

WINCHESTER ENERGY LIMITED  
ACN 168 586 445



ACN 168 586 445

ASX: WEL

## QUARTERLY REPORT

For the period ended 31 March 2019



Drilling White Hat 20#3, East Permian Basin, Texas



## HIGHLIGHTS

Total revenue from oil and gas production from Winchester's interests in the East Permian Basin, Texas was US\$192,198. Total oil revenue was US\$187,934 and total gas sales revenue was US\$4,264. The average sale price per barrel of oil was US\$47.42.

Gross Oil Production (bo)	March Quarter 2019	December Quarter 2018	September Quarter 2018	June Quarter 2018	March Quarter 2018
Oil Production (Gross 100%WI)	<b>9,838</b>	10,726	11,346	12,660	15,277
Oil Sales (Gross 100%WI)	<b>10,387</b>	12,500	10,279	14,210	15,049

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

### Comprehensive Drilling, Completion and Testing Campaign Underway

- Winchester has commenced a comprehensive drilling, completion and testing campaign focusing on the Mustang, Spitfire and El Dorado prospects. The cumulative gross prospective resource for these three prospects on a probabilistic basis is 7.796 million barrels<sup>1</sup>, if oil and productive reservoir targets are present in these prospects.
- Winchester, as operator, has drilled and performed initial completion/testing on the White Hat 20#3 well targeting the Strawn Formation at the Mustang Prospect.
- Wireline log interpretation of the primary Strawn Sand target in the White Hat 20#3 well indicated net oil pay of 28 ft from a gross 52 ft oil bearing interval from 5,918 ft to 5,970 ft. This net pay exceeds the 20 ft found in the successful White Hat 20#2 well (initial production of 200 bopd following frack completion).
- Initial testing operations commenced with an acid flush of the Strawn Sand oil zone and swabbing. Drilling fluids and spent acid with up to a 47% oil cut have been recovered with a total of 45 barrels of oil recovered in total. White Hat 20#3 is now awaiting frack completion.
- White Hat 39#1L has been fracked and placed on pump resulting in a total of 589 barrels of fluid recovered, comprising 49 barrels of oil and 540 barrels of frack fluid. Approximately 1,500 barrels of frack fluid is yet to be recovered.

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<sup>1</sup> - 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 announcement dated 15 October 2018 for further detail.

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## OIL PRODUCTION SUMMARY

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

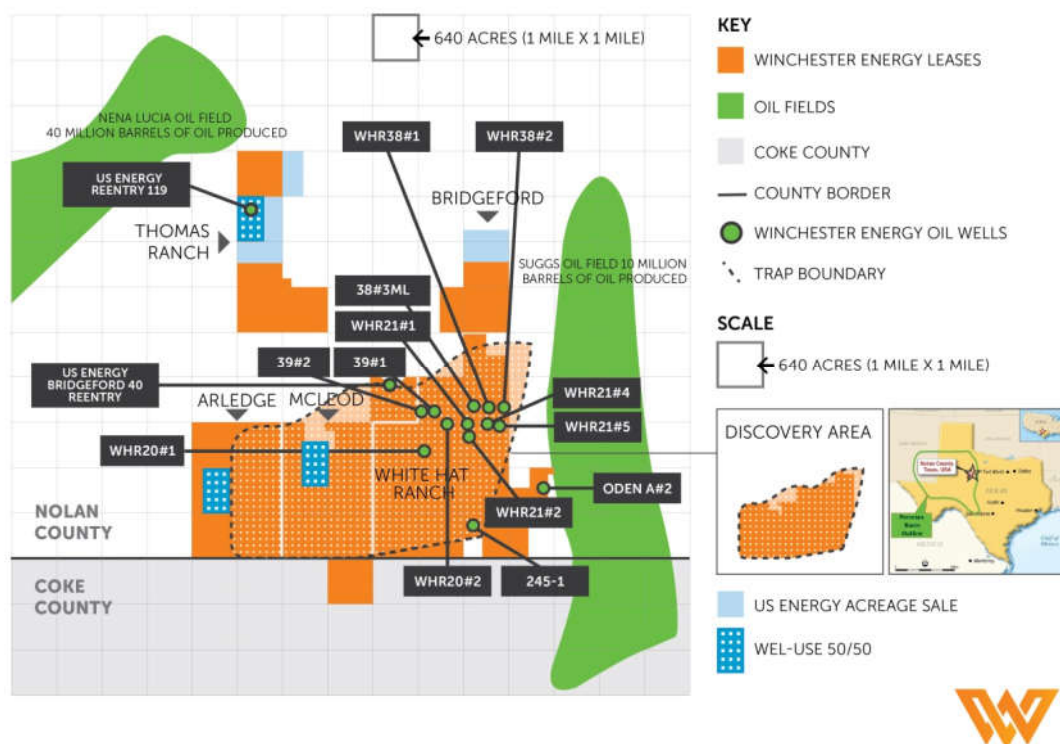
Gross Oil Production (bo)*	March Quarter 2019	December Quarter 2018	September Quarter 2018	June Quarter 2018	March Quarter 2018
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Oil Sales (Gross 100%WI)	<b>10,387</b>	12,500	10,279	14,210	15,049
<b>Net Oil Production to Winchester (bo) (50% Working Interest)*</b>					
Quarterly Oil Production (Net)	<b>4,894</b>	5,249	5,503	6,346	7,658
Quarterly Oil Sales (Net)	<b>5,193</b>	5,679	5,098	6,969	7,561

