



Half Year Financial Report

Please find attached the financial report for the half year ended 30 June 2020.

Date: 11 September 2020

ASX Code: WEL

Directors

Laurence Roe
Non-Executive Chairman

Neville Henry
Managing Director

Larry Liu
Non-Executive Director

Tony Peng
Non-Executive Director

James Allchurch
Non-Executive Director

Lloyd Flint
Company Secretary

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Authorised for release by the board of directors.

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Company Secretary

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HALF YEAR FINANCIAL REPORT

Half year ended 30 June 2020

ASX Code: WEL



CONTENTS

DIRECTORS' REPORT	2
DIRECTORS' DECLARATION	6
AUDITOR'S INDEPENDENCE DECLARATION	7
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	11
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	12
AUDIT REPORT.....	19

CORPORATE INFORMATION

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Mr Neville Henry
Mr Tony Peng
Mr Larry Liu
Mr James Allchurch

Company Secretary

Mr Lloyd Flint

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ASX Code: WEL

DIRECTORS' REPORT

Your Directors submit their report for the period from 1 January 2020 to 30 June 2020.

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

Mr Laurence Roe	Non-Executive Chairman
Mr Neville Henry	Managing Director
Mr John Kopcheff	Non-Executive Director – resigned 31 March 2020
Mr Tony Peng	Non-Executive Director
Mr Larry Liu	Non-Executive Director
Mr James Allchurch	Non-Executive Director – appointed 1 April 2020

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

Review of Operations

Oil Field Development and Recompletion Opportunities

Throughout the half-year ended 30 June 2020, a 3D seismic reprocessing program was undertaken covering the bulk of Winchester's Nolan County lease holdings and focusing on improving imaging of the Strawn and Cisco intervals.

Re-mapping of key geologic horizons in the company's leases is underway and has already added clarity to the understanding of the configuration of the Lighting and Mustang fields, while also identifying several new prospects.

Detailed assessments of well log data and new 3D seismic interpretation have identified several opportunities for completions in currently untested zones in existing wells. Potential pay zones have been identified in several wells in formations including the Fry Sands, Cisco Sands and sands within the Three Fingers Shale (TFS). Several of these re-completions, if successful, have considerable commercial implications given the lateral extent of the formations as well as the high availability of historic wells for re-entry.

Winchester is in the process of designing and prioritizing these proposed re-completions.

In addition to the re-completion program, the recent pause in drilling activities has allowed the Winchester technical team to review and assess several new project/play opportunities emerging from the low oil price environment. Winchester is progressing several discussions and will inform the market if and when any transaction is completed.

Mustang and Lightning Oil Field Well Summary

Well ID	Drilled	Formation	WEL WI	Status
Mustang Oil Field				
White Hat 2002	Apr 2017	Strawn	50%	Producing
White Hat 2003	Mar 2019	Strawn	75%	Producing
White Hat 2004	Oct 2019	Strawn	100%	Awaiting re-completion
White Hat 2005	Aug 2019	Strawn	75%	Producing
White Hat 3902	Dec 2019	Strawn	50%	Shut-in due to low oil price
White Hat 2006	Jan 2020	Strawn	75%	Producing
Lightning Oil Field				
Arledge 1602	Jul 2019	Cisco Sands	100%	Producing
McLeod 1703	Dec 2019	Cisco Sands	100%	Awaiting gas tie-in

Oil Production

The following gross oil production for the half-year ending 30 June 2020 (March and June 2020 quarters) across all oil wells in which Winchester has a WI was recorded for the Company. Winchester's WI average oil production for the half-year ended June 30 2020 was 249 bopd.

Oil Production (bo)*	June Quarter 2020	March Quarter 2020	December Quarter 2019	September Quarter 2019
Gross Oil Production	28,108	34,269	39,461	29,771
WEL WI Share**	20,576	24,855	28,702	20,556

* 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.

