343
	1,318,931	478,421

#### 12. Right of use asset

	2019 US\$	2018 US\$
Balance at 1 January	-	-
Additions <sup>1</sup>	278,204	-
Depreciation expense	(111,282)	-
Balance at 31 December	166,922	-
Cost	278,204	-
Accumulated depreciation	(111,282)	-
Net carrying amount	166,922	-

<sup>1</sup> Refer to note 29 on Leases

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 13. Property, Plant & Equipment

	2019 US\$	2018 US\$
Balance at 1 January	9,405	19,090
Additions	-	-
Depreciation expense	-	(9,286)
Foreign exchange difference	-	(399)
Balance at 31 December	9,405	9,405
Cost	32,103	32,103
Accumulated depreciation	(20,538)	(20,538)
Foreign exchange difference	(2,160)	(2,160)
Net carrying amount	9,405	9,405

#### 14. Exploration and evaluation expenditure

	2019 US\$	2018 US\$
Balance at 1 January	3,940,924	16,948,845
Exploration and evaluation expenditure capitalised during the period	4,637,870	1,682,563
Transferred to Oil & Gas properties	(3,460,443)	(291,649)
Impairment	(314,380)	(14,398,526)
Closing balance	4,803,971	3,940,924

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. Leases abandoned during the current year have been fully impaired. A review carried out by management on relevant wells has determined that no other leases exceed their recoverable value (2018: impairment charge of US\$14,398,526).

The closing balance at 31 December 2019 therefore represents the fair value less costs of disposal.

#### 15. Oil & Gas properties

	2019 US\$	2018 US\$
Balance at 1 January	747,639	1,330,784
Transferred from Exploration and evaluation expenditure	3,460,443	291,649
Depletion expense	(1,220,304)	(599,471)
Impairment	(1,806,510)	(275,323)
Closing balance	1,181,269	747,639

The estimate of the recoverable amount for oil and gas properties is based on an asset's fair value in use using a discounted cash flow method, the following key estimates and judgements have been applied, also refer to note 3(ii):

- Obtaining lease extensions to 2034;
- P1 Recoverable reserves;
- The forward commodity prices of US\$23.78 per barrel and US\$3 per MMBTU; (2018: US\$65.56 and US\$3.10 respectively);

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

- Operating costs and taxes at an average of 46.2% of revenue over the production period, depending on production at that time; (2018: 36.3%); and
- Pre-tax discount rate of 10.0%

Management have considered and assessed reasonable possible changes for the following key assumptions. These sensitivities assume that the movement in a particular assumption is independent of other assumptions.

- A 5% increase/(decrease) in oil price would increase/(decrease) oil and gas properties carrying value by USD\$140,789/(USD\$141,937).
- A 5% increase/(decrease) in the discount factor would (decrease)/increase oil and gas properties carrying value by USD\$(225,875)/USD\$409,215.
- A 5% increase/(decrease) in cost of production (decrease)/increase oil and gas properties carrying value by (USD\$70,557)/USD\$69,408.

Economical recoverable reserves represent Management's expectations at the time of completing the impairment testing and based on the reserves statements and exploration and evaluation work undertaken by appropriately qualified persons. Operating cost assumptions were based on FY19 budgets and estimates and actual costs incurred in FY19.

### 16. Trade and other payables

	2019 US\$	2018 US\$
Sundry creditors	1,899,149	770,639
	<u>1,899,149</u>	<u>770,369</u>

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value. Current payables are on 30-45 day payment terms.

### 17. Borrowings

	2019 US\$	2018 US\$
Lease Liability <sup>1</sup>	179,619	-
Class A, B and C Convertible Milestone Notes <sup>2</sup>	-	3,811
	<u>179,619</u>	<u>3,811</u>

<sup>1</sup> The Lease Liability is the result of discounting the monthly lease commitments on the corporate offices in the USA, to the end of lease at an effective annual rate of 9.57%. Refer to note 29. Disclosed in the statement of financial position, the current liability portion of the lease liability is \$114,764 with the remaining \$64,855 classified as non-current.

<sup>2</sup> The Milestones attached to the Convertible Milestone Notes were not achieved by 30 April 2019. Hence the notes expired and the debt was repaid. No Convertible Milestone Notes were issued during the year.

