



ACN 168 586 445

QUARTERLY REPORT

For the period ended 30 June 2017

HIGHLIGHTS

Winchester Energy Ltd (**Winchester** or **Company**) increased gross oil production (across all oil wells in which Winchester has a working interest) by 38% (quarter on quarter) to 39,533 barrels of oil (**bo**) produced during the June 2017 quarter as shown in the table below:

Gross Oil Production (bo)	June Quarter 2017	March Quarter 2017	December Quarter 2016	September Quarter 2016	June Quarter 2016
Oil Production (Gross 100%WI)	39,533	28,633	37,876	35,428	26,159
Oil Sales (Gross 100%WI)	39,833	28,467	37,642	35,113	26,537

Note: These figures show gross oil production only (they exclude gas sales). Winchester is entitled to 50% of net proceeds after royalty payments of 23.5% to the oil and gas mineral rights owners of the White Hat ranch oil and gas lease.

- Total revenue (for oil and gas sold during the quarter) was US\$717,890. Total oil revenue was US\$684,116 and total gas sales revenue was US\$33,774. The average sale price per bo was US\$44.94.
- During the quarter the Company announced initial oil production of 200 bopd from the Strawn Formation in the previously drilled White Hat 20#2 well. The rate subsequently reduced to an average of 111 bopd for the quarter. To date, Winchester has focussed on drilling and producing from its deeper Ellenburger Formation discovery however the recent result in the White Hat 20#2 well demonstrates the potential for oil in a number of shallower reservoirs.
- During the quarter the Company announced its 25% working interest (**WI**) participation in new vertical well, Oden A#2, with local company Clear Fork Inc. (**Clear Fork**) as operator. For the ten days ending 10 July 2017, production averaged 21 bopd and 91 bwpd from the Ellenburger Formation. The well cost attributable to Winchester is USD\$170,000. Highly prospective sampling and log results returned from the overlying Strawn Formation provide a potential opportunity to re-complete this well within the Strawn Formation.
- During the quarter White Hat 38#1 was re-completed by fracking prospective intervals within the Strawn Formation. For the three days of production ending 11 July 2017, production averaged 28 bopd and 76 bwpd on beam pump. The well cost attributable to Winchester is USD\$175,000.
- Subsequent to the end of the June 2017 quarter, Winchester, as operator, has spud the White Hat 38#3ML multi-lateral well targeting the Ellenburger Formation.
- The Company's lease holding at the end of the June 2017 quarter was 19,210 net acres.



OIL PRODUCTION SUMMARY

Total Oil Production

The following gross oil production for the June 2017 quarter (across all oil wells in which Winchester has a working interest) was recorded for the Company:

Gross Oil Production (bo)*	June Quarter 2017	March Quarter 2017	December Quarter 2016	September Quarter 2016	June Quarter 2016
Oil Production (Gross 100%WI)	39,533	28,633	37,876	35,428	26,159
Oil Sales (Gross 100%WI)	39,833	28,467	37,642	35,113	26,537
Net Oil Production to Winchester (bo) (50% Working Interest)*					
Quarterly Oil Production (Net)	19,766	14,316	18,938	17,714	13,080
Quarterly Oil Sales (Net)	19,916	14,233	18,821	17,556	13,269

* Please note that all oil and gas production from the White Hat ranch oil and gas lease is subject to royalty payments of 23.5% to the oil and gas rights owners of the White Hat ranch. The figures represented above are for oil production only (and exclude gas sales) and are pre-royalty.