To the half-year ending 30 June 2020, Winchester's Permian Basin wells in Nolan County, Texas have produced a total gross 476,971 barrels of oil and 239 million cubic feet of gas.

Oil Production Costs

Winchester has reduced its lifting costs significantly at its main producing wells - White Hat 2003, 2005 and 2006 - to US\$2.46 per barrel. Lifting Costs, or operating expenses (Opex), include all direct costs to produce oil from wells. See ASX announcement of 11 June 2020 for further details.

Development Costs are essentially the costs to drill, complete (perforate/fracture stimulate) and bring wells online for production (facility and tie-in). It is, at a minimum, the cost to take Reserves from the proved undeveloped (1P - PUD) category to the proved developed producing (1P - PDP) category.

In line with recent efficiency and cost reduction measures, Winchester has driven a 23% reduction in development costs to US\$10.51/boe, reflecting the high-quality nature and commerciality of Winchester's acreage as well as the advantage of developing shallow conventional sand-dominated opportunities over more complex horizontal-drilling shale plays.

During the COVID-19 pandemic and collapse of global oil prices, Winchester continued to optimise and streamline all elements of the organization, from field completion and production operations, vendor support and costs, to internal approval and reporting procedures and financial and accounting practices. This has served to reduce overheads and the cost of operations, making Winchester a more viable, robust business.

Reserves and Resources

During the June 2020 quarter the Company was pleased to be able to book 1.7 million barrels of oil equivalent (mmboe) in 3P Reserves along with 6.7 mmboe in Contingent Resources and a further 2.8 mmboe in Prospective Resources. In a significant development for the Company, the combined 'Best Estimate' Resources represent a 49% increase from the previously announced Resources.

The Reserves and Resources Reports were commissioned by Winchester and conducted by Texas-based independent consultant Kurt Mire of Mire & Associates Inc (MAI), in accordance with the definitions and guidelines set out by the United States Securities and Exchange Commission (SEC) and Petroleum Resources Management System revised in 2018 and endorsed by the Society of Petroleum Engineers.

Table 1 (following) provides MAI's Reserve and Resource assessment of Winchester's net interests in its Nolan County, Texas acreage as of 31 December 2019. Further details can be found in the ASX announcement of 25 May 2020.

Reserves - WEL Net Interests - Nolan County, 31 December 2019			
Category	Net Reserves		BO equiv. (mboe)
	Oil (mBO)	Gas (mmscf)	
Proved Developed Producing (PDP)	179	75	192
Proved Developed Not Producing (PDNP)/Shut In	79	159	105
Proved Undeveloped (PUD)	131	195	164
Total Proved Reserves (1P)	389	428	461
Probable Undeveloped	299	470	377
Total Proved & Probable Reserves (2P)	688	898	838
Possible Undeveloped	671	862	815
Total Proved, Probable & Possible Reserves (3P)	1,359	1,760	1,653

Table 1a – WEL Net Reserve Estimates

Contingent Resources - WEL Net Interests - Nolan County, 31 December 2019			
Category	Net Contingent Resources		BO equiv. (mboe)
	Oil (mBO)	Gas (mmscf)	
Contingent Resources (Low Estimate; 1C)	1,895	3,424	2,466
Contingent Resources (Best Estimate; 2C)	4,709	12,108	6,727
Contingent Resources (High Estimate; 3C)	12,029	39,523	18,571

Table 1b – WEL Net Contingent Resources Estimates

Prospective Resources - WEL Net Interests - Nolan County, 31 December 2019			
Category	Net Prospective Resources		BO equiv. (mboe)
	Oil (mBO)	Gas (mmscf)	
Prospective Resources (Low Estimate; 1U)	1,662	1,006	1,830
Prospective Resources (Best Estimate; 2U)	2,519	1,810	2,821
Prospective Resources (High Estimate; 3U)	3,888	3,296	4,437

Table 1c – WEL Net Prospective Resources Estimates

Notes:

- Reserves are stated net to Winchester's working interest and after deductions for royalty payments.
- All reserves estimates were prepared using deterministic methods. All resource estimates were prepared using probabilistic methods. All reserves aggregation was performed by arithmetic summation. All resource aggregations were performed probabilistically.
- "bbl(s)" means barrel(s); "bopd" or "boepd" means barrels of oil per day and barrels of oil equivalent per day, respectively
- "boe" means barrels of oil equivalent. Winchester reports boe using a gas to oil conversion based on equivalent thermal energy, i.e. 6000 cubic feet of gas = 1 barrel of oil
- "m" prefix means thousand; "mm" prefix means million; "scf" means standard cubic feet
- Production quantities are measured at the leases via a sales meter (gas) or in oil storage tanks.

Net Lease Area

At 30 June 2020, the Company's lease holding totalled 18,737¹ net acres.

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

Corporate

The Company sought shareholder approval at the annual general meeting in May 2020 to settle technical advisor liabilities by the issue of 521,729 shares. Approval was also sought for the issue of 1,500,000 options that were issued to the technical advisor - refer to note 8 for further information on this.

John Kopcheff resigned effective 31 March 2020 and James Allchurch was appointed effective 1 April 2020.

Financial Results

Revenue from continuing operations for half year to 30 June 2020 was US\$1,325,957 (2019: US\$693,565). The company reported a net profit/(loss) before tax of US\$156,414 for the half year ended 30 June 2020 (2019: US\$331,634). This result included no impairment expense for the period (2019: nil), a depreciation and depletion expense of US\$343,096 (2019: US\$340,222) and share based expenses US\$21,893 (2019: US\$178,442). Cash position at 30 June 2020 was US\$2,438,363 (31 December 2019: US\$5,415,985).

Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs that occurred during the half year ended 30 June 2020.

Events after the reporting date

The Company issued 648,510 shares to settle technical advisor liabilities.

The impact of the COVID-19 pandemic is ongoing and while it has not significantly impacted the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

Dividends

In respect of the period ended 30 June 2020, no dividends have been paid or declared since incorporation and the Directors do not recommend the payment of a dividend in respect of the financial period.

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the half-year report.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to s306(3) of the Corporations Act 2001.



On behalf of the Directors

Mr Laurence Roe
Non-Executive Chairman
11 September 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; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s303 (5) of the Corporations Act 2001.

A handwritten signature in dark ink, appearing to read 'Laurence Roe', is written over a light blue rectangular stamp.

On behalf of the Directors

Mr Laurence Roe
Non-Executive Chairman
11 September 2020

DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF WINCHESTER ENERGY LIMITED

As lead auditor for the review of Winchester Energy Limited for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Winchester Energy Limited and the entities it controlled during the period.



Ashleigh Woodley
Director

BDO Audit (WA) Pty Ltd
Perth, 11 September 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 30 June 2020

	Note	30 June 2020 US\$	30 June 2019 US\$
Revenue from contracts with customers		1,325,957	693,565
Interest income		3,864	92
Other income		-	-
Foreign exchange (expenses)/Income		234,942	(274)
Operating costs		(453,235)	(183,691)
Administration expenses	3	(582,445)	(315,171)
Depletion, Depreciation and Amortization		(343,096)	(340,222)
Impairment expense	5	-	-
Share based payments	8	(21,893)	(178,442)
Finance costs		(7,680)	(7,491)
Profit/(loss) before income tax		156,414	(331,634)
Income tax benefit	4	-	-
Profit/(loss) for the period after income tax		156,414	(331,634)
Other comprehensive Profit/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(272,836)	(20,594)
Total comprehensive loss for the period		(116,422)	(352,228)