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2019

Convertible Milestone Notes	US\$			US\$		
	Class A	Class B	Class C	Class A	Class B	Class C
Convertible Milestone Notes on issue	-	-	-	10,000	20,000	30,000
Loans due	-	-	-	635	1,270	1,906
Total						3,811

## 18. Issued capital

	2019 US\$	2018 US\$
687,609,095 (2018 : 285,148,832) fully paid ordinary shares	36,968,297	28,925,619

Fully paid ordinary shares	Number of Shares	Share capital US\$
<b>Balance at 1 January 2018</b>	285,148,832	28,937,201
Costs of issues	-	(11,582)
<b>Balance at 31 December 2018</b>	285,148,832	28,925,619
Rights issue	142,574,438	2,031,115
Placement – August 2019	126,900,000	2,148,417
Shares issued in lieu of services provided	4,635,825	94,925
Placement – December 2019	128,350,000	4,413,315
Costs of issues	-	(645,094)
<b>TOTAL</b>	687,609,095	36,968,297

## 19. Option Premium Reserves

	Number of Options	US\$
<b>Balance at 1 January 2018</b>	45,500,000	1,891,620
Executive Options <sup>2</sup>	2,000,000	-
Director Options <sup>2</sup>	2,500,000	-
<b>Balance at 31 December 2018</b>	50,000,000	1,891,620
Options in lieu of salary foregone <sup>3</sup>	13,900,000	-
Capital raising management options	10,000,000	-
Options expiring	(30,000,000)	-
<b>Balance at 31 December 2019</b>	43,900,000	1,891,620

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### <sup>1</sup> Terms and conditions of expired options

Exercise Price	A\$0.25
Expiry Date	Expire at 5.00pm WST on 30 April 2019
Exercise Period	The Options are exercisable at any time on or prior to the Expiry Date
Entitlement	Each Option entitles the holder to subscribe for one Share upon exercise of each Option
Shares Issued on Exercise	Shares issued on exercise of the Options rank equally with the then Shares currently on issue

### <sup>2</sup> Share based payments

	2019 US\$	2018 US\$
<b>Balance at 1 January</b>	584,016	502,869
Share based payments during the year <sup>1</sup>	349,661	81,147
<b>Balance at 31 December</b>	933,677	584,016

1. Reserve movement for the year has been allocated to the consolidate statement of profit and loss and other comprehensive income (\$US 196,585) as an expense, with the remaining \$US 153,076 allocated to equity as a share issue cost as per the below.

### 2019

During the year, Company issued 4,635,825 ordinary fully paid shares and 23,900,000 share options. The shares and options were issued to executives of the company and suppliers. The securities vested on grant. The shares and options issued to executives and directors were approved in general meeting of shareholders at the 2019 annual general meeting. 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:

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

A further 1,013,245 shares were issued to a supplier in lieu of services at a deemed value of AUD\$31,500.

During the period, the 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. Remuneration arrangements and related party transactions of key management personnel (KMP) are disclosed in the remuneration report for the year ended 31 December 2019. 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 31 December 2019	Exercisable at 31 December 2019
<b>Executive options</b>					
Hugh Idstein	4,900,000	4,900,000	-	-	4,900,000
<b>Total</b>	<b>4,900,000</b>	<b>4,900,000</b>		<b>-</b>	<b>4,900,000</b>
<b>Directors options</b>					
Neville Henry	9,000,000	9,000,000	-	-	9,000,000
<b>Total</b>	<b>9,000,000</b>	<b>9,000,000</b>	<b>-</b>	<b>-</b>	<b>9,000,000</b>

## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2019

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 AUD\$0.0163 cents per share respectively for 5c and 10c executive and director's options were calculated. The options vested on grant. 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\$
<b>Executive options</b>			
Hugh Idstein	5 cent	2,200,000	42,592
	10 cent	2,700,000	44,010
Total			<b>86,602</b>
<b>Directors options</b>			
Neville Henry	5 cent	4,000,000	77,440
	10 cent	5,000,000	81,500
Total			<b>158,940</b>

A further 10,000,000 options were issued to parties managing the December 2019 capital raise. The AASB 2 fair value of the option was calculated using Black-Scholes modelling. For expensing purposes, a fair value of AUD\$0.02563 cents per share respectively for options were calculated. The following inputs were used in the calculation:

	Fee options
Valuation date (equal to grant date under AASB 2)	2 December 2019
Exercise price	10 cents
Expiration date	15 December 2022
Share price at valuation date	\$0.062
Risk free rate of interest	0.71% p.a.
Company share price volatility	100% p.a.
Fair value	\$0.02563

#### 2018

During the period, Company issued 2,000,000 share options to executives of the company subject to vesting conditions and another 2,500,000 options to company directors subject to shareholder approvals.