\* Please note that all oil and gas production is subject to royalty payments to the oil and gas rights owners. The figures represented above are for oil production only (and exclude gas sales) and are pre-royalty.



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

To date, Winchester's wells in Nolan County, East Permian Basin, Texas have produced a total gross 328,756 barrels of oil and 177 million cubic feet of gas with cumulative net production to Winchester before royalties of 164,353 barrels of oil and 89 million cubic feet of gas.



## OPERATIONS SUMMARY

Within the lease position in the eastern shelf of the Permian Basin in central west Texas, USA, there are several intervals with development potential. This has become particularly significant given the production rate observed from the Strawn Formation in the White Hat 20#2 well (initial production of 200 bopd – 41,500 bo recovered to date).

As well as the Strawn Formation, 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.

Winchester has identified, from both 3D seismic and well control, the Mustang, Spitfire and El Dorado prospects.

The gross Prospective Resources estimates for these three prospects have been estimated probabilistically on an un-risked Best Estimates basis by independent U.S. based petroleum consultants, Mire & Associates, Inc. The cumulative gross prospective resource for these three prospects on a probabilistic basis is 7.796 million barrels\*, if oil and productive reservoir targets

are present in these prospects. Only the Strawn Sand and Ellenburger carbonates are considered in the determination of the Prospective Resources for the Mustang Prospect.

Prospect	Low Estimate (mill bbls)* P90	Best Estimate (mill bbls)* P50	High Estimate (mill bbls)* P10
El Dorado	0.591	<b>1.269</b>	2.628
Mustang	0.799	<b>2.037</b>	5.007
Spitfire	1.994	<b>4.490</b>	9.907
<b>Total - All Prospects</b>	3.384	<b>7.796</b>	17.542
<b>Total Net to WEL**</b>	2.122	<b>4.870</b>	10.912

\* - 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 announcement dated 15 October 2018 for further detail.

\*\* - Total Net to WEL is its current Entitlement Share (79%), net of applicable lease royalties and equates to average 62% of the Total Gross Prospective Resource as WEL's working interest is 75% in the Mustang and Spitfire prospects and 100% working interest in the El Dorado prospect. WEL's future entitlement share may be subject to reduction in the event of farmout in the future, should any farmout occur.

During the quarter ending 31 March 2019 the Company commenced a comprehensive drilling, completion and testing campaign.

### White Hat 20#3 (75% WEL Working Interest)

Winchester, as operator, has drilled the White Hat 20#3 well primarily targeting the Strawn sand unit within the Mustang prospect. White Hat 20#3 represents the first well in a significant forthcoming exploration drilling campaign which will also include the re-entry and fracking of several existing wells.

Carl E Gungoll Exploration LLC (CEGX), a private independent Texas based company, is participating for a 25% working interest in the drilling of White Hat 20#3.