Profit/(loss) per share for the half year attributable to the members of Winchester Energy Ltd	Cents	Cents
Basic Profit/(loss) per share (cents per share)	0.03	(0.9)
Diluted Profit/(loss) per share (cents per share)	0.03	(0.9)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. All figures are stated in US dollars (US\$).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 US\$	31 December 2019 US\$
ASSETS			
Current assets			
Cash and cash equivalents		2,438,363	5,415,985
Trade and Other receivables		888,839	1,318,931
Total current assets		3,327,202	6,734,916
Non-current assets			
Property, plant and equipment		9,405	9,405
Right of use asset		111,281	166,922
Exploration and evaluation expenditure	5	7,050,567	4,803,971
Oil & Gas properties	6	1,297,976	1,181,269
Total non-current assets		8,469,229	6,161,568
TOTAL ASSETS		11,796,431	12,896,484
LIABILITIES			
Current liabilities			
Other payables		949,043	1,899,149
Lease liability		123,304	114,764
Total current liabilities		1,072,347	2,013,913
Non-Current liabilities			
Lease liability		-	64,855
Total non-current liabilities		-	64,855
TOTAL LIABILITIES		1,072,347	2,078,768
NET ASSETS		10,724,084	10,817,716
EQUITY			
Issued capital	7	36,978,419	36,968,297
Option Premium Reserve		1,891,620	1,891,620
Share based payment reserve		946,346	933,677
Foreign currency translation reserve		(3,192,204)	(2,919,368)
Accumulated losses		(25,900,097)	(26,056,510)
TOTAL EQUITY		10,724,084	10,817,716

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2020

	Ordinary Shares	Accumulated losses	Option Premium reserve	Share based payment reserve	Foreign Currency Translation Reserve	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2019	28,925,619	(23,739,937)	1,891,620	584,016	(2,952,144)	4,709,175
Profit/(loss) for the period	-	(331,634)	-	-	-	(331,634)
Other comprehensive loss	-	-	-	-	(20,594)	(20,594)
Total comprehensive Profit/(loss) for the period	-	(331,634)	-	-	(20,594)	(352,228)
<i>Transactions with owners in their capacity as owners</i>						
Share based payment transactions	-	-	-	167,388	-	167,388
Issue of share capital (net of costs)	1,999,811	-	-	-	-	1,999,811
Balance at 30 June 2019	30,925,430	(24,071,570)	1,891,620	751,404	(2,972,738)	6,524,146
Balance at 1 January 2020	36,968,297	(26,056,510)	1,891,620	933,677	(2,919,368)	10,817,716
Profit for the period	-	156,414	-	-	-	156,413
Other comprehensive Profit/(loss)	-	-	-	-	(272,836)	(272,836)
Total comprehensive Profit/(loss) for the period	-	156,414	-	-	(272,836)	(116,423)
<i>Transactions with owners in their capacity as owners</i>						
Share based payment transactions	10,122	-	-	12,669	-	22,791
Issue of share capital (net of costs)	-	-	-	-	-	-
Balance at 30 June 2020	36,978,419	(25,900,097)	1,891,620	946,347	(3,192,204)	10,724,084

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 30 June 2020

	Note	30 June 2020 US\$	30 June 2019 US\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,740,754	443,879
Payments to suppliers and employees (inclusive of GST)		(1,970,328)	(464,460)
Interest paid		(6,985)	-
Net cash generated by/(used in) operating activities		(236,559)	(20,581)
Cash flows from investing activities			
Payment for exploration activities		(2,650,760)	(1,186,715)
Interest received		3,864	92
Purchase of property, plant, equipment and software		-	-
Net cash used in investing activities		(2,646,896)	(1,186,623)
Cash flows from financing activities			
Proceeds from issue of shares and options		-	2,067,419
Costs associated with the issue of securities		-	(67,609)
Lease liability payments		(55,265)	(55,509)
Repayment of borrowings		-	(3,477)
Net cash generated by financing activities		(55,265)	1,940,825
Net increase/(decrease) in cash and cash equivalents		(2,938,719)	733,620
Cash and cash equivalents at beginning of the period		5,415,985	307,236
Effect of exchange rate changes on balance of cash held in foreign currencies		(38,903)	(21,226)
Cash and cash equivalents at the end of the period		2,438,363	1,019,630

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

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2020

1. Summary of Significant Accounting Policies

a) Basis of preparation and compliance statement

The consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with the Corporations Act 2001 and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The accounting policies adopted are consistent with those adopted and disclosed in the Company's Annual Report for the year ended 31 December 2019 unless otherwise stated.