Details of options issued are as follows:

Name	No of options granted	No of options vested	No of options forfeited	Outstanding at 31 December 2018	Exercisable at 31 December 2018
<b>Executive options</b>					
James Allchurch	1,000,000	500,000	-	500,000	500,000
Brian Mallick	1,000,000	500,000	-	500,000	500,000
Total	<b>2,000,000</b>	<b>1,000,000</b>		<b>1,000,000</b>	<b>1,000,000</b>
<b>Directors options</b>					
John Kopcheff	2,500,000	2,500,000	-	-	2,500,000
Total	<b>2,500,000</b>	<b>2,500,000</b>	-	-	<b>2,500,000</b>

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### Vesting conditions

Executive	Options	Vesting conditions
James	500,000	Fully vested from the date of their grant
Allchurch	500,000	Vest after a period of 12 months of continued further service from the date of grant
Brian	500,000	Fully vested from the date of their grant
Mallick	500,000	Vest after a period of 12 months of continued further service from the date of grant

The AASB 2 fair value of the option was calculated using Black-Scholes modelling. For expensing purposes, a fair value of 1.052 cents per share for executive options and director's options were calculated. The following inputs were used in the calculation:

	Directors and Executive options
Valuation date (equal to grant date under AASB 2)	6 June 2018
Exercise price	12 cents
Expiration date	31 January 2022
Share price at valuation date	\$0.035
Risk free rate of interest	2.20% p.a.
Company share price volatility	80% p.a.
Fair value	\$0.01052

### 20. Foreign currency translation reserve

	2019 US\$	2018 US\$
<b>Balance at 1 January</b>	(2,952,144)	(2,887,079)
Movement in foreign currency translation reserve	32,776	(65,065)
<b>Balance at 31 December</b>	<b>(2,919,368)</b>	<b>(2,952,144)</b>

Exchange rate differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 2 (c).

### 21. Accumulated Losses

	2019 US\$	2018 US\$
<b>Balance at 1 January</b>	(23,739,937)	(7,992,449)
Movement in accumulated losses	(2,316,573)	(15,747,488)
<b>Balance at 31 December</b>	<b>(26,056,510)</b>	<b>(23,739,937)</b>



## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 22. Key management personnel

Key management personnel compensation	2019 US\$	2018 US\$
Short-term employee benefits	255,159	450,505
Post-employment benefits	3,875	33,489
Share-based payment	169,211	19,668
	428,245	503,662

Refer to the remuneration report contained in the Directors' Report for details of remuneration paid or payable to each member of the Company's key management personnel.

#### 23. Commitments and contingencies

##### Capital expenditure commitments

There are no capital commitments at 31 December 2019.

##### Other expenditure commitments

There are no other expenditure commitments at 31 December 2019.

#### 24. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

	2019 US\$	2018 US\$
Assets		
Current assets	5,041,483	247,559
Non-current assets	-	-
<b>Total assets</b>	5,041,483	247,559
Liabilities		
Current liabilities	31,815	136,628
Non-current liabilities	-	-
<b>Total liabilities</b>	31,815	136,628
<b>Equity</b>		
Issued capital	36,968,297	28,925,619
Accumulated losses	(31,864,558)	(28,338,179)
Option premium reserve	1,891,620	1,891,620
Share based payment reserve	933,677	584,016
Foreign currency translation	(2,919,368)	(2,952,144)
<b>Total equity</b>	5,009,668	110,932
<b>Financial Performance</b>		
	2019 US\$	2018 US\$
Loss for the year	(770,699)	(2,087,404)
Other comprehensive loss	(2,755,680)	(36,522)
<b>Total comprehensive loss</b>	(3,526,379)	(2,123,926)

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 25. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held by the Group
Winchester Energy LLC	Oil and Gas Exploration	USA	100%
Winchester Energy USA Holding Inc.	Oil and Gas Exploration	USA	100%

### 26. Contingent assets and liabilities

There are no contingent assets and liabilities at 31 December 2019.

### 27. 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.

### 28. Related party transactions

During the period 3,622,580 ordinary fully 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.

Remuneration arrangements and related party transactions of key management personnel (KMP) are disclosed in the annual report for the year ended 31 December 2019.

