



ACN 168 586 445

ASX: WEL

QUARTERLY REPORT

For the period ended 30 September 2019

HIGHLIGHTS

Significant Increases in Revenue and Oil Production during Reporting Period

- Winchester's net oil & gas revenue in the reporting period rose to AUD\$1.19 million¹ - up 65% from the previous quarter.
- Average daily oil production in the reporting period, net to Winchester's Working Interest (WI), was 223 bopd - a 68% increase from the previous quarter.
- The month of September 2019 recorded a further significant increase in WI oil production to 358 bopd.
- Further growth expected in current quarter as White Hat 20#5, Arledge 16#2 and other newly drilled wells come online.

Discovery at Lightning Prospect

- Significant oil discovery at the Arledge 16#2 well. Production testing continues from an interval in the Cisco Sands - oil is flowing unassisted in surges at recently observed rates of 55 barrels in 6 hours. Well to be put on pump to stabilise production.
- Significant upside remains in the Arledge 16#2 well with an aggregate of approximately 75 feet of additional interpreted net pay uphole yet to be tested.
- Subsequent to the reporting period, Winchester re-entered the Arledge 16#1 well to investigate a prospective shallow sand interval. New wireline logs were acquired which have indicated potential pay zones within the interval - these will be tested in the near future.

Mustang Oil Field Development

- The White Hat 20#5 oil well is on pump, with initial production up to 192 bopd and 50 bwpd (oil cut is 82%).
- White Hat 20#5 is Winchester's third consecutive successful oil well drilled in the Mustang Oil Field. Over 80,000 gross barrels of oil have been produced to date from the three wells.
- Drilling of next Mustang Oil Field development well, White Hat 20#4, has commenced.
- Three additional Mustang well locations in the process of being located and permitted.

¹ Using exchange rate 1 AUD = 0.68 USD; net to working interest and after payment of royalties

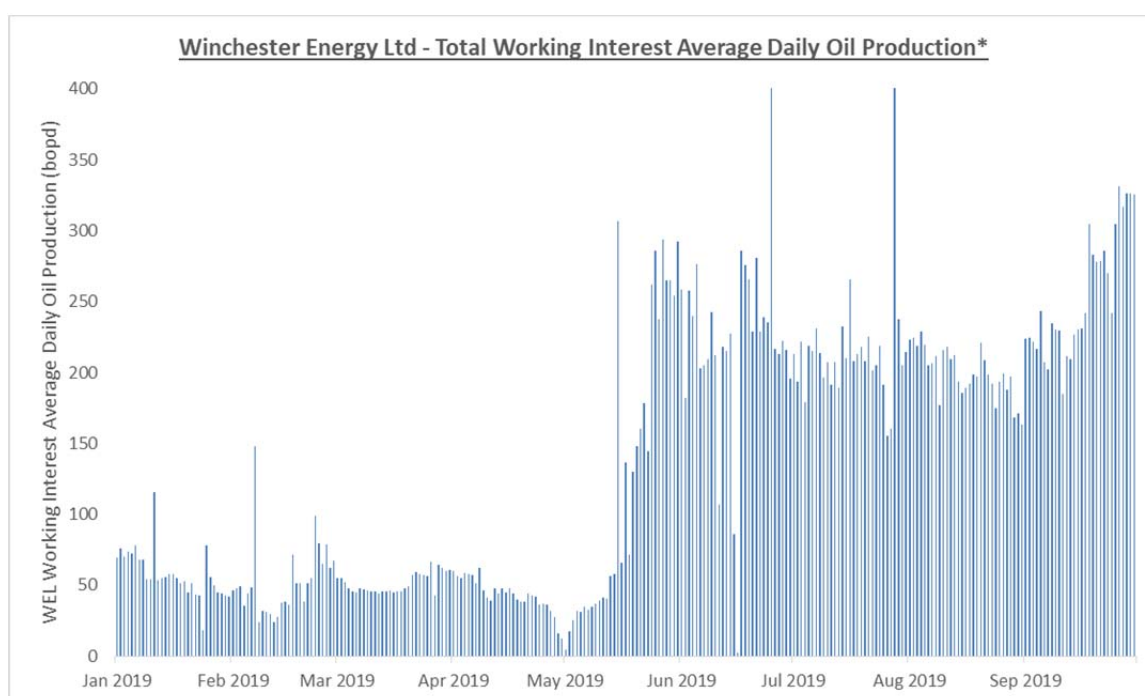
OIL PRODUCTION SUMMARY

Winchester recorded the following gross and working interest (WI) net oil production for the quarter ended 30 September 2019 (across all oil wells in which Winchester has a WI).