White Hat 20#3 was drilled to a total depth of 6,796 ft, drilling through the target Strawn sand and penetrating approximately 100 ft of the Ellenburger formation (oil productive in Winchester's leases).

Wireline log interpretation of the primary Strawn Sand target indicated net oil pay of 28 ft from a gross 52 ft oil bearing interval from 5,918 ft to 5,970 ft. This net pay exceeds the 20 ft found in the successful White Hat 20#2 well (initial production post frack completion of 200 bopd).

The Strawn Sand is high to prognosis, has greater average porosity and is thicker than the 3D seismically predicted thickness of 35 – 45 gross feet with excellent oil and gas shows.

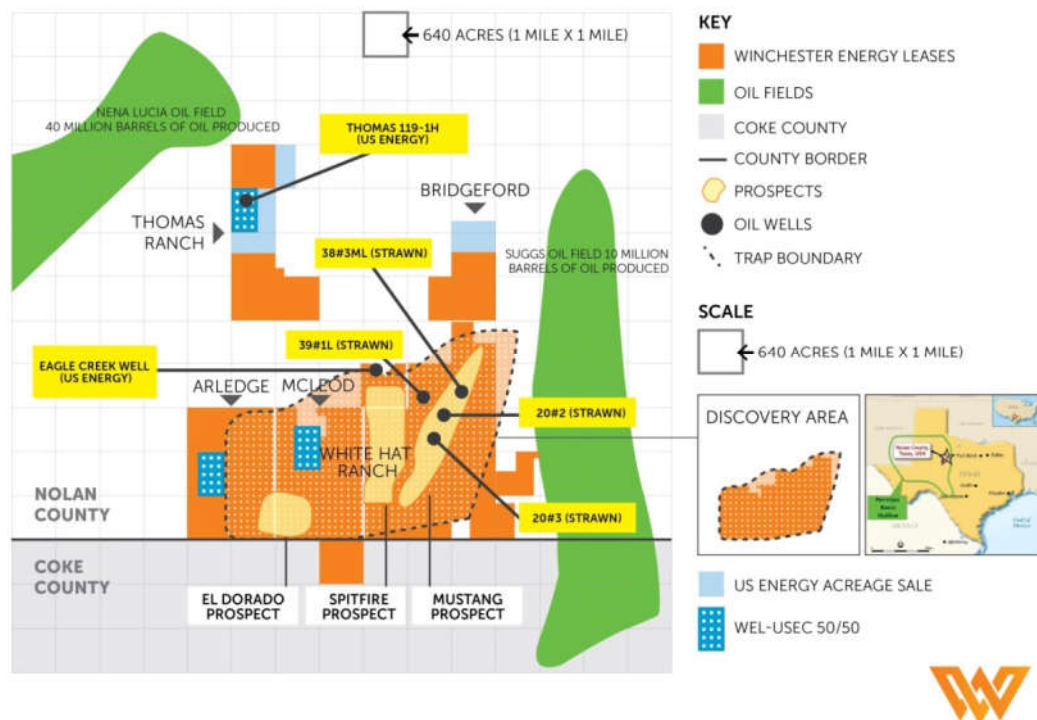
Production testing of the primary target, the Strawn Sand, in the White Hat 20#3 well commenced with an acid flush of the Strawn reservoir and swabbing. Drilling fluids and spent acid with an oil cut up to 47% oil have been recovered with a total of 45 barrels of oil recovered in total.

The swabbing production test will be followed by fracture stimulation, similar to that performed in the successful White Hat 20#2 which had an initial completion rate of 20 bopd and, following fracture stimulation, a significant increase to an initial rate of 200 bopd.

In a reflection of the stacked nature and thus oil production potential of Winchester's broad 17,000 acreage position in the eastern Permian Basin, additional cumulative net oil pay of 71 ft was interpreted from the wireline logs, including:

- Wolfcamp 'D' Shale – 33 ft net oil pay
- Strawn Lime – 16 ft net oil pay
- Secondary targets combined with the Caddo Formation – 22 ft net oil pay

Winchester notes that the Strawn Lime is oil productive to the west in its nearby White Hat 39#1 well.