Location of the Company's 19,210 net acres in Nolan County, Texas, USA

Adjusted Average per Well Oil Production

The following table represents adjusted average gross per well oil production per day for the June 2017 quarter:

Per Well Oil Production Summary Adjusted Average BOPD June 2017 Quarter				
Oil Well	Adjusted Average Gross Oil Production Per Day (bopd)	WEL's WI %	Adjusted Average Net Oil Production to WEL (bopd)	Well Downtime ^A (days)
White Hat 20#1	13 bopd	50%	6.5 bopd	18
White Hat 20#2	111 bopd	50%	55.5 bopd	1
White Hat 21#1	61 bopd	50%	30.5 bopd	4
White Hat 21#2	21 bopd	50%	10.5 bopd	2
White Hat 21#4	192 bopd	50%	96 bopd	6
White Hat 38#2	23 bopd	50%	11.5 bopd	2
White Hat 21#5	15 bopd	50%	7.5 bopd	2
Oden A#2 ^B	26 bopd	25%	6.5 bopd	b
TOTAL	462 bopd		224.5 bopd	

Note A: The number of days a well is not producing due to maintenance, weather or well workover.

Note B: vertical well Oden A#2 commenced steady state production on 26 June 2017.

Since the March 2017 quarter gross oil and gas production has increased 38%. This significant production increase is attributable primarily to the discovery of oil and gas within the Strawn Formation in White Hat 20#2. Further, the operator of the White Hat wells, Carl E Gungoll Exploration LLC (**CEGX**), completed specialist designed chemical treatments to improve production from the White Hat wells over the course of the quarter which led to a modest increase in production.



OPERATIONS SUMMARY

During the June 2017 quarter Winchester participated in completion activities at the White Hat ranch oil and gas lease located in the eastern shelf of the Permian Basin in central west Texas, USA. Winchester currently has a 50% working interest (**WI**) in eight wells drilled to date by the operator, CEGX, who holds the remaining 50% WI.

On 1 March 2017 the agreement with CEGX reverted from a 50%/50% WI arrangement to Winchester 75% WI/CEGX 25% WI. Winchester has also taken operatorship of the White Hat ranch lease operations outside the eight 40 acre drilling units (320 gross acres in total) operated by CEGX where CEGX will continue as operator.

This is a significant development for the Company as revenue per well drilled after 1 March 2017 will increase by 25% and, as operator, Winchester's technical team will be able to apply new drilling and completion techniques in its exploration and development of the Ellenburger Formation as well as other stacked pay targets (such as the recent successful completion in a sand unit in the Strawn Formation in the White Hat 20#2 well).

The Permian Basin in Texas is an attractive environment in which to develop energy assets, with the average cost per vertical well targeting the Ellenburger Formation (including completion) approximately US\$890,000. This cost will reduce should the Company choose to target shallower oil bearing formations such as the Strawn Formation. With operatorship now with Winchester, there is potential for drilling costs to reduce further.

White Hat 20#2 - Recompletion in the Strawn Formation

The White Hat 20#2 vertical well was spud on 6 November 2015 to offset White Hat 21#1. It is located 1,200 feet due west of White Hat 21#1 (see map below).

Initial testing of the upper Ellenburger Formation in White Hat 20#2 yielded low rates of oil. Following this initial testing, the White Hat 20#2 well was fracked on 7 April 2016 in an attempt to achieve greater oil production. However following fracking, the well produced oil at very low rates of 1-2 bopd.

Whilst drilling down to the Ellenburger Formation in White Hat 20#2, promising oil and gas shows were obtained in several zones above the Ellenburger Formation. Several formations were interpreted by Winchester to be worthy of testing and 30 feet of a sand unit within the Strawn Formation was agreed with CEGX to be the first to be tested.

On 19 April 2017 the Company announced that oil was being produced on pump at a rate of 200 bopd from a sand unit in the Strawn Formation in the White Hat 20#2 well. The rate subsequently



reduced to an average of 111 bopd for the June 2017 quarter. This significant oil production rate represents a new oil discovery which could potentially be targeted for development drilling in its own right.

The interval currently producing from the White Hat 20#2 well is a clastic sand play that is deposited on the basin-ward shelf margin in the Strawn Formation. These sands occur at several stratigraphic levels and have produced significant oil from stratigraphic traps in the nearby Suggs Oil Field, White Hat ranch area and beyond and have been referred to as Fry, Gardner, Lazarus, Jennings Lime, and Goen sand units. They are commonly calcareous and grade into limestone.

