



ACN 168 586 445

## **QUARTERLY REPORT**

**For the period ended 31 December 2014**

## HIGHLIGHTS

- New Well: White Hat 20#1 - the Company purchased a 50% working interest (**WI**) in the White Hat 20#1 exploration well and the surrounding 40 acre drilling unit.
- Increase in total acreage of oil and gas leases in Nolan County, Texas to 9,370 net acres with the acquisition of the acreage surrounding and adjoining the White Hat 20#1 well.
- Appointment of Mr Larry Liu as a Non-Executive Director of the Company.
- Presently the Company is flow testing the horizontal Thomas 119-1H well and the vertical White Hat 20#1 well for the shallow depth conventional oil play in the Ellenburger Formation.
- Reprocessing of a number of 3D data sets over Nolan County, Texas, USA.

## CORPORATE

- The Company ended the quarter with cash reserves of approximately A\$15,252,000. Currently, the cash on hand is comprised of A\$4,020,000 and US\$8,750,000 which as at today's exchange rate (as of 28 January 2015) of AUD\$1.00 to USD\$0.80 equates to A\$14,957,500.
- The capital structure of the Company at the end of the quarter was as follows:

<b>Cash</b>	<b>A\$15,252,000</b>
<b>Total shares on issue</b>	<b>215,416,672</b>
<b>Total options on issue</b>	<b>30,000,000</b>
<b>Total convertible milestone notes (converting to 60,000,000 shares)</b>	<b>60,000</b>
<b>Market capitalisation @ \$0.10</b>	<b>\$21,541,667</b>
<b>Enterprise Value of the Company's assets</b>	<b>\$6,289,667</b>
<b>Founders, Board and Management (% ownership of the Company)</b>	<b>19%</b>

- The Company completed the purchase during the quarter of a 50% (**WI**) in a new vertical well, being the White Hat 20#1 exploration well along with the surrounding 40 acre drilling unit, from Carl E Gungoll Exploration LLC (**CEGX**), which has retained the remaining 50% (**WI**) and is the well operator.
- The Company completed during the quarter the purchase of a 75% (**WI**) in the oil and gas minerals rights of 7,378 acres which surround and adjoin the white Hat 20#1 well.
- Mr Larry Liu was appointed as a Non-Executive Director of the Company on 10 December 2014.

## LOCATION OF OIL AND GAS ASSETS, TEXAS



## OIL AND GAS TENEMENTS – WORKING INTERESTS

- The Company owns a 50% **(WI)** in the Thomas 119-1H well along with a 50% **(WI)** in the well unit area which is 240 gross acres (120 net acres to the Company). The Company acquired a 50% **(WI)** in a new well, White Hat 20#1, which is an exploration well along with the surrounding 40 acre drilling unit, from Carl E Gungoll Exploration LLC (**CEGX**), which has retained the remaining 50% **(WI)** and is the well operator.
- The Company owns an 80% **(WI)** in 4,647 gross acres located in Nolan County, Texas, USA. The Company completed during the quarter the purchase of a 75% **(WI)** in an additional 7,378 acres which results in an additional 5,533 net acres being added to Winchester's net acreage which has now increased from 3,837 net acres to 9,370 net acres.

## EXPLORATION ACTIVITIES

- Presently the Company has assembled a team of technical experts to analyze the data being received from each Operator (CraRuth in the Thomas 119-1H well) and (CEGX in the White Hat 20#1 well) with respect to the flow testing of each well. Both wells are flow testing the Ellenburger Formation.
- On the Thomas 119-1H well, production liner with 20 external swellable packers was run to total depth of 10,265 feet. The swellable packers separate the target Ellenburger Formation into 20 intervals of approximately equal length but with different amounts of interpreted pay zones. This well configuration is allowing each interval to be perforated and tested without interference from other intervals.
- The Operator of the Thomas 119-1H well, CraRuth, is presently flow-testing the intervals perforated at the "toe" and sections B,C and D. The Operator has perforated adjacent to the log pay zones, circulated to remove drilling mud and other drilling contamination and is production testing the interval at varying rates to ascertain reservoir characteristics. It is envisaged that the same test routine will be applied to each of the remaining 16 packer intervals.
- The Company signed an agreement with CEGX during the quarter to take a 50% WI in White Hat 20#1 which is a well designed to evaluate the Ellenburger Formation. The Ellenburger Formation has produced over 200,000 barrels of oil in offsetting vertical wells drilled at various times over the past 50 years. A full set of logs were run including an FMI. Sample analysis and log analysis indicated a potential pay section in the Ellenburger as well as in a shallower interval in the Pennsylvanian interval. Flow testing commenced on 10 December 2014 and is ongoing.

## PLANNED ACTIVITIES - QUARTER TWO

The planned activities for the third quarter are to continue flow testing the Thomas 119-1H horizontal well, the White Hat 20#1 vertical well, to expand the Company's oil and gas lease holdings and to conduct further exploration activities, including 3D and seismic analysis and field studies.

## GLOSSARY

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

A\$ or Australian dollar	Australian dollars, the lawful currency of Australia.
ASX	ASX Limited and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Board	the board of Directors of the Company.
Boe	barrel(s) of oil equivalent.
Boepd	barrel(s) of oil equivalent per day.
Cline Shale	an organic-rich shale formation located in the Permian Basin in central west Texas, USA.
Company	Winchester Energy Limited ACN 168 586 445.
Corporations Act	means the Corporations Act 2001 (Cth).
CraRuth	CraRuth Energy Corporation.
Eastern Shelf	refers to the eastern shelf of the Permian Basin in central west Texas, USA.
CEGX	Carl E Gungoll Exploration LLC (White Hat 20#1 Operator)
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 40 years of Australian, USA and other international technical, operational and executive petroleum experience in both onshore and offshore environments. He has extensive experience of petroleum exploration, appraisal, strategy development and reserve/resource estimation, as well as new oil and gas ventures identification and evaluation. Mr Henry has a BA (Honours) in geology from Macquarie University.*