Going Concern

The financial statements have been prepared on the basis that the Consolidated Entity is a going concern, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the period ended 30 June 2020 the Group had a cash and cash equivalents balance of \$2,438,363, negative operating cash flows of \$236,558 a working capital balance of \$2,254,855 and recorded a profit of \$156,414.

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

During the reporting period the World Health Organisation ("WHO") announced COVID-19 as a pandemic. The impact of the COVID-19 pandemic has resulted in unprecedented uncertainty in the global financial markets. In addition to the pandemic, during the period there was significant volatility in world oil and gas pricing resulting in a material decline in Oil & Gas prices which COVID-19 has contributed to.

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 have prepared a cash flow forecast for a period of 12 months beyond the sign off date of this half-year report and believes there is sufficient funds to meet the Groups working capital requirements.

The financial statements have been prepared on the basis that the Group is a going concern 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.

Should the Consolidated 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.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2020

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.

Amended accounting standards

The impact of 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.

2. Segment information

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

The Company has one reportable segment being the Oil and Gas operations in the USA. For the purposes of this disclosure, the operations carried out are in respect of the acquisition and drilling program of the Company's oil and gas leases of which \$7,050,567 capitalised as exploration and evaluation expenditure and \$1,297,976 is capitalised as oil and gas properties in the statement of financial position. The remaining unallocated items in the statement of profit or loss and statement of financial position are in relation to the Company's administrative functions in Australia and USA.

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

	Segment Revenue (US\$)		Segment Profit/(loss) (US\$)		Segment Assets (US\$)		Segment Liabilities (US\$)	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Unallocated	3,776	92	(99,560)	(395,833)	2,223,031	5,208,404	51,636	31,815
USA	1,326,045	693,565	255,973	64,199	9,573,401	7,688,078	1,020,711	2,046,953
Total	1,329,821	693,657	156,413	(331,634)	11,796,431	12,896,482	1,072,347	2,078,768

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

3. Administration expenses

	30 June 2020 US\$	30 June 2019 US\$
Consultancy fees	277,802	-
Legal Fees	18,453	17,300
Rent	10,524	80,987
Accounting & compliance expense	40,575	47,674
Employee benefit expense	70,961	56,889
Other expenses	164,130	112,321
Total	582,445	315,171

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2020

4. Income taxes

a) Income tax recognised in profit or loss

The major components of income tax expense are:

	30 June 2020 US\$	30 June 2019 US\$
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of profit or loss and other comprehensive income.	-	-

b) Reconciliation of income tax expense:

	30 June 2020 US\$	30 June 2019 US\$
Profit/(loss) before income tax	156,413	(331,634)
Income tax benefit calculated at rate of 27.5% (2019: 27.5%)	43,014	(91,199)
Effect of revenue losses not recognised as deferred tax assets	(43,104)	91,199
Income tax reported in the consolidated Statement of profit or loss and other comprehensive income.	-	-

5. Exploration and evaluation expenditure

	30 June 2020 US\$	31 December 2019 US\$
Opening balance	4,803,971	3,940,924
Exploration and evaluation expenditure capitalised during the period	2,246,596	4,637,870
Impaired during the year	-	(3,460,443)
Transferred to Oil & Gas properties	-	(314,380)
Closing balance	7,050,567	4,803,971

The write down of exploration expenditure for the year ended 31 December 2019 relates to a number of oil leases over the total acreage leased by Winchester Energy Limited. No leases have been abandoned. In certain circumstances costs have been written off where it was perceived there might be diminished prospectivity of securing production and more prospective leases pursued.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2020