Oil Production (bo)*	September Quarter 2019	June Quarter 2019	March Quarter 2019	December Quarter 2018
Gross Oil Production	29,771	18,913	9,838	10,726
WEL WI Share	20,556	12,087	4,894	5,249

* 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 September 2019 quarter of 223 bopd represents a 68% increase from the June 2019 quarter (133 bopd).



* - excludes oil produced and sold from testing activities at Arledge 16#2 and White Hat 20#5 in September 2019

When sales of oil produced from testing activities at both the Arledge 16#2 and White Hat 20#5 wells were included, the average daily WI oil production in the month of September 2019 increased to 358 bopd.

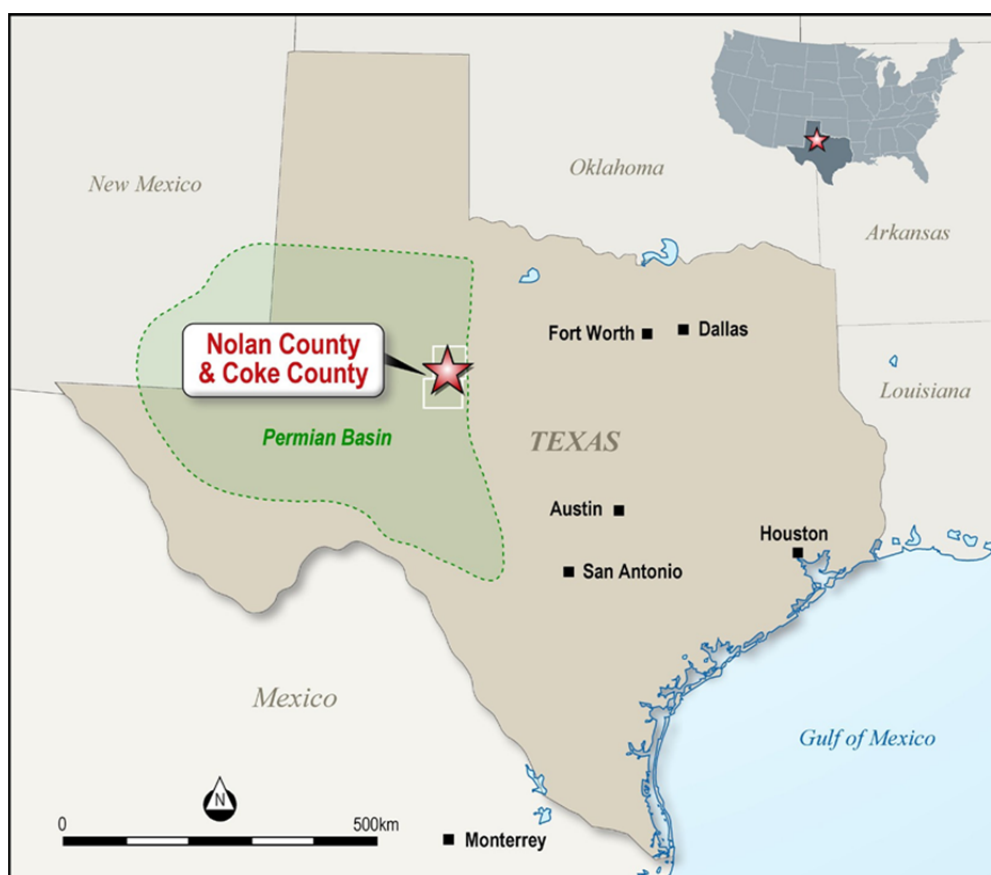
In recent weeks these two wells have been placed on pump which will likely provide a further significant production increase in the current December 2019 quarter.

To the end of the September 2019 quarter, Winchester's Permian Basin wells in Nolan County, Texas have produced a total gross 375,133 barrels of oil and 194 million cubic feet of gas.

REVENUE SUMMARY

Total WI sales revenue for the September 2019 quarter from oil and gas production was \$1,189,331² (US\$806,218) - up from the June 2019 quarter WI of US\$488,020.