### White Hat 39#1L (40.6% WEL Working Interest After Payout)

Subsequent to the end of the March 2019 quarter, Winchester carried out a large pad acid frack of the Strawn Formation in the existing White Hat 39#1L well.

After initial swab results indicated the presence of oil, White Hat 39#1L was placed on pump. The well recovered 589 barrels of fluid, comprising 49 barrels of oil (bo) and 540 barrels of water. It is estimated that there remains approximately 1,500 barrels of frack fluid yet to be recovered from White Hat 39#1L.

Upon recovery of all fluid introduced to the well during the frack procedure it is anticipated that the well will stabilise whereupon final consistent flow rates will be established.

### Background of White Hat 39#1L

Winchester has previously reported that after simple perforation and acidisation the White Hat 39#1L well produced 1,000 barrels of oil from the Strawn Formation over 10 producing days of swabbing and pumping.

The well was perforated across a 20 feet section of the Strawn Formation and following initial swab rates of 200 bopd, was put on pump to assess production.



As expected, the total fluid rate then diminished to 40-50 bopd as the acidized area surrounding the well bore was produced. This rate of production is regarded as significant for an un-fracked Strawn well.

A full formation build-up test was completed in November 2018 to assess the reservoir pressure and determine potential near wellbore damage, areal extent, potential formation barriers as well as any potential depletion. After almost a month of shut-in, White Hat 39#1L was opened and initially produced 30 bopd before declining gradually to its current flow rate of approximately 11 bopd.

Data collected during the full formation build-up pressure test suggested that a hydraulic fracture programme may assist in increasing the oil production rate from the White Hat 39#1L well.

Winchester currently derives production from the Strawn interval in the White Hat 20#2 well. The White Hat 20#2 well was fracture stimulated, with an initial production rate of 200 bopd and continues after 20 months of production to be an excellent producer at an average of 40 bopd in the month of December 2018 - producing over 40,000 barrels of oil to date. The revised estimated ultimate recovery (EUR) for the well is 112,000 barrels.

Winchester notes that the Strawn Formation is the largest producing stratigraphic interval in Nolan and Coke Counties with over 65 million barrels of oil produced. Winchester's leasehold is situated in Nolan and Coke Counties.

Carl E Gungoll Exploration LLC (CEGX), a private independent Texas based company, has farmed-in to White Hat 39#1L.

Winchester has a 31.5% interest before payout retaining a 40.6% working interest (WI) after payout through the program (GEGX 50% WI, USR Energy, LLC 5% WI and a syndicate of technical consultants familiar with the area a 4.4% WI).

### **Thomas 119-1H (WEL Working Interest – 12.5% Back-in Right)**

In November 2018, Winchester was informed by US Energy Corporation of America (USEC) that due to sub-optimal down-hole conditions, USEC had abandoned plans to pump test the Odom Lime Formation and were moving up the vertical well bore to the Lower Penn Shale of the Wolfcamp 'D' Formation. This effort was unsuccessful although initially it recovered low rates of oil after acidizing. It appears to have acidized down the casing cement and began to produce high water cuts. The fracture stimulation of the Lower Penn was not carried out.



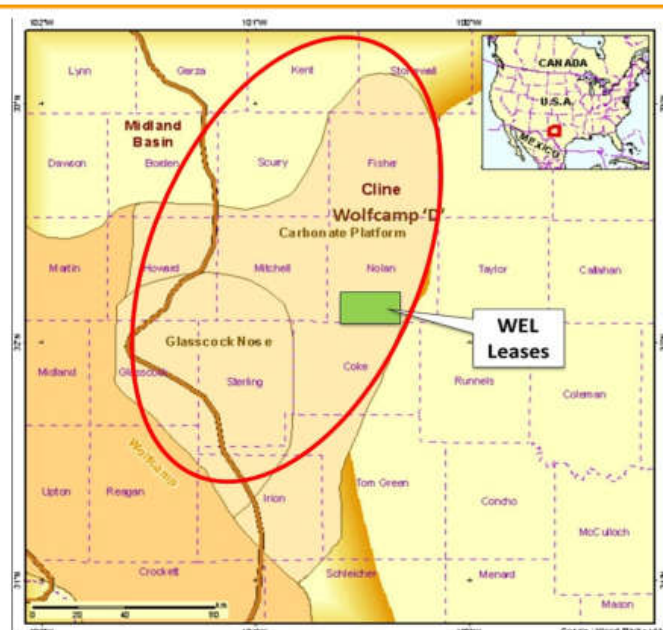


USEC has since moved further up the hole to the Three Fingers Shale interval of “hot” (high gamma ray) character that is within the lower Pennsylvanian shales of the Wolfcamp ‘D’ shale formation. This zone was recently drilled in White Hat 20#3 and is present throughout the majority of Winchester’s acreage.