During the year Winchester Energy LLC paid US\$54,509 to Siena Energy LLC, a company owned by Neville Henry and Hugh Idstein for use of server, software, data and data room services. During the year Winchester Energy LLC paid US\$289,368 to TRL Operating Services a shared services company owned by Neville Henry and Hugh Idstein for office personnel, rent, office equipment & furniture and shared office overhead. The payments are all "arms length" transactions on a cost reimbursement basis and includes Neville Henry's annual salary of USD\$180,000.

Please refer to note 19 above in relation to share based payments for securities issued to related parties.

# NOTES TO FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### 29. 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:

	Right-of-use assets, except for investment property
<b>Statement of financial position</b>	
Right of use asset at 1 January 2019	278,204
Accumulated depreciation	(111,282)
	<hr/> 166,922
Lease liability	<hr/> 179,619
<b>Statement of Profit and Loss</b>	
Depreciation expense	111,282
Interest expense	21,415
<b>Statement of cashflows</b>	
Lease expenditure	(120,000)

### 30. Events after reporting date

Subsequent to the year-end, the COVID-19 pandemic announced by the World Health Organisation is having a negative impact on world stock markets, currencies and general business activity. The Group has developed a policy and is evolving procedures to address the health and wellbeing of employees, consultants and contractors in relation to COVID-19. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities, operations and the ability for the company to raise funds.

In conjunction with above, subsequent to the year end there has also been significant volatility in world oil and gas pricing resulting in a material decline in oil and gas sales prices. In addition, the recent supply variables affecting world oil markets are also impacting volatility and prices. Should the volatility continue for a sustained period, this may impact the future assessments of the recoverable values of assets held by the group and may impact the Group's ability to raise capital or debt and the ability of the Group to continue as a going concern.

The full impact of the COVID-19 outbreak and the volatility of world markets continues to evolve as at the date of this report. As such, it is uncertain as to the impacts this will have on the Group.

John Kopcheff resigned from the board effective 31 March 2020. James Allchurch has been appointed to the board of directors effective 1 April 2020.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

## INDEPENDENT AUDITOR'S REPORT

To the members of Winchester Energy Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Winchester Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Carrying Value of Oil & Gas Properties

Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2019 the carrying value of Oil &amp; Gas Properties represents a significant balance to the Group as disclosed in Note 15.</p> <p>During the year the Group identified indicators of possible impairment relating to the asset. As a result, the Group undertook an impairment assessment and recognised an impairment charge as disclosed in Note 15. Refer to Note 2 (n) and Note 3 (ii) for the detailed disclosures that include the related accounting policies and the critical accounting judgements and estimates.</p> <p>This is a key audit matter as the carrying value requires management to make significant accounting judgements and estimates in producing the impairment model used for determining the recoverable amount of the Oil &amp; Gas Properties.</p>	<p>We evaluated management's assessment of the asset's carrying value as at 31 December 2019 in accordance with AASB 136 Impairment of Assets. Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>➤ Obtaining and reviewing the reserve report and net present value calculations prepared by management's external expert including assessing the competency and objectivity of management's expert;</li> <li>➤ Benchmarking and analysing the Group's oil and gas price assumptions against external market data;</li> <li>➤ Challenging the appropriateness of management's discount rate used in the impairment model in conjunction with our internal valuation experts;</li> <li>➤ Performing sensitivity analysis on the commodity pricing, key costs and discount rate applied in the impairment model;</li> <li>➤ Evaluating and assessing the accuracy of the Group's calculation of the impairment charge; and</li> <li>➤ Assessing the adequacy of the related disclosures in Note 2(n), Note 3 (ii) and Note 15 to the financial statements.</li> </ul>

## Carrying Value of Exploration and Evaluation Expenditure

Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2019 the carrying value of exploration and evaluation expenditure represents a significant balance as disclosed in Note 14.</p> <p>The carrying value of exploration and evaluation expenditure represents a significant asset of the company and judgment is applied in considering whether facts and circumstances indicate that the exploration expenditure should be tested for impairment.</p> <p>As a result, the asset was required to be assessed for impairment indicators in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources. This resulted in the Group recognising an impairment charge as disclosed in Note 14.</p> <p>The Group's accounting policy with respect to Exploration and Evaluation assets is disclosed in Note 2 (m) and Note 3 (i).</p>	<p>We have evaluated management's assessment of each impairment trigger per AASB 6 Exploration and Evaluation of Mineral Resources, including but not limited to:</p> <ul style="list-style-type: none"> <li>➤ Obtaining from management a schedule of areas of interest held by the Group and selecting a sample of leases and concessions and assessed as to whether the Group had rights to tenure over the relevant exploration areas by obtaining supporting documentation such as third party confirmations;</li> <li>➤ Holding discussions with management with respect to the status of ongoing exploration programmes in the respective areas of interest;</li> <li>➤ Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>➤ Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required; and</li> <li>➤ Assessing the adequacy of the related disclosures in Note 2(m), Note 3 (i) and Note 14 to the financial statements.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included pages 14 to 18 of the directors' report for the year ended 31 December 2019.