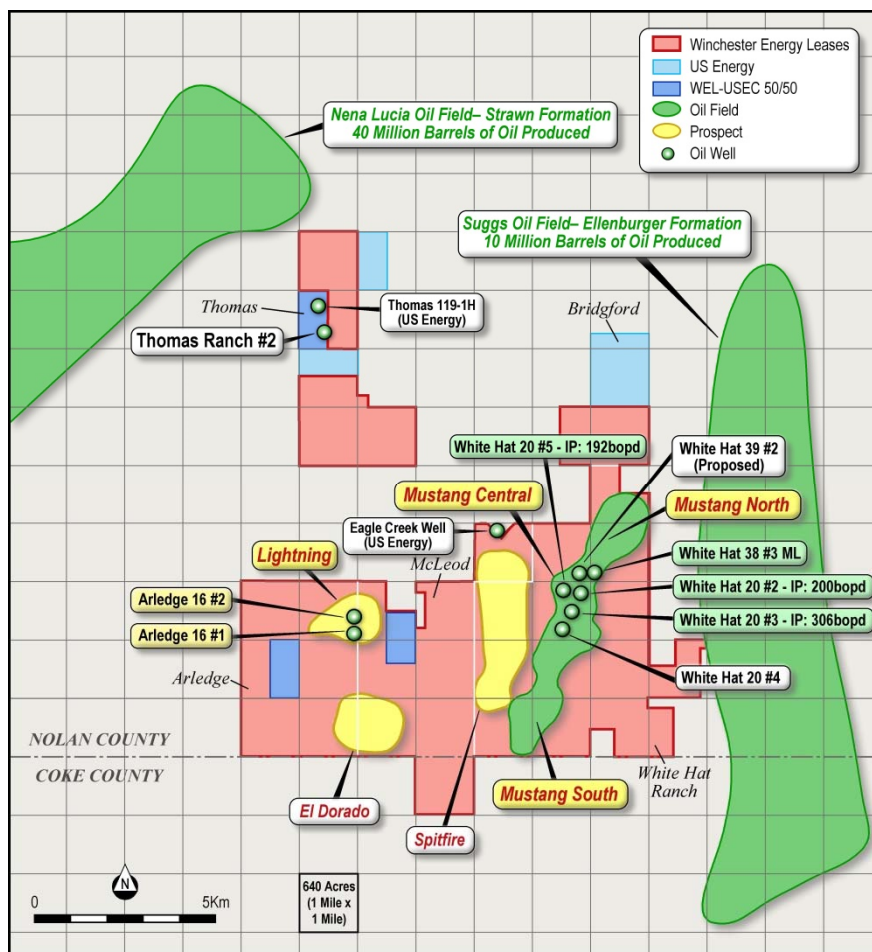
The average sale price per barrel of oil was US\$52.91.



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

² Using exchange rate 1 AUD = 0.68 USD

EXPLORATION & DEVELOPMENT OPERATIONS SUMMARY



Winchester Leases - Prospects and Wells

Mustang Oil Field

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

The next Mustang Oil Field development well, White Hat 20#4, has commenced drilling. The well is located 1,200 feet south west of White Hat 20#3, with the well location supported by high amplitude on the 3D seismic as well as nearby well control. The well has a programmed total depth of 6,200 ft.

White Hat 20#5 (Winchester - 75% Working Interest and Operator)

The White Hat 20#5 development well is now on pump, with an Initial Production (IP) of 192 barrels of oil per day (bopd) and 50 barrels of water per day (bwpd) with an oil cut of 82%. The well appears to be cleaning up, with the oil cut rising since commencement of pumping.

At this time the production rate remains constrained by pump and motor capacity. Winchester may make further adjustments as appropriate to optimize production.

White Hat 20#3 (Winchester - 75% Working Interest and Operator)

White Hat 20#3 recorded an initial production rate (IP) of 306 bopd for the White Hat 20#3 well, with production over 30 days (IP30) of 259 bopd announced in late June 2019. White Hat 20#3 is also flowing gas at a rate of 100 - 140 thousand cubic feet per day (mcfpd) which is equivalent to a further 17 - 23 barrels of oil equivalent (boe) per day³.

This is a significant result for the company in that it demonstrates the quality of the Strawn Fry Sand Member reservoir in the Mustang Prospect and validates Winchester's strategy to develop the Mustang Prospect with the objective of generating significant oil production and cash flow.