6. Oil & Gas properties

	30 June 2020 US\$	31 December 2019 US\$
Opening balance	1,181,269	747,369
Additions	404,162	-
Transferred from Exploration and evaluation expenditure	-	3,460,443
Depletion expense	(287,455)	(1,220,304)
Impairment expense	-	(1,806,510)
Closing balance	1,297,976	1,181,269

7. Issued capital

	30 June 2020 US\$	31 December 2019 US\$
688,130,824 fully paid ordinary shares (31 December 2019: 687,609,095)	36,978,419	36,968,297

Fully paid ordinary shares	Number of Shares	Share capital US\$
Balance at 1 January 2019	285,148,832	28,925,619
Issue of shares	402,460,263	8,687,772
Share issue costs	-	(645,094)
Balance at 31 December 2019	687,609,095	36,968,297
Issue of shares ¹	521,729	10,122
Share issue costs	-	-
Balance at 30 June 2020	688,130,824	36,978,419

¹ Refer note 8 for details on issue of shares.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitles their holder to one vote, either in person or proxy, at a meeting of the Company.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2020

8. Share based payments

Technical advisor liabilities were settled by the issue of 521,729 shares to settle an AUD\$15,000 liability. The fair value of shares at settlement resulted in a gain of AUD\$392 on settlement.

1,500,000 options were also issued to the technical advisor.

	2020 US\$	2019 US\$
Balance at 1 January	933,677	584,016
Share based payments during the period ¹	12,669	349,661
Balance at period end	946,346	933,677

¹ Reserve movement for the year has been allocated to the consolidated statement of profit and loss and other comprehensive income.

The AASB 2 fair value of the option was calculated using Black-Scholes modelling. For expensing purposes, a fair value of AUD\$0.0122 for the AUD5c advisor options were calculated. The following inputs were used in the calculation:

	Advisor options
Valuation date (equal to grant date under AASB 2)	11 June 2020
Exercise price	5 cents
Expiration date	11 June 2022
Share price at valuation date	\$0.028
Risk free rate of interest	0.27% p.a.
Company share price volatility	110% p.a.
Fair value	\$0.0122

The value recognised on issue of the 1,500,000 options was AUD\$18,285.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2020

9. Related party transactions

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

During the period Winchester Energy paid \$29,251 to Siena Energy LLC a company owned by Neville Henry and Hugh Idstein for use of server and data room services.

During the period Winchester Energy paid \$48,848 to TRL Operating Services (Formerly WEL Operating Services) a company owned by Neville Henry and Hugh Idstein for office rent.

Provision of these services are made on a cost only basis, with no benefit to Mr Henry or his associated entities.

10. Fair values of financial instruments

Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

11. Leases

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

	Right-of-use assets, except for investment property	
	30 June 2020	31 December 2019
Statement of financial position		
Right of use asset beginning of period	166,922	278,204
Accumulated depreciation	(55,641)	(111,282)
Balance as at period end	111,281	166,922
Lease liability balance as at 30 June 2020	(123,304)	179,619
Statement of Profit and Loss		
Depreciation expense	55,641	111,282
Interest expense	6,985	21,415
Statement of cashflows		
Lease expenditure	(63,000)	(120,000)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2020

12. Events after reporting date

The Company issued 648,510 shares to settle technical advisor liabilities.

The impact of the COVID-19 pandemic is ongoing and while it has not significantly impacted the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the issue of shares there were no events affecting the Company after 30 June 2020.

13. Commitments and Contingencies

Capital expenditure commitments

There are no capital commitments at 30 June 2020.

Other expenditure commitments

There are no other expenditure commitments at 30 June 2020.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Winchester Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Winchester Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards) (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1(a) 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 conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink. The signature starts with the letters 'BDO' in a stylized, cursive-like font. Below this, there is a large, fluid signature that appears to read 'Ashleigh Woodley'.

Ashleigh Woodley

Director

Perth, 11 September 2020