During the March 2019 quarter USEC completed a frack of the Three Fingers Shale using 500,000 pounds of sand and 10,000 barrels of slick water. The well is currently on pump recovering frack water. USEC’s most recent report to Winchester in early April 2019 quoted Thomas 119-1H as recovering 5 bopd and 122 barrels of water per day (bwpd) with about 50% of the load recovered. This is a vertical test in a shale that requires horizontal unconventional drilling, fracking and completion. The results of fracking a vertical section of less than 30 feet will be indicative only and anticipated to potentially translate into much higher rates over a 5,000 feet horizontal drilled and fracked section.

## Wolfcamp “D”/ Penn Shales

Winchester Energy LTD

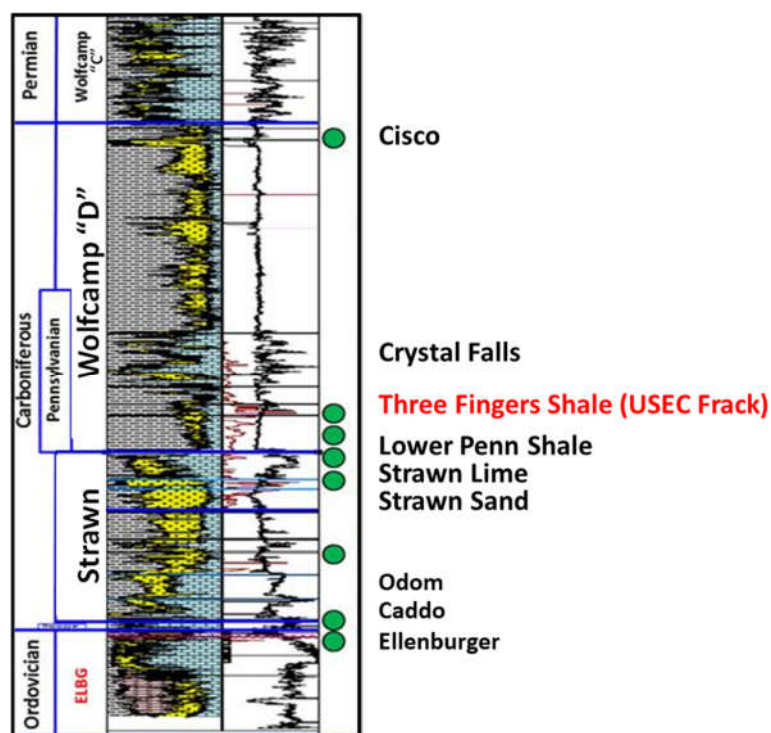


The area covers  
**175 x 75 km**  
**13,000 Sq. Km**  
**5000 sq miles**  
**3 million acres**

The Wolfcamp ‘D’ shale, also known as the Lower Wolfcamp and Cline Formation, is the lowest unit of the Wolfcamp sequence and is spatially extensive in the Permian Basin, extending over the Eastern Shelf. It is present across the majority of Winchester’s leasehold on the Eastern Shelf. Approximately 40 miles to the south west of Winchester’s acreage, oil rates of up to 1,250 barrels of oil equivalent per day (boepd) have been reported from horizontal fracked wells in the Wolfcamp ‘D’ Formation.

In the event of successful oil and gas production from Thomas 119-1H, Winchester has the right to a 12.5% WI back-in following the recovery by USEC of all costs associated with completion activities at Thomas 119-1H.

On top of the opportunity to back-in to a potentially producing well, any success with completion activities undertaken by USEC at Thomas 119-1H will add significant value to Winchester's surrounding Wolfcamp 'D' leasehold position given that Winchester's acreage position contains both Lower Penn Shales as well as other Wolfcamp 'D' intervals including the productive Three Fingers Shale.