Mustang Field Development

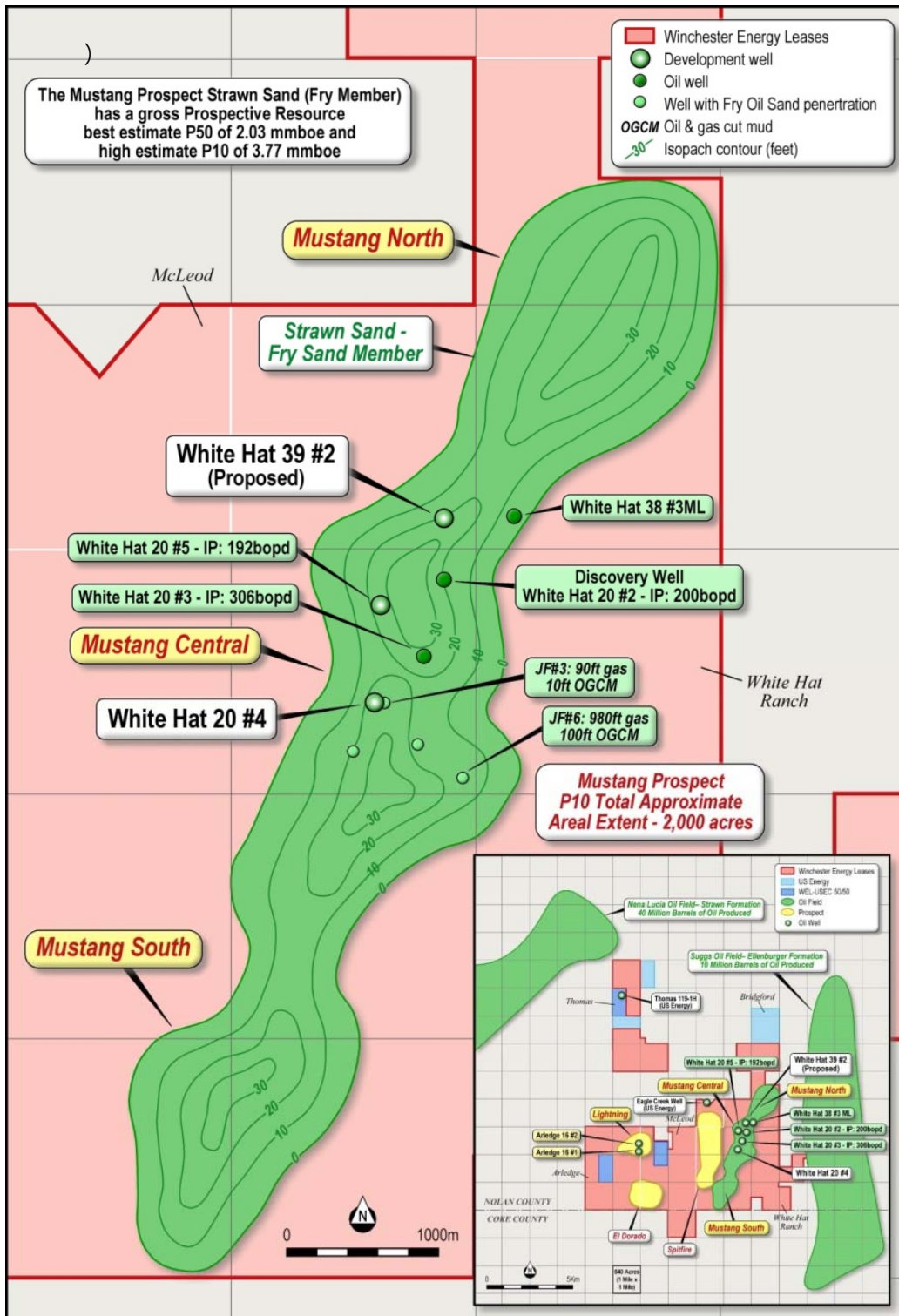
White Hat 20#5 was the third consecutive successful well drilled by Winchester at its Mustang Oil Field. To date, aggregate production at the White Hat 20#2, 20#3 and 20#5 wells exceeds 80,000 barrels of oil (gross), generating significant revenue for the Company.

The Mustang Oil Field results to date continue to surpass expectations. 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.

Drilling at Winchester's next Mustang Oil Field development well, White Hat 20#4, has commenced, with a further three additional Mustang well locations in the process of being located and permitted.

