

WINCHESTER

ENERGY LIMITED

ACN 168 586 445

ASX: WEL

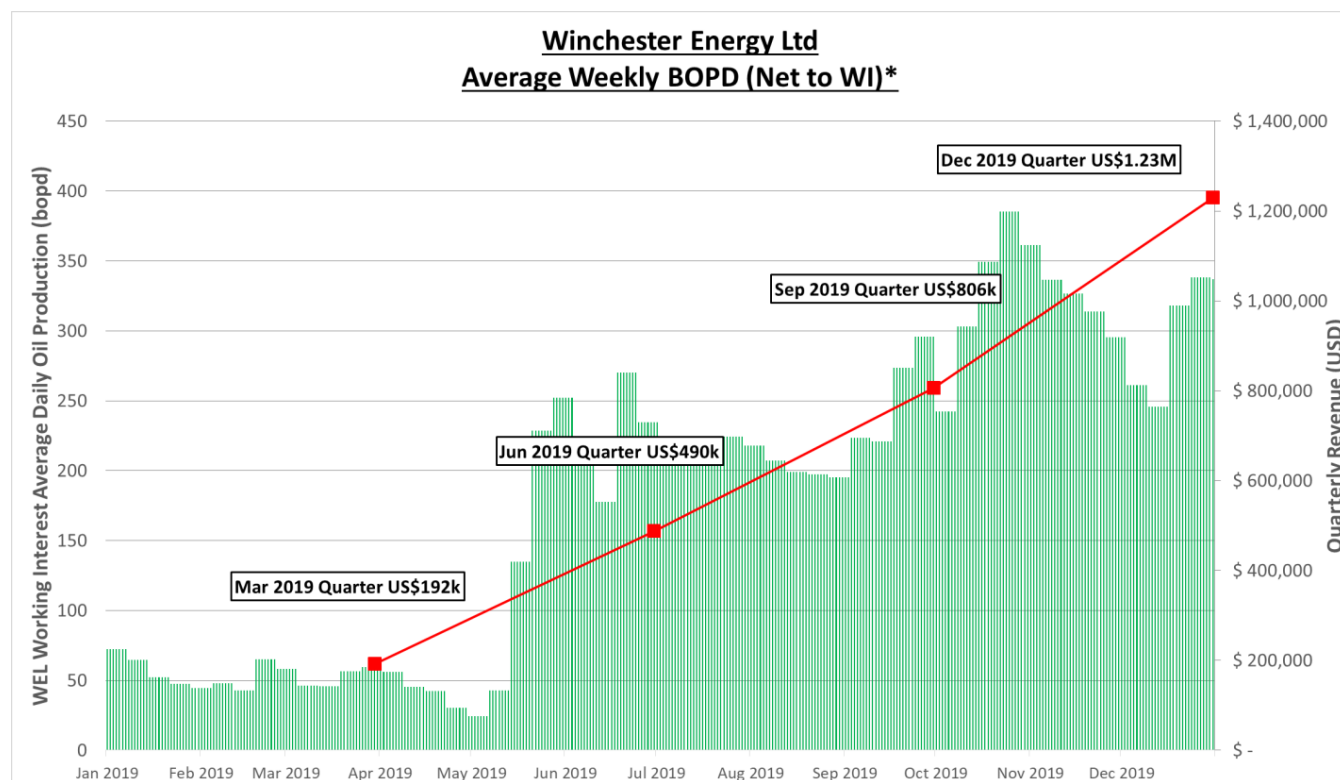
QUARTERLY REPORT

For the period ending 31 December 2019

HIGHLIGHTS

Significant Increases in Revenue and Oil Production

- Winchester Energy Limited's ("Winchester" or "the Company") net oil & gas revenue in the reporting period rose to AUD\$1.79 million¹ - up 50% from the previous quarter.
- Average daily oil production in the reporting period, net to Winchester's Working Interest (WI), was 312 bopd - a 40% increase from the previous quarter.