Simplified Stratigraphic Column - Thomas 119-1H Targeted Interval

## EXCITING DRILL TARGETS WITH GROSS PROSPECTIVE RESOURCES

### Mustang Prospect Background - Winchester 75% Working Interest (WI)

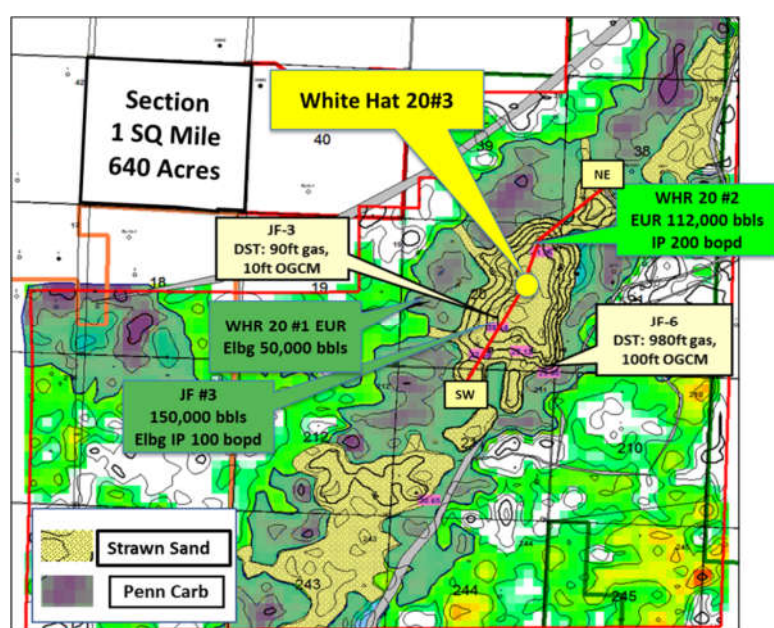
The area of the Eastern Permian Basin surrounding Winchester's large leasehold position has produced over 100 million barrels of oil from the Strawn Formation and the Ellenburger Limestone.

Reprocessing of 3D seismic data and detailed analysis of past wells drilled within Winchester's large leasehold has defined several overlooked stratigraphic traps in Strawn Formation sands.

The first evidence of the oil bearing potential of this 'new' stratigraphic play (the Mustang Prospect) was the successful White Hat 20#2 well.

White Hat 20#3 is a 3D seismically defined step out well of the initial 'discovery' well, White Hat 20#2, to determine whether the Mustang Prospect stratigraphic trap as interpreted extends over an area of up to 2,000 acres.

In more detail, the Mustang Prospect is a Strawn Sand stratigraphic trap interpreted to be composed of a series of Strawn quartz, low stand sand lobes deposited in a linear NE-SW trend in front of the regional Pennsylvanian carbonate shelf located to the east.



**Mustang Prospect, Strawn Sand Isopach (ft) showing Strawn & Ellenburger oil production**

A secondary target is the underlying Ellenburger Limestone. The JF#3 well, 420 metres to the southwest of White Hat 20#3, has produced 150,000 bo from the Ellenburger formation with an initial production rate of 100 bopd.

The pre-drill control over the Mustang Prospect is provided by the 3D seismic, a producing well in the primary Strawn target zone 510 metres to the northeast of the drill location (White Hat 20#2), past Ellenburger oil production 420 metres to the southwest (JF#3) and 220,000 bo from Winchester's White Hat 21#1 and White Hat 21#4 wells to the northeast. The results to date from White Hat 20#3, support the pre-drill estimated probability of success for both targets of 58%.

Cautionary Statement: Estimated probability of success in finding oil is based on Winchester's analysis of the risk relating to presence of: Trap X Reservoir X Seal X Charge.

The Mustang Prospect has a gross Prospective Resource target best estimate P50 of 2 million bbls recoverable and high estimate P10 of 5 million bbls recoverable. Only the Strawn Sand and Ellenburger carbonates are considered in the determination of the Prospective Resources for the Mustang Prospect.