Carl E Gungoll Exploration LLC (CEGX), a private company, has the right to participate at a 25% working interest in the Mustang Oil Field and has elected to participate in White Hat 20#4.

³ boe (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. Estimates are rounded to the nearest boe.



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

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

During the September 2019 quarter, Winchester drilled the oil discovery well Arledge 16#2 at the Lightning Prospect.

Arledge 16#2 continues to surge with oil flowing at rates of approximately 9-10 barrels per hour between swabbing runs periodically required to stabilize oil flow; recent production included 55 barrels of oil over a period of 6 hours. Oil cut is stable at 90%. Note the workover rig on Arledge 16#2 works daylight hours only due to local regulations.

Arledge 16#2 is to now to be put on pump to stabilize production.

Winchester is extending the current testing program to acquire additional data. This will provide better understanding of the long-term productivity of this new lower pay section and in turn assist the optimisation of future development at the Lightning Prospect.

Winchester also notes the remaining untested pay in the lower sands (which includes 24.5 feet of interpreted net pay in a thick conventional sand unit) as well as the entire upper sand unit - interpreted to contain up to 50ft of additional net pay. However, the company will first fully evaluate the production characteristics of the zone currently being tested before considering testing and completion programs for these additional pay intervals.

The initial results from Arledge 16#2 are extremely encouraging, with significant implications for the Company should the well continue to perform as per initial observations.

Seismic has identified a series of large shelf slope sand 'wedges' of thick laminated and channelized slope fan complexes covering over 5,000 acres confirmed by drilling. This is particularly exciting given the total pay interval of potentially 490 feet in the two sand units observed in Arledge 16#2.

Arledge 16#1 (Winchester - 100% Working Interest and Operator)

Winchester has successfully re-entered and logged the shallow sand unit in the Arledge 16#1 well, with new wireline logs indicating oil potential within these sands.

Winchester will run new casing and test the shallow sand unit. Anticipated cost of this operation is US\$60,000.

Arledge 16#1 is an old well, located 990 feet to the south of Arledge 16#2, which Winchester had attempted to re-enter in 2018, but was forced to abandon operations after encountering junk in the borehole at approximately 2,000 feet. During the re-entry attempt, Winchester observed potentially significant oil and gas shows in a shallow sand unit.































Thomas Ranch #2 (Winchester - 100% Working Interest and Operator)

Subsequent to the reporting period, Winchester commenced operations on the Thomas Ranch lease by re-entering the Thomas Ranch #2 well-bore located 2,953 feet south south-east from the surface location of the Thomas Ranch 119-1H well.




Based on log analysis of the Thomas Ranch 119-1H vertical hole, Winchester has identified potential productive Cisco Sands similar to those encountered in the recent Arledge 16#2 discovery well.

Winchester plans to re-enter the Thomas Ranch #2 well-bore to a depth of 5,000 feet and run logs to assess the potential Cisco Sand interval at 4,900 feet. If unable to reach 5,000 feet, the company will evaluate a prospective shallow sand unit at approximately 1,500 feet also identified in logs run in the vertical well-bore of the Thomas 119-1H.

2019/1Q 2020 Planned Drilling Schedule

PERMIAN BASIN WINCHESTER		2019			2020		
WELL INTEREST % (After farmout-direct)	Well Interest	October	November	December	January	February	March
Mustang: WH 20#5 Fry Sand appraisal on production	75.0%						
Lightning: Arledge 16#2 Cisco Sands on production	100.0%						
Mustang: WH 20 #4 Fry Sand appraisal	75.0%						
Lightning: Arledge 16#1 Re-Entry San Angelo	100.0%						
Thomas Ranch #2 Re-Entry Cisco and San Angelo	100.0%						
Bridgford Cisco and Strawn	25.0%						
Mustang: WH 20#6, 39#2,39#3 Fry Sand appraisal	75.0%				 	 	 
Spitfire: WH 212#1 Strawn and Ellenburger	75.0%						
Lightning: MCLeod 17#1 Cisco sand	100.0%				 	 	 
El Dorado: McLeod 241#1 Cisco, Strawn and Ellenburger	100.0%						 

