



ACN 168 586 445

QUARTERLY REPORT

For the period ended 31 March 2015

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HIGHLIGHTS

- Presently the Company is continuing to flow test the horizontal Thomas 119-1H well shallow depth conventional oil play in the Ellenburger Formation.
- Production equipment has been installed on the vertical White Hat 20#1 well that is flow testing from the shallow depth conventional oil play in the Ellenburger Formation.
- Both the 119-1H and 20#1 wells recovered encouraging levels of oil and minor gas whilst swabbing. The oil is good quality 44° API Gravity. The Thomas 119-1H well operator, CraRuth, has sold several hundred barrels of oil during testing of Thomas 119-1H.
- The Winchester Houston office has assembled a highly effective team of geoscientists and engineers and industry recognized experts. A wholly owned USA subsidiary of Winchester is now registered as an Operator in the State of Texas, USA.
- A new 3D seismic program has been completed near the Thomas 119-1H well. The initial new 3D seismic program covers approximately 1,500 acres north of Thomas 119-1H and is tied into the well. In addition, Winchester has been provided access to approximately 168 sq. km (approximately 40,000 acres) of existing 3D seismic surveys shot by third parties which is currently being reprocessed by Winchester.
- The Company is well positioned to expand drilling in Nolan County, Texas, USA with technical information gathered and analyzed to determine conventional oil targets in the Ellenburger Formation, Cambrian Sandstone, Permian Wolfcamp Sandstone, Strawn, Odom and Caddo Reefs, Canyon and Cisco Sandstones.

CORPORATE

- The Company ended the quarter with cash reserves of approximately A\$14,000,000. Currently, the cash on hand is comprised of A\$3,150,000 and US\$7,928,000 which as at an exchange rate of AUD\$1.00 to USD\$0.77 equates to A\$13,543,000.
- The capital structure of the Company at the end of the quarter was as follows:

Cash	A\$14,000,000
Total shares on issue	215,416,672
Total options on issue	30,000,000
Total convertible milestone notes (converting to 60,000,000 shares)	60,000
Market capitalisation @ A\$0.08	A\$17,233,334
Enterprise Value of the Company's assets	A\$3,233,334
Founders, Board and Management (% ownership of the Company)	19%



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LOCATION OF OIL AND GAS LEASES, TEXAS



OIL AND GAS TENEMENTS – WORKING INTERESTS

- The Company owns a 50% **(WI)** in the horizontal 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 owns a 50% **(WI)** in the vertical White Hat 20#1 well along with a 50% **(WI)** in the well unit area which is 40 gross acres (20 net acres to the Company).
- The Company owns an 80% **(WI)** in 4,647 gross acres located in Nolan County, Texas, USA. The Company also owns a 75% **(WI)** in an additional 7,378 acres in Nolan County, Texas, USA resulting in Winchester owning 9,370 net acres.



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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 continuing to test the Ellenburger Formation. Adverse winter weather conditions this past 90 days have delayed operations on both wells for significant periods.
- On the Thomas 119-1H well, a 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 Thomas 119-1H, CraRuth, has tested zones A (the toe), B and D and operations are currently in the N and O intervals, which are slightly higher in structure. The initial encouraging oil seen in swab tests in the horizontal Thomas 119-1H, where 44° API Gravity oil was recovered, was followed by high water rates with low oil cut (3 to 10%). The lower zones (A, B and D) were tested individually for several weeks each, at various total fluid rates (from 100 to 300 barrels of fluid per day (bfd)) and then together by production pumping. These results were unexpected and appear inconsistent with wireline log data, mudlog and sample analyses. A similar result was obtained from the upper two zones although these have not been combined. There remain some 15 zones currently untested.
- After consultation with several enhanced oil recovery (EOR) experts and completion engineers, the Operator, CraRuth, has agreed to test an interval with a different completion method from those already tried. Accordingly CraRuth is presently preparing to notch a new interval rather than perforate, and then acidize and treat the formation with a cleanup chemical to reduce mud damage before pump testing as this has not been carried out on any previously tested interval. Prior test methods have involved perforating guns and flowing, circulating cleanup fluid around the rock face and then producing the zone.
- The Company owns a 50% WI in White Hat 20#1 which is a vertical well designed to evaluate the Ellenburger Formation. A full set of logs were run. Sample analysis and log analysis indicated potential pay sections in the Ellenburger as well as in a shallower zone in the Pennsylvanian interval. The gross well cost drilled and completed was US\$1.4 million.
- The vertical White Hat 20#1 well has been completed for production with log-interpreted pay and encouraging short duration swab tests from the Ellenburger. Surface production facilities were completed in April and pumping has just commenced with a number of delays due to adverse winter weather conditions and pump commissioning issues.



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PLANNED ACTIVITIES – NEXT QUARTER

The planned activities for the quarter ending on 30 June 2015 are to continue flow testing the Thomas 119-1H horizontal well, production test the White Hat 20#1 vertical well, to negotiate more flexible lease obligations with lessors, to conduct further exploration activities, including 3D seismic analysis and other 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.
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.



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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.

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