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 announcement dated 15 October 2018 for further detail.

### **Spitfire Prospect - Winchester Energy 75% Working Interest**

This prospect is interpreted from the 3D seismic following seismic inversion processing as a series of lobes of potential reservoir sediments with intra-formation seals lying within a topographic low as thick valley fill. Well control adjacent to the interpreted Strawn valley fill is provided by an immediately adjacent well on the edge of the seismically interpreted valley fill.

Oil shows are present in this 'edge' well to the interpreted valley fill in the Strawn sands and carbonates, the primary target within the Spitfire Prospect. Reservoir risk and intra-formational seal risk within the valley fill are determined to be the main risks for the Spitfire Prospect containing an oil productive formation.

Multiple horizons are prospective including the Strawn sandstones and carbonates, the Wolfcamp 'D' shales and carbonates and the Ellenburger carbonate.

For the purpose of this report, only the Strawn Formation and Ellenburger carbonates are being considered in the determination of the gross Prospective Resources for the Spitfire Prospect. The potential recoverable oil resource classified as Prospective Resources have been estimated probabilistically on an un-risked basis with a range from low (P90), best estimate (P50), high (P10) and mean basis.

Prospect	Low Estimate (mill bbls)* P90	Best Estimate (mill bbls)* P50	High Estimate (mill bbls)* P10
Spitfire	1.994	<b>4.490</b>	9.907

\* - 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 announcement dated 15 October 2018 for further detail.

Given the control over the Spitfire Prospect provided by the 3D seismic and adjacent wells with oil shows surrounding the prospect and the reservoir and seal risk, the estimated probability of success for both targets is 28%.

Cautionary Statement: Estimated probability of success in finding oil is based on Winchester's analysis of the risk relating to presence of: Trap X Reservoir X Seal X Charge.

### El Dorado Prospect - Winchester Energy 100% Working Interest

The El Dorado prospect is a large four-way closed structure. The closure has been mapped at multiple levels.

Multiple horizons are prospective including the Wolfcamp 'D' shales and carbonates, the Penn Carbonate, the Strawn sandstones and carbonates and the Ellenburger carbonates with closure present over 3,000 feet of vertical section.

The company has used a vast number of wells in Nolan County in the vicinity and within the Company's acreage to determine recovery factors, 3D seismic mapping to calculate the trapping area and well logs to determine the prospective reservoir thickness. The recoverable barrels per acre-ft for the prospects are based on the adjacent Suggs Oil Field and White Hat Ranch Field producing well data.

For the purpose of this report only the Ellenburger carbonates and the Strawn formation are being considered in the determination of the prospective resources. The gross potential recoverable oil resource classified as Prospective Resources have been estimated probabilistically on an un-risked basis with a range from low (P90), best estimate (P50), high (P10) and mean basis.

Prospect	Low Estimate (mill bbls)* P90	Best Estimate (mill bbls)* P50	High Estimate (mill bbls)* P10
El Dorado	0.591	<b>1.269</b>	2.628

\* - 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 announcement dated 15 October 2018 for further detail.

Given the control over the prospect provided by the 3D seismic and adjacent wells surrounding the prospect with oil shows, the estimated probability of success for both targets is 48%.

Cautionary Statement: Estimated probability of success in finding oil is based on Winchester's analysis of the risk relating to presence of: Trap X Reservoir X Seal X Charge.

## CORPORATE

Winchester ended the quarter with cash reserves of approximately AUD\$679,000.

On 7 December 2018 Winchester announced a non-renounceable entitlement offer to raise up to \$2,851,488 (before costs). Winchester shareholders were offered 1 new fully paid ordinary share (New Share) for every 2 existing shares held in the Company at a price of 2 cents per New Share.

On 7 February 2019, Winchester advised that a total of \$847,982 had been raised pursuant to the entitlement offer. Total new shares applied for was 42,399,079 representing a take-up of 30%, resulting in a shortfall of 100,175,370 shares.

Winchester, subsequent to the end of the 31 March 2019 quarter, issued a total of 86,925,359 Shortfall Shares in two tranches. The Shares were issued to sophisticated and professional shareholders at 2 cents each and raised a further \$1,738,507 before costs.