LEGEND

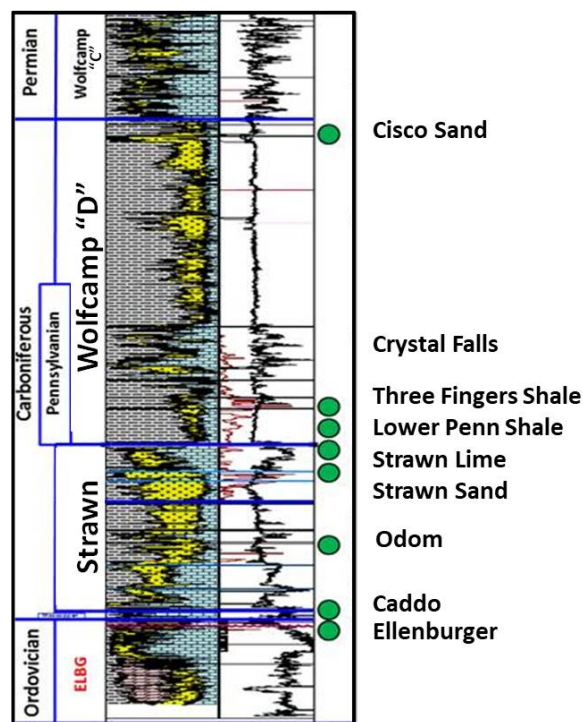
 Appraisal Drilling
  Vertical Drilling
  Production Testing

(Note: All well timing and well interests subject to rig availability, funding and farmout)

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 at the recent Lightning Prospect oil discovery at Arledge 16#2.

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 an 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 31,500 barrels of oil, augmenting White Hat 20#2 (initial production of 200 bopd with 47,800 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 very encouraging - particularly in the context of the additional 75 feet of net pay up-hole 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, Spitfire, El Dorado and Lightning prospects in the Strawn, Ellenburger and Cisco formations. In addition Winchester has some 20 additional locations identified for potential future exploration.

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 September 2019 quarter Winchester raised AUD\$2,672,500 before costs through the placement of 106,900,000 shares at \$0.025 per share to sophisticated investors.

Helios Energy Ltd (ASX: HE8) subscribed for 20,000,000 shares (AUD\$500,000) in the placement with funds received by Winchester in mid-October 2019.

As at 30 September 2019, Winchester Energy had 538,245,850 ordinary shares on issue and cash reserves of approximately AUD\$2.63m.

Board Changes

On 3 September 2019 the Company announced the appointment to the Board of experienced oil and gas professional Laurence Roe as Non-Executive Chairman and Tony Peng as Non-Executive Director.

Laurence Roe B.Sc. (Geophysics) is a geophysicist/explorationist with 39 years of petroleum exploration, production and management experience in Australia, USA, Africa, New Zealand and central America. He has substantial experience in the US exploration and production sector, particularly in the Permian Basin, Texas where he has participated in the drilling of numerous successful oil and gas wells.

Tony Peng is Houston-based and has extensive experience in merchant banking and finance. Mr Peng is currently the Chief Financial Officer for Helios Energy Ltd (ASX: HE8).

John Kopcheff stepped down as Chairman and remains a Non-Executive Director.

Oil and Gas Leases Held as at 30 September 2019

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

	Winchester % 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	-	-	-

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

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.

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")

9 Months ended 30 September 2019

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (9 months) \$USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,051	1,401
1.2 Payments for		
(a) exploration & evaluation	(1,536)	(2,574)
(b) development	(50)	(91)
(c) production	(73)	(212)
(d) staff costs	(125)	(182)
(e) administration and corporate costs	(304)	(488)
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)	-	-
1.9 Net cash from / (used in) operating activities	(1,037)	(2,146)

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 (9 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	1,894	3,957
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	(141)	(215)
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	1,753	3,738

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	679	307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,037)	(2,146)
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)	1,753	3,738
4.5	Effect of movement in exchange rates on cash held	15	(85)
4.6	Cash and cash equivalents at end of period	1,814	1,814

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	1,814	1,083
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)	1,814	1,083

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**

54

-

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**

61

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During quarter reimbursement payments totally to USD\$61,000 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\$32,625 for the period (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.

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available	Total facility amount at quarter end \$USD'000	Amount drawn at quarter end \$USD'000
<i>Add notes as necessary for an understanding of the position</i>		
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.		

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9. Estimated cash outflows for next quarter	\$USD'000
9.1 Exploration and evaluation	550
9.2 Development	100
9.3 Production	90
9.4 Staff costs	85
9.5 Administration and corporate costs	150
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	975

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 September 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: 28 October 2019

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.