— Revenue (USD) net to working interest and after payment of royalties

¹ Using exchange rate 1 AUD = 0.69 USD; net to working interest and after payment of royalties

Lightning Oil Field

- Significant oil discovery at the Arledge 16#2 well. Production testing continues with completion moving up from the productive Lower Cisco Sands (6,000 barrels of oil produced during testing) to the Upper Cisco Sands.
- Further potential upside remains in the Arledge 16#2 well with the 165 ft Upper Cisco Sand interval - which had good to excellent oil and gas shows - to be tested and produced; this interval has an estimated aggregate of 50 ft of net pay potential.
- New step-out well, McLeod 17#3, has been drilled with initial wireline logs indicating 414 feet of gross Upper and Lower Cisco Sand section.
- 124 ft of net conventional sand has been identified in McLeod 17#3 as potential pay in the Lower Cisco Sands with excellent oil and gas shows, exceeding the net pay identified in the corresponding zone in the Arledge 16#2 discovery well (approx. 25 ft).
- Winchester anticipates increasing the potential net pay in McLeod 17#3 once the FMI processing and analysis is complete - testing of the Lower Sand in January after the White Hat 16#2 Upper Sands tests are completed.

Mustang Oil Field Development

- Mustang continues to perform with recently drilled wells producing in excess of 110,000 barrels of oil (gross) to date, generating significant revenue for the Company.
- White Hat 39#2 was drilled in December 2019. Initial wireline log interpretation indicated 30 feet of gross pay in the Fry Sand, coinciding with good to excellent oil and gas shows. The well has since been fracture stimulated and is currently flowing back.

OIL PRODUCTION SUMMARY

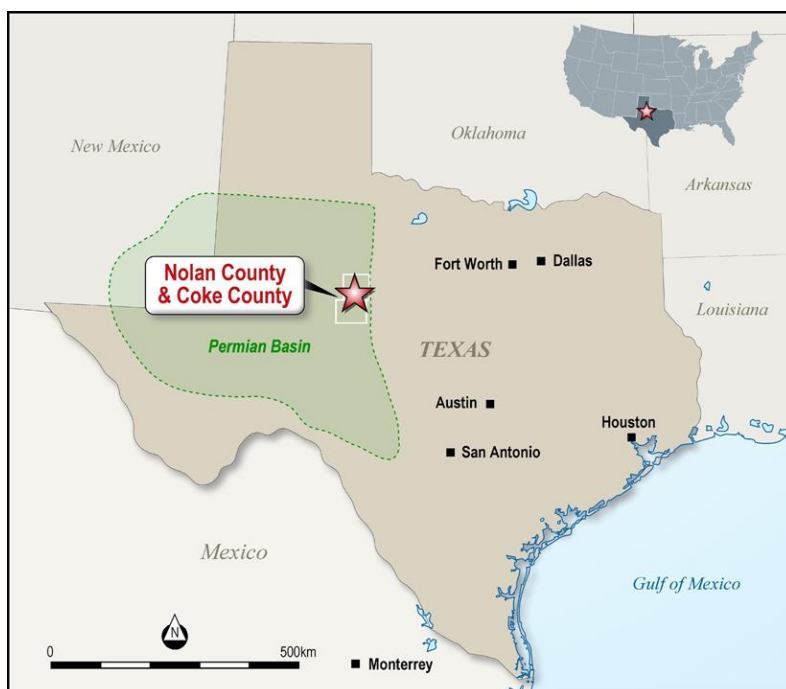
Winchester recorded the following gross and working interest (WI) net oil production for the quarter ended 31 December 2019 (across all oil wells in which Winchester has a WI).

Oil Production (bo)*	December Quarter 2019	September Quarter 2019	June Quarter 2019	March Quarter 2019
Gross Oil Production	39,461	29,771	18,913	9,838
WEL WI Share	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's average daily WI oil production in the December 2019 quarter of 312 bopd represents a 40% increase from the September 2019 quarter (223 bopd).

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.



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

REVENUE SUMMARY

Total WI sales revenue for the December 2019 quarter from oil and gas production was \$1,790,000² (US\$1,230,000) - up from the September 2019 quarter WI of US\$806,218.

The average sale price per barrel of oil was US\$55.83.