To date, Winchester has focussed on drilling and producing oil and gas from its deeper Ellenburger Formation discovery but from the founding of the Company, it has recognised the potential for oil in a number of shallower reservoirs ("stacked pays"), including the Strawn Formation. Importantly, the prolific oil producing Strawn Formation is expected to occur within Winchester's 19,210 net acres in Nolan County, Texas, USA.

Results from Oden A#2

During the June 2017 quarter Winchester announced a 25%WI in vertical well Oden A#2 located approximately 2 miles south-east of Winchester's producing wells on the White Hat ranch. Clear Fork Inc. (**Clear Fork**), an oil and gas company active in the Nolan County, Texas, is the operator of the Oden A#2 well.

Based on oil and gas shows during drilling and logging results, two formations in the Oden A#2 vertical well, the Strawn and the Ellenburger, are prospective for oil and gas.

The drilling unit for Oden A#2 is 40 acres and is offset to existing production wells, including a well that produced 81,000 bo from the Ellenburger Formation and another that produced 75,000 bo from the Strawn Formation. Oden A#2 targeted the demonstrated 'stacked pay' potential including, but not limited to, the Ellenburger, Strawn and Cisco Formations. Oden A#2 provides Winchester and the other participants in the well with separate commercial oil targets.

Subsequent to the end of the June 2017 quarter, Clear Fork advised that they had completed Oden A#2 within the Ellenburger Formation and reported that for the ten days of production ending 10 July, Oden A#2 produced an average of 21 bopd and 91 bwpd. Given Winchester's 25% working interest (**WI**) in the well the cost attributable to Winchester is USD\$170,000.

Clear Fork is currently assessing the highly prospective sampling and log results returned from drilling through the overlying Strawn Formation with a view to determining the merits of re-completing vertical well Oden A#2 within the Strawn Formation in the near term.



White Hat 38#1 - Recompletion in the Strawn Formation

The White Hat 38#1 vertical well was spudded by the Operator (**CEGX**) in September 2016 as an offset to the successful White Hat 21#4 well.

The 38#1 well recovered oil at low rates of 70-100 barrels of total fluid per day at 5-20% oil cut during swabbing from two separate zones of the Ellenburger Formation. The 38#1 well was then fracture stimulated in an attempt to improve the production rate however pump production only recovered water at high rates (300-400 bwpd). Micro seismic was used by Winchester to monitor the frack from the White Hat 38#1 well and that indicated the frack penetrated downwards into a deeper water bearing zone, near the base of the Ellenburger Formation.

Whilst drilling the White Hat 38#1 well, oil shows were observed in two intervals within the Strawn Formation. Subsequent logging results confirmed these two intervals within the Strawn Formation as worthy of testing.

Similar to the successful re-completion of the nearby White Hat 20#2 well within a sand unit in the Strawn Formation, the Operator abandoned the Ellenburger Formation and re-completed by fracking prospective intervals within the Strawn Formation.

For the three days of production ending 11 July 2017, White Hat well 38#1 produced an average of 28 bopd and 76 bwpd on beam pump. Given Winchester's 50% WI in the well and the inexpensive nature of re-entering an existing well the cost attributable to Winchester is USD\$175,000.

White Hat 38#3ML Multi-Lateral Well

On 25 July 2017 Winchester advised that it had spud the White Hat 38#3ML multi-lateral well on its White Hat lease in Nolan County, Texas, USA.

This well is the first well that Winchester has operated. Winchester has a 70% working interest (**WI**) in the White Hat 38#3ML well but is paying for 80% of the costs of the well. This arrangement is a function of a one-off contractual agreement with former operator CEGX, whereby CEGX is 10% free-carried by the Company in one well only. The remaining 20%WI participant in the well is US based drilling company, Ultra Short Radius Drilling (**USR**).