Application for 13,250,000 (\$265,000) of the Shortfall Shares has been made by Directors of the Company. The issue of these shares is subject to shareholder approval at the Annual General Meeting to be held 31 May 2019. The Notice of Annual General Meeting has been mailed to shareholders.

CPS Capital Group Pty Ltd (CPS) acted as Lead Manager and Broker to the Shortfall Offer.

## Oil and Gas Leases Held as at 31 March 2019

Winchester's lease holding at the end of the March 2019 quarter is 17,266<sup>1</sup> acres.

On 24 December 2018 Winchester announced that it was in the process of reviewing the status of both the Arledge and McLeod leases that in aggregate comprise approximately 7,200 acres of Winchester's 17,266 acre lease position.

On 25 January, 2019 Winchester announced that the lessor of the McLeod lease has confirmed that the Lease Agreement between the lessor and Winchester is in good standing. The McLeod lease covers an area of 4,246 acres.

Winchester undertook re-entry operations in June 2018 within the primary term of the Arledge lease. As a result, Winchester fulfilled the requirements of the lease and thereby extended the lease for 12 months until July 2019. The Railroad Commission of Texas (RRC) recently contacted Winchester requesting Winchester to formally plug the well as a dry hole and to clean up the site. Winchester has complied and has submitted a plan to plug and abandon Winchester's well, Arledge J#1, which was approved by the RRC.

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<sup>1</sup> The Company's net acreage position varies modestly in accordance with earned interests in drilling units of the current operations. The current net interest is 17,266 acres following CEGX's revised position in White Hat 39#1. Note the Company's announcement of 24 December 2018 advising that it is currently in the process of reviewing the status of the Arledge lease as well as commentary above regarding recent correspondence with RRC.



	Winchester % Interest	Lease	Location
<b>Held at end of quarter</b>			
	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 <sup>2</sup>	Nolan County Texas
	50%	Arledge-US Energy	Nolan County Texas
	100%	Coke	Coke County Texas
<b>Acquired during the quarter</b>	-	-	-
<b>Disposed during the quarter</b>	-	-	-

## 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.*

<sup>2</sup> Note the Company's announcement of 24 December 2018 advising that it is currently in the process of reviewing the status of the Arledge lease as well as commentary above regarding recent correspondence with RRC

## 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")

3 Months ended 31 March 2019

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date ( 3 months) \$USD'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	10	10
1.2 Payments for		
(a) exploration & evaluation	(104)	(104)
(b) development	(30)	(30)
(c) production	(44)	(44)
(d) staff costs	(55)	(55)
(e) administration and corporate costs	(158)	(158)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(381)</b>	<b>(381)</b>

<b>2. Cash flows from investing activities</b>		
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 ( 3 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	757	757
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	(23)	(23)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(734)</b>	<b>(734)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	307	307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(381)	(381)
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)	734	734
4.5	Effect of movement in exchange rates on cash held	19	19
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>679</b>	<b>679</b>

5. <b>Reconciliation of cash and cash equivalents</b> 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	679	307
5.2      Call deposits	-	-
5.3      Bank overdrafts	-	-
5.4      Other (provide details)	-	-
<b>5.5      Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>679</b>	<b>307</b>

**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**

-

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**

17

-

During quarter reimbursement payments totally to USD\$133,000 were made to service entities associated with Neville Henry (the Managing Director of Winchester) for server and data room services and office operating services in the United states, including Mr Henry's salary of USD\$10,875/month (excluding on-costs), office rent and outgoings pursuant to an office sub-lease arrangement. The payments also include payments to geological, geophysical and engineering consultants. These services were provided to Winchester Energy on a cost reimbursement, non-profit basis.

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$USD'000</b>	<b>Amount drawn at quarter end \$USD'000</b>
8.1 Loan facilities	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	Nil	Nil
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.		

9. <b>Estimated cash outflows for next quarter</b>	<b>\$USD'000</b>
9.1 Exploration and evaluation	480
9.2 Development	50
9.3 Production	125
9.4 Staff costs	35
9.5 Administration and corporate costs	161
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>851</b>

10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nolan County, Texas, USA	Please refer to March 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: ..... Date: 30 April 2019  
(Company secretary)

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.