EXPLORATION & DEVELOPMENT OPERATIONS SUMMARY

Mustang and Lightning Well Summary

Well ID	Drilled	Formation	Working Interest	Status
Mustang Oil Field				
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%	Drilled and completed. Flowing back
White Hat 20#6	TBA	Strawn	75%	Located & Permitted.
Lightning Oil Field				
Arledge 16#2	Jul 2019	Cisco Sands	100%	Lower lobe producing after perforation and frac. Upper lobe pending
McLeod 17#3	Dec 2019	Cisco Sands	100%	Drilled. Awaiting completion post FMI analysis

² Using exchange rate 1 AUD = 0.69 USD

Lightning Oil Field

Arledge 16#2 (Winchester - 100% WI and Operator)

Completion work at the Arledge 16#2 discovery well continued through the December 2019 quarter. The program focused on four intervals identified in the Lower Cisco Sand with testing activities to date resulting in the production and sale of over 6,000 barrels of oil.

Lightning Prospect

New Lower Cisco sand oil discovery

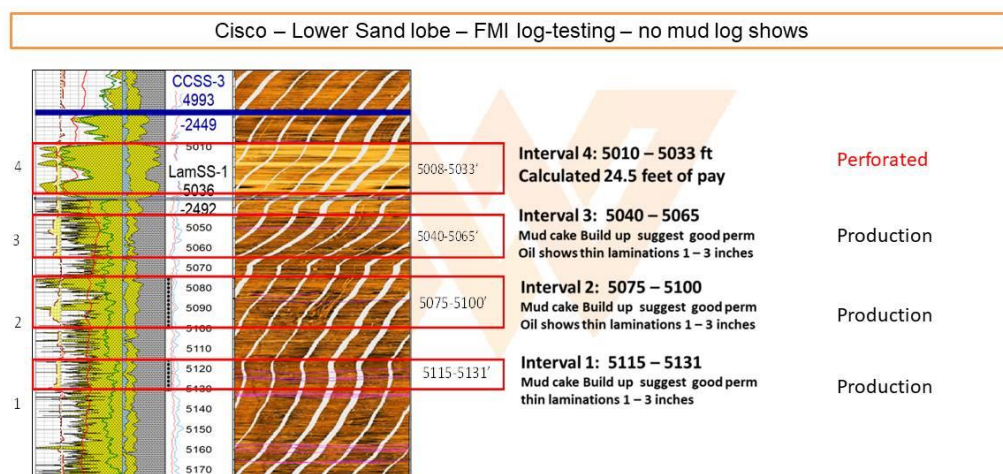


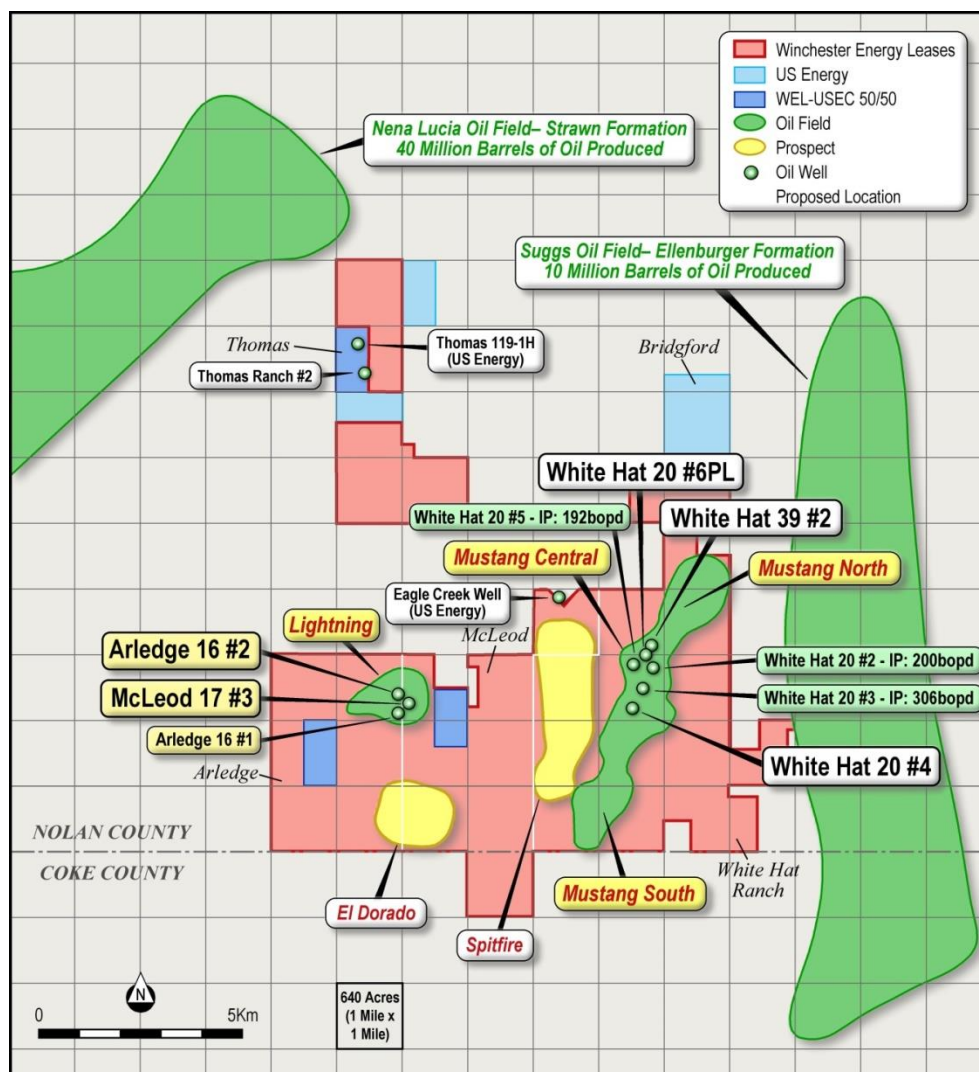
Figure 1 - Arledge 16#2 – Conventional and FMI Logs over the Lower Cisco Sands

Perforation of the lower intervals is largely complete and the Company will now proceed with completion operations in the overlying Upper Cisco Sand. The Upper Cisco Sand interval (4,735 – 4,900 ft) provides significant additional potential upside and is coincident with good oil and gas shows. The company has identified an aggregate of 100 ft of potential pay in the Upper Cisco Sand with thicker sand beds than in the lower Cisco and very good oil shows.

The revised total gross pay interval of the two Cisco Sand units discussed above is 506 feet with net sand of 25 – 30%.

The discovery of a thick oil column - now in two wells at Lightning - is very significant given the thickness and laterally pervasive nature of the unit.

The Lightning oil discovery is exciting and remains in its infancy. To assess the viability and long term productivity of this new play, comprehensive systematic testing and assessment is required. This will allow the Company to optimize future production rates and well spacing and in addition expand its drilling efforts.



Winchester Leases - Prospects and Wells

McLeod 17#3 (Winchester - 100% WI and Operator)

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. This substantially exceeds the pay in the same zone in the discovery well Arledge 16#2 (approx. 25 ft).

The Upper Cisco Sand is 157 ft thick with an estimated 38 ft net potential pay sand (again prior to the FMI analysis) with several additional pay zones also identified in shallower Cisco sands.

A Formation MicroImager (FMI) log has been run in McLeod 17#3 to assist in identifying additional potential net pay from laminated sands that may be present in the Cisco and underlying Canyon sections. Winchester expects that the total interpreted net pay in the Lower Cisco Sand will increase after the processed FMI data is received. Initial testing of the Lower Cisco Sand is to occur in January after the White Hat 16#2 Upper Sands tests are completed.