USR is a specialist group with proprietary short radius lateral drilling (or multi-lateral) technology. The Company is planning to test the technology by drilling four 500 feet lateral sections (2,000 feet in total) from one vertical well bore. All four laterals will be in the Ellenburger Formation.

The Company believes this technology will allow improved well productivity as it will provide the ability to intersect multiple fracture zones. At the same time, these laterals will also connect the



zones of better productive characteristics. The Ellenburger Formation has been shown to have highly variable porosity due to multi staged, post depositional mineralization effects on the reservoir and Winchester has already experienced these variations over short distances between the eight wells drilled to date.

The AFE issued by Winchester as operator to drill and complete the White Hat 38#3ML well is US\$1.7 million. By comparison, the current cost to drill and complete a vertical well is US\$890,000. Whilst the well cost is approximately double, the objective is to increase the well bore's exposure to the Ellenburger Formation from 100 feet to 2,000 feet, a twenty-fold increase in formation rock exposure.

The White Hat 38#3ML well is located due north of the Company's commercially successful 21#1 well. White Hat 38#3ML is the first well operated by the Company within the White Hat lease, providing the Company with the opportunity to implement a range of drilling techniques and innovative analyses not possible under the previous operating arrangements.

To be able to attract a proven drilling company such as USR to not only employ the innovative multi-lateral drilling technique to the Ellenburger Formation but also to contribute financially to the drilling of the well is a highly encouraging development for the Company.