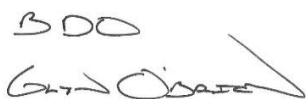
In our opinion, the Remuneration Report of Winchester Energy Limited, for the year ended 31 December 2019, complies with section 300A of the Corporations Act 2001.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd



Glyn O'Brien

Director

## ADDITIONAL SHAREHOLDER INFORMATION

### Ordinary share capital

The Shareholder information set out below was applicable as at 25 March 2020.

Details relating to the tenements held by the Company or its subsidiaries are set out in the Director's Report in accordance with ASX Listing Rule 5.37.

### Distribution of ordinary shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	14	3,112	0.00%
1,001 - 5,000	10	30,408	0.00%
5,001 - 10,000	42	364,048	0.05%
10,001 - 100,000	348	17,567,514	2.55%
100,001 - 9,999,999,999	480	669,644,013	97.39%
<b>Totals</b>	<b>894</b>	<b>687,609,095</b>	<b>100.00%</b>

### Unmarketable parcels

Based on the price per security, number of holders with an unmarketable holding: 173, with total 2,445,852, amounting to 0.36% of Issued Capital

### Voting Rights

All issued ordinary shares carry one vote per share and carry the rights to dividends.

### Substantial Shareholder

Per substantial shareholder filings:

	Fully Paid	
	Number	Percentage
Mr Yang Xiangyang (Mandarin) / Mr Yeung Heung Yeung (Cantonese) and China Leader Group Pty Ltd	67,916,667	9.88



## Twenty Largest Holders of Quoted Equity Securities

		Fully Paid	
		Number	Percentage
1	CHINA LEADER GROUP LIMITED	67,916,667	9.88%
2	HELIOS ENERGY LTD	30,450,000	4.43%
3	BELLARINE GOLD PTY LTD <RIBBLESDALE SUPER FUND A/C>	25,391,064	3.69%
4	INVENTIVE HOLDINGS LIMITED	21,074,380	3.06%
5	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	19,000,000	2.76%
6	CHATSWORTH STIRLING PTY LTD	17,072,657	2.48%
7	CITICORP NOMINEES PTY LIMITED	14,855,697	2.16%
8	DARBY SMSF PTY LTD <DARBY SUPER FUND A/C>	13,883,333	2.02%
9	JDK NOMINEES PTY LTD	12,730,837	1.85%
10	AZUREE PTY LTD	12,450,003	1.81%
11	MR KANE CHRISTOPHER WEINER	11,605,460	1.69%
12	MR DEAN ROBERT TAIT	11,500,000	1.67%
13	TDF PROPERTIES PTY LTD <THE TDF PROPERTY A/C>	10,500,000	1.53%
14	EAGLEWOOD ENERGY LLC	9,655,159	1.40%
15	SSF AUST PTY LTD <SCHMARR FAMILY S/F A/C>	9,018,158	1.31%
16	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	9,000,100	1.31%
17	TREND E&P LLC	8,982,014	1.31%
18	LUGANO HOLDINGS LLC	8,682,014	1.26%
19	ROJO NERO CAPITAL PTY LTD	7,979,525	1.16%
20	SPINITE PTY LTD	7,432,926	1.08%
<b>TOTAL</b>		<b>329,179,994</b>	<b>47.87%</b>
<b>Grand Total</b>		<b>687,609,095</b>	<b>100.00%</b>

## Restricted Securities

There are no restricted securities.

## Market buyback

There is no current market buyback.

## Unquoted equity securities

There are 36 holders of 43,900,000 unlisted Options with various exercise prices (\$0.05 to \$0.12) expiring on various dates (31/1/22 to 13/6/24):

Holder Name	Holding	% IC
TREND E&P LLC	14,000,000	31.9%