Mustang Oil Field

White Hat 20#4 (Winchester - 75% Working Interest and Operator)

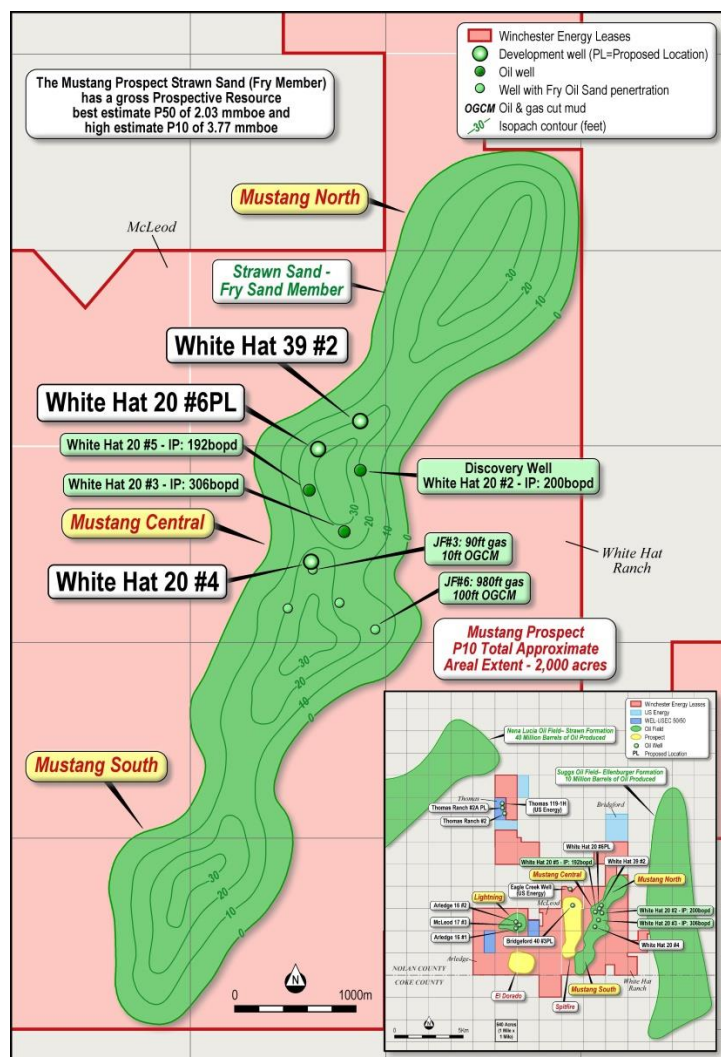
White Hat 20#4 was drilled to a total depth of 6,206 ft in October 2019. Located 1,200 ft southwest of White Hat 20#3, the well encountered a gross sand thickness of 25 ft in the target Strawn Fry Sand Member (Fry Sand). The well was fracture stimulated in December 2019 and remains on pump. The initial rate was 115 barrels of fluid per day and 32 barrels of oil per day (bopd); the water cut has since reduced significantly and the current water production is under 20 barrels per day (bwpd) however the oil rate has not increased as expected.

The Company is in the process of reviewing the performance of the fracture stimulation. Preliminary data indicates that the frac has not effectively stimulated the reservoir and nearby fractures identified in samples are likely to have absorbed or redirected the bulk of the energy of the frac and prevented meaningful stimulation of the targeted pay zone.

The production from White Hat 20#4 will be monitored for several weeks. There are several options available to improve the production rate, including an additional fracture stimulation in the Strawn and/or fracing the overlying Strawn Lime where very good oil and gas shows were observed. Also of note are Cisco Sands which have logged potential pay with associated oil shows.

White Hat 39#2 (Winchester - 50% Working Interest and Operator)

White Hat 39#2 was drilled to a total depth of 7,061 ft in December 2019. Initial wireline log interpretation has indicated 30 feet of gross pay in the Strawn Sand in the White Hat 39#2 well drilled in December 2019. The well has been perforated and fracture stimulated and is currently flowing back.



Mustang Field – Conceptual (preliminary) Isopach Contour Map of Strawn Fry Sand from Well Control and 3D Seismic

Mustang Field Development

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

To date, aggregate production at the White Hat 20#2, 20#3 and 20#5 wells exceeds 110,000 barrels of oil (gross), generating significant 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.

Winchester's next Mustang Oil Field development well, White Hat 20#6, has been located and permitted. Drilling is expected to commence prior to the end of January.