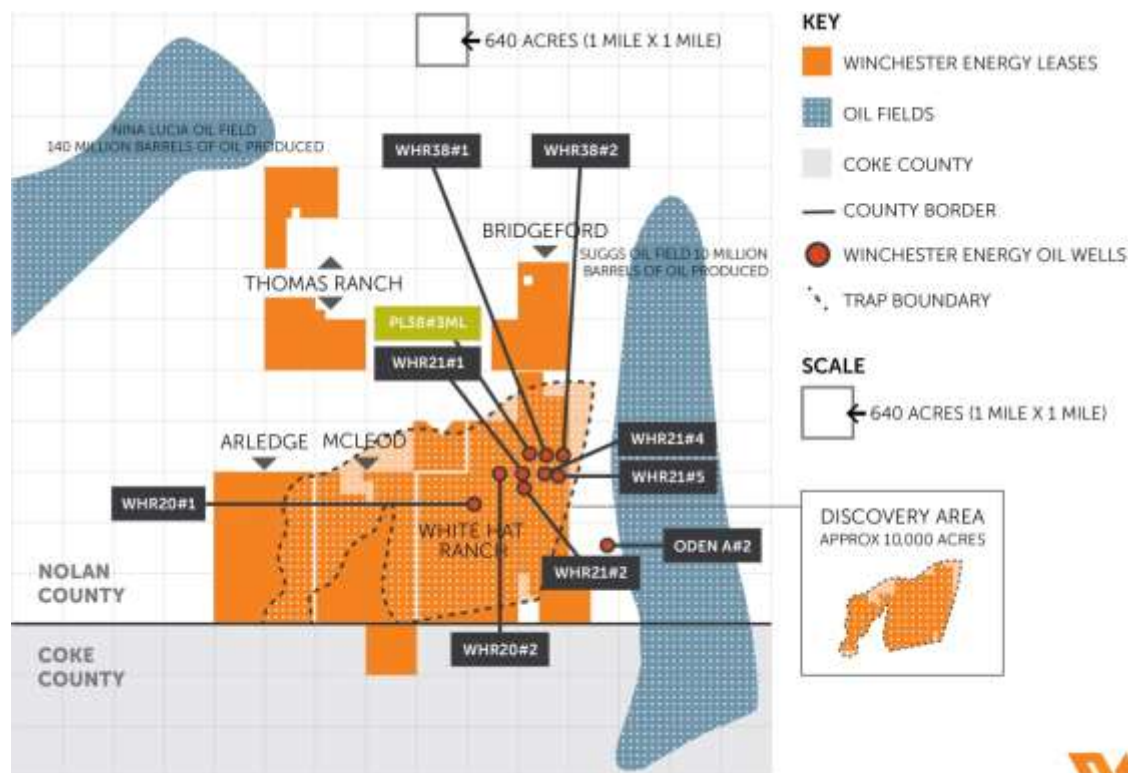
COMPANY STRATEGY

Expansion of Oil Production Base

As demonstrated by the oil production summary tabled above, Winchester derives significant oil production and revenue from the White Hat ranch lease and has the stated objective of building this production base to ensure free cash flow is large enough in due course to support an on-going drilling programme.

The Company has established an area of 10,000 acres (see map below) which extends over 3 leases and partially a fourth, where the Ellenburger has been proven productive in several wells and is expected to be productive based on drilling results, new technologies and 3D seismic interpretations.





Stacked Pay Opportunities

There also exists within the White Hat ranch oil and gas lease several other shallower intervals with future development potential. This has become particularly significant given the production rate observed from a sand unit within the Strawn Formation in the White Hat 20#2 well. As well as other intervals within the Strawn Formation, other prospective units include the high total organic carbon intervals (Three Fingers Shale and Lower Penn Shale) within the Cline Shale Formation and several intervals within the Canyon Sands package. The Barnett equivalent shales overlying the Ellenburger have high organic material and are expected to become a potential unconventional resource within Winchester's 19,210 net acres. Several of these formations have already produced significant oil and gas from Nolan County and other areas within the Permian Basin.

The Company is currently conducting a detailed assessment of these intervals for production given oil shows during drilling across all nine wells operated by CEGX and Clear Fork. Winchester recognises the potential value these intervals represent and will look to evaluate and assess these zones in the future.

The Company's experienced and successful technical team has assembled a wealth of proprietary technical information on producing reservoirs along the Eastern Shelf of the Permian Basin. The Company has access to significant intellectual property that includes improved



recovery techniques (IRT), reservoir permeability and fracture analyses and technologies identified to lower the costs of drilling and improve the productivity of wells. The Company intends to evaluate these improved recovery technologies over the next six months with the objective of unlocking the considerable volume of oil that remains trapped and unrecovered in several formations on the Eastern Shelf including the Ellenburger Formation.

PLANNED ACTIVITIES – NEXT QUARTER

The planned activities for the quarter ending September 2017 are:

- With Winchester as operator - drilling of at least one well utilizing ultra-short radius lateral technology (dependent on log analysis and assessment of the drilling).
- Continue the detailed assessment of opportunities overlying the Ellenburger Formation (including intervals within the Strawn Formation, particularly in the recently drilled Oden A#2 vertical well) with a view to potentially re-entering existing under-performing wells and/or drilling new wells.

All of the Company's oil and gas leases are within their primary terms and the Company has no lease obligation wells in the next quarter in order to maintain its current acreage position.

CORPORATE

During the June 2017 quarter the Company undertook a pro-rata non-renounceable rights issue of one (1) new fully paid ordinary share in the capital of the Company for every four (4) shares held at an issue price of \$0.09 per share to raise up to \$4,846,875.

The Company received applications for 28,573,898 new shares from eligible shareholders under the rights issue to raise \$2,571,650. This represents 53% of all shares offered under the rights issue.

All of the Directors of the Company took up their entitlements to shares under the rights issue. In addition, all of the substantial shareholders of the Company, of which there are three, took up their entitlements to shares under the rights issue. The 28,573,898 shares applied for by eligible shareholders under the rights issue were issued and allotted 26 June 2017.

The shortfall under the rights issue of \$2,275,224 is intended to be placed by the Directors of the Company (in their sole and absolute discretion) in accordance with the Corporations Act and the ASX Listing Rules. The Company has appointed Bell Potter Securities Limited as broker to the shortfall.