Thomas Ranch Lease

Winchester's Thomas Ranch lease is subject to an annual drilling requirement of 1 well per year. US Energy (USE) had undertaken a re-entry into Thomas 119#1 and perforated the Three Fingers Shale in the vertical well. USE put this well on production in May 2019 at rates that varied up to 29 bopd. It is currently producing below 10 bopd.

As a result of that operation Winchester was obligated to undertake the next operation. Work commenced in October 2019 with a re-entry of the Thomas Ranch #2. However, the program was aborted after obstructions were encountered in the existing wellbore. Consequently Winchester was able to negotiate an extension to that program until January 20, 2020. Winchester subsequently decided to drill a new well as a substitute for the original re-entry operation.

Bridgford Lease

Winchester has another obligation well that must be spud by February 17, 2020 on the Bridgford lease and is discussing options with USE.

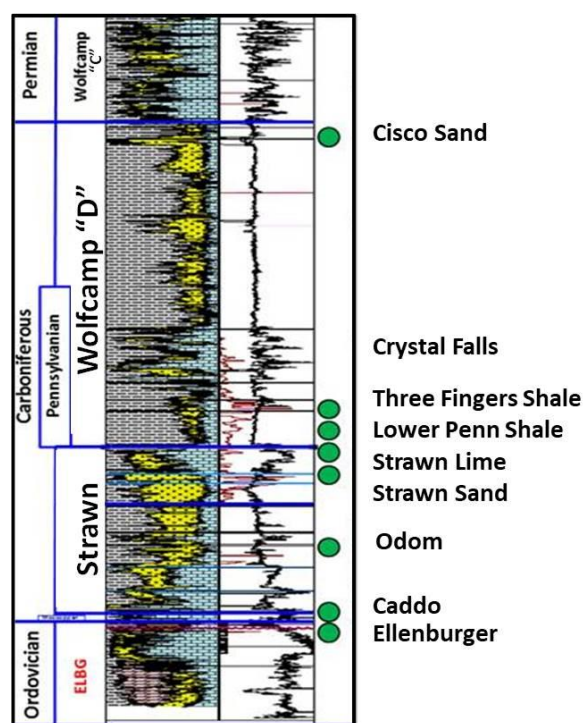
3D Seismic Reprocessing

As part of Winchester's continual focus on optimising its technical program, the company commenced a 3D seismic reprocessing program in December. The program is designed to cover all of Winchester's 3D surveys in Nolan County and will in particular focus on better imaging of the Strawn and Cisco intervals. This in turn will allow the company to integrate the new data with the results of the company's drilling program, including the most recent five wells.

OIL FIELD DEVELOPMENT AND EXPLORATION UPSIDE

Winchester has significantly expanded its production base and added two new production horizons, the Fry Sand in the Strawn Formation (Mustang Oil Field) and the Cisco Sands (Lightning Oil Field).

Within Winchester's prime lease position of approximately 17,000 acres along the eastern shelf of the Permian Basin in central west Texas, USA, there are numerous productive units with a long established history of oil and gas production.



Stratigraphic Column – East Permian Basin

The Eastern Shelf of the Permian contains several vertically-stacked oil productive units (vertical pay). The recent results from the Strawn and the Cisco Formations have proved that the Winchester leases hold significant potential at several formation levels.

The recent production from the Strawn Formation in the White Hat 20#3 well (initial production (IP) of 306 bopd and IP 30 of 259 bopd with 100-140 thousand cubic feet per day (mcfgd) of gas) has already produced over 44,000 barrels of oil, augmenting White Hat 20#2 (initial production of 200 bopd with 50,000 bo recovered to date and still producing 30 bopd).

The younger and shallower Cisco Sands at the base of the Permian now appear to add another productive interval to Winchester's production. Although production testing remains underway, the Arledge 16#2 results to date are encouraging - particularly in the context of the additional net pay yet to be tested.

As well as the Strawn and Cisco Formations, other prospective units include the, Wolfcamp 'D' high total organic carbon shale intervals, Three Fingers Shale, Lower Penn Shale and several intervals within the Canyon Sands package as well as the Odom sands and carbonates.