The Company ended the quarter with cash reserves (in Australian dollar equivalent) of approximately AUD\$2,931,000.

The capital structure of the Company at the end of the quarter was as follows:

Cash (AUD\$0.79: USD\$1.00)	AUD \$2,931,000
Total shares on issue and quoted	244,691,332
Total options on issue	44,000,000
Total convertible milestone notes (converting to 60,000,000 shares)	60,000
Market capitalisation @ A\$0.08	AUD \$19,575,306
Enterprise Value of the Company's assets	AUD\$16,644,306
Founders, Board and Management (% ownership of the Company)	21.75%

LAND AND LEASE ACTIVITIES

The Company's lease holding increased by 100 net acres to a total of 19,210 net acres at the end of the June 2017 quarter as a function of earning a 25% interest in the 400 acre drilling unit of the Oden A#2 well.

The Company has continuous drilling provisions on each lease after the primary term expires. This allows the Company to manage its drilling program efficiently and to avoid being pressured to drill wells continuously in order to hold its acreage position and to retain its interest over all depths and not be forced to relinquish any shallow or deeper rights. Three leases cover the 10,000 acres that is currently identified as the trap area. However, additional oil and gas is likely to be trapped in both the Thomas and Bridgeford leases and several shallow productive intervals are expected to be potentially developed in due course.



Oil and Gas Leases Held as at 30 June 2017

The Company's lease holding at the end of the June 2017 quarter is 19,210 net acres. The Company's lease holding increased by 100 net acres during the quarter.

	% Interest	Lease	Location
Held at end of quarter			
	75%	White Hat Ranch	Nolan County Texas
	100%	Bridgeford Ranch	Nolan County Texas
	100%	Thomas Ranch	Nolan County Texas
	100%	McLeod	Nolan County Texas
	100%	Arledge	Nolan County Texas
	100%	Coke	Coke County Texas
Acquired during the quarter	25%	Oden Drilling Unit (100 net acres)	Nolan County Texas
Disposed during the quarter	-	-	-

Working Interest (WI) in Wells as at 30 June 2017

Well	Well unit area (acres)	% WI	Location
White Hat 21 #5	40	50%	White Hat Lease
White Hat 38#2	40	50%	White Hat Lease
White Hat 38#1	40	50%	White Hat Lease
White Hat 21 #4	40	50%	White Hat Lease
White Hat 20#1	40	50%	White Hat Lease
White Hat 21 #1	40	50%	White Hat Lease
White Hat 21 #2	40	50%	White Hat Lease
White Hat 20#2	40	50%	White Hat Lease
Thomas 119-1H	240	50%	Thomas Lease
Oden A#2	40	25%	Oden Lease



GLOSSARY

These definitions are provided to assist persons in understanding some of the expressions used in this report.

A\$ or Australian dollar	Australian dollars.
ASX	ASX Limited and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Board	the board of Directors of the Company.
Bo	barrel(s) of oil.
Boe	barrel(s) of oil equivalent.
Boepd	barrel(s) of oil equivalent per day.
Bopd	barrel(s) of oil per day.
CEGX	Carl E Gungoll Exploration LLC
Company	Winchester Energy Limited ACN 168 586 445.
Corporations Act	means the Corporations Act 2001 (Cth).
Eastern Shelf	refers to the eastern shelf of the Permian Basin in central west Texas, USA.
JOA	Joint Operating Agreement
Share	an ordinary fully paid share in the capital of the Company and Shares has a corresponding meaning.
Shareholder	any person holding Shares.
USA	United States of America.
US\$ or US dollar	United States dollars, the lawful currency of the USA.
WI	working interest

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 the Company, the Directors and management of the Company. These risks, uncertainties and assumptions could cause actual results to differ materially from those expressed in any forward-looking statements. The Company 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. The Company 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.