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

The Company is currently in the process of exploration target ranking and is planning to drill an exploration well in the current quarter.

Prospective Resources

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 & Strawn)**	1.994 mmbo	4.490 mmbo	9.907 mmbo
El Dorado (Ellenburger & Strawn)**	0.591 mmbo	1.269 mmbo	2.628 mmbo
Lightning Prospect (Cisco)**	0.602 mmbo	1.95 mmbo	6.392 mmbo
Total Gross Prospective Resources⁺	4.265 mmboe	9.738 mmboe	22.7 mmboe

* Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

**See ASX announcements - 15 October 2018, 21 June 2019 and 25 June 2019 for further detail.

+ Winchester currently owns a 75% working interest in the Spitfire and Mustang prospects and 100% of the El Dorado and Lightning prospects. WEL's future entitlement share may be subject to reduction in the event of farmout, should any farmout occur. WEL's future entitlement may also increase should the 25% working interest party (CEGX) not exercise its right to participate.

mmboe (million barrels of oil equivalent) - gas quantities are converted to boe using 6,000 cubic feet of gas to one barrel of oil. 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency. Quoted estimates are rounded to the nearest boe.

CORPORATE

Capital Raising

During the December 2019 quarter Winchester raised AUD\$6,417,500 (before costs) through the placement of 128,350,000 shares at \$0.05 per share to sophisticated investors.

Gleneagle Securities and CPS Capital were Lead Managers to the Placement.

As of 31 December 2019, Winchester Energy had 687,609,095 ordinary shares on issue and cash reserves of approximately AUD\$7,725,000³.

³ Using exchange rate 1 AUD = 0.7 USD (31 December 2019)

Oil and Gas Leases Held as at 31 December 2019

Winchester's lease holding at the end of the December 2019 quarter is 17,266⁴ acres.

	WEL Interest	Lease	Location
Held at end of quarter			
	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
Acquired during the quarter	-	-	-
Disposed during the quarter	-	-	-

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which are identified by words such as "believes", "estimates", "expects", "targets", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this report, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Winchester, the Directors and management of Winchester. These risks, uncertainties and assumptions could cause actual results to differ materially from those expressed in any forward-looking statements. Winchester has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this report, except where required by law. Winchester cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

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 43 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.

⁴ The Company's net acreage position varies modestly in accordance with earned interests in drilling units of the current operations.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

WINCHESTER ENERGY LIMITED (ASX CODE: WEL)

ABN

21 168 586 445

Quarter ended ("current quarter")

12 Months ended 31 December 2019

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (12 months) \$USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	767	2,168
1.2 Payments for		
(a) exploration & evaluation	(1,171)	(3,744)
(b) development	(100)	(191)
(c) production	(77)	(289)
(d) staff costs	(150)	(332)
(e) administration and corporate costs	(176)	(664)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(905)	(3,050)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (12 months) \$USD'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	4,903	8,860
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(302)	(517)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(4)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,601	8,339

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,814	307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(905)	(3,050)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,601	8,339
4.5	Effect of movement in exchange rates on cash held	(102)	(187)
4.6	Cash and cash equivalents at end of period	5,408	5,408

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$USD'000	Previous quarter \$USD'000
5.1 Bank balances	5,408	1,814
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) \$USD'000	5,408	1,814

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$USD'000**

82

-

Salaries and directors fees paid to the directors during the quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$USD'000**

33

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During quarter reimbursement payments totally to USD\$32,556 were made to service entities associated with Neville Henry (the Managing Director of Winchester) for server and data room services and office rental in the United States.

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$USD'000	Amount drawn at quarter end \$USD'000
Nil	Nil
Nil	Nil
Nil	Nil

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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9. Estimated cash outflows for next quarter**\$USD'000**

9.1	Exploration and evaluation	1,300
9.2	Development	2,055
9.3	Production	140
9.4	Staff costs	135
9.5	Administration and corporate costs	270
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	3,900

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nolan County, Texas, USA	Please refer to December 2019 quarterly Activities Report	17,266 net acres	17,266 net acres
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Company secretary)

Date: 29 January 2020

Print name: Lloyd Flint

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.