



WINCHESTER
ENERGY LIMITED
ACN 168 586 445

QUARTERLY REPORT

For the period ended 31 March 2018



Winchester Energy field production & operations area, Permian Basin, Nolan County, West Texas

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HIGHLIGHTS

Winchester Energy Ltd's (Winchester) gross oil production (across all oil wells in which Winchester has a working interest) was 15,277 barrels of oil (bo) for the March 2018 quarter as shown in the table below:

Gross Oil Production (bo)	March Quarter 2018	December Quarter 2017	September Quarter 2017	June Quarter 2017	March Quarter 2017
Oil Production (Gross 100%WI)	15,277	17,164	27,806	39,533	28,633
Oil Sales (Gross 100%WI)	15,049	18,022	27,409	39,833	28,467

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.

- Total revenue was US\$381,765. Total oil revenue was US\$361,747 and total gas sales revenue was US\$20,018. The average sale price per bo was US\$62.54 and gas was \$5.85 per mcf.
- Three zones within the Ellenburger Formation were selected as intervals for three ultra-short radius laterals (legs) drilled during the December 2017 quarter in White Hat 38#3ML. Legs 1, 2 and 3 recorded aggregate oil and gas shows of 430 feet which greatly increased the length of well bore exposed to oil and gas when compared to the vertical well (6 feet).
- The three horizontal legs were drilled and completed successfully. However, it seems likely that the horizontal legs drilled had intersected fractures and matrix porosity within the drainage radius of pre-existing Ellenburger Formation producing oil wells.
- Following on from this proven ability to drill horizontal laterals, a lateral in the Ellenburger is planned for the June 2018 quarter in existing vertical well White Hat 39#1. The lateral is targeting a distinct series of fractures identified through detailed seismic analysis.
- Winchester plans to re-enter 38#3ML with a new completion in the shallow Fry and Strawn sands overlying the Ellenburger. Significant aggregate net oil pay of 25 feet was observed in the Fry and Strawn sands whilst drilling 38#3ML. The Fry/Strawn Formation is a proven producer with initial production rates of 200 bopd at Winchester's White Hat 20#2 well.
- During the June quarter up to four existing drilled vertical wells are planned to be completed for oil production in the Fry and Strawn sands. These wells provide Winchester with an excellent opportunity to substantially increase oil production at low cost.
- Winchester continues to have high confidence that its leased acreage of 17,402 net acres has significant oil resource potential. The multi-lateral drilling approach for the Ellenburger remains a key component of Winchester's development strategy going forward as does the multitude of opportunities for further production in historically producing shallow formations overlying the Ellenburger.



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OIL PRODUCTION SUMMARY

Winchester currently has a 50% working interest (WI) in eight producing wells.

Winchester recorded the following gross and net oil production for the March 2018 quarter (across all oil wells in which Winchester has a working interest):

Gross Oil Production (bo)*	March Quarter 2018	December Quarter 2017	September Quarter 2017	June Quarter 2017	March Quarter 2017
Oil Production (Gross 100%WI)	15,277	17,164	27,806	39,533	28,633
Oil Sales (Gross 100%WI)	15,049	18,022	27,409	39,833	28,467
Net Oil Production to Winchester (bo) (50% Working Interest)*					
Quarterly Oil Production (Net)	7,658	8,582	13,903	19,766	14,316
Quarterly Oil Sales (Net)	7,561	9,011	13,704	19,916	14,233

* 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

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To date, Winchester's wells in Nolan County have produced a total gross 281,700 barrels of oil and 153 million cubic feet of gas with cumulative net production to Winchester before royalties of 140,850 barrels of oil and 76.5 million cubic feet of gas.

OPERATIONS SUMMARY

The March 2018 quarter saw the Company undertake drilling and completion activities as operator on the White Hat Ranch oil and gas lease located in the eastern shelf of the Permian Basin in central west Texas, USA.

Winchester has a 75% WI and operatorship of the White Hat Ranch lease outside the eight 40 acre drilling units operated by CEGX (50% WI). Winchester also has a WI in five other leases adjacent to the White Hat Ranch oil and gas lease all of which contain the highly prospective Ellenburger Formation along with several other overlying shallow oil-producing formations as highly prospective targets.

Winchester continues to have high confidence that the Eastern Shelf of the Permian Basin and in particular its leased acreage of 17,402 net acres in Nolan County has significant oil resource potential. The multi-lateral drilling approach for the Ellenburger remains a key component of the Winchester development strategy going forward as does the multitude of opportunities for further production in historically producing formations overlying the Ellenburger such as the Fry and Strawn Sands as well as the thick Penn Carbonate and Crystal Falls (Canyon) formations.

White Hat 38#3ML Multi-Lateral Well (WEL Working Interest- 60%)

Winchester successfully drilled three horizontal lateral legs in White Hat well 38#3ML for a cumulative 1,679 feet, with 430 feet of oil and gas shows. The first leg flowed oil and gas to the surface for several hours after drilling into a fracture zone. Following the drilling of all three horizontal legs in December 2017, the well was tested using an Electrical Submersible Pump (ESP) followed by a conventional rod pump. The highest production rate recorded was 40 barrels of oil per day (bopd). The current production rate is under 10 bopd.

Following analysis of Ellenburger reservoir pressures in the White Hat 38#3ML well, Winchester has concluded that at least two of the White Hat 38#3 ML lateral well bores intersected a large fracture oil reservoir system that was pressure depleted as a result of oil production from the adjacent White Hat Field (WEL 50% WI). After undertaking several tests, pump designs and other production tests and in view of the low production levels from the White Hat 38#3ML well in the Ellenburger formation, Winchester plans to abandon the multi-lateral deeper legs.



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White Hat 38#3ML Shallow Fry/Strawn completion (WEL Working Interest- 60%)

Winchester is now targeting completion with fracture stimulation in the overlying shallow Fry/Strawn interval in the vertical component of White Hat 38#3ML. This gross interval of 170 feet between 5,900ft – 6,070ft has two sands with 25 feet of net pay calculated on well logs associated with strong oil and gas shows.

Winchester notes that within its acreage all of the Company's wells targeting the Ellenburger have encountered shallow zones with varying oil production potential in their own right. In April 2017, Winchester announced initial production rates of 200 bopd from the Fry/Strawn Formation in the adjacent White Hat 20#2 well. This well, which was fracture stimulated, continues after nearly a year of production to be an excellent producer at 60 bopd and has produced over 25,000 barrels. Reservoir engineers Kurt Mire and Associates have ascribed a proved producing (1P) Estimated Ultimate Recovery (EUR) of 70,000 bbls for this well.

Winchester is currently negotiating with prospective well participants and anticipates work to commence during the June 2018 quarter depending on fracture stimulation crew availability.

Additional wells with low production rates such as White Hat 38#1, 38#2, and 21#5ST are currently being planned for shallow, low cost recompletions.

Drilling of Horizontal Lateral - Vertical Well White Hat 39#1 (WEL-70% WI)

Winchester is planning to drill a horizontal lateral well in the Ellenburger by re-entering the White Hat 39#1 well. This vertical well contains 20 feet of net pay calculated over 100 gross feet in the Ellenburger with an average porosity of 11%. A lateral is planned to kick off from the top of the Ellenburger and drill 600 feet to the northwest and is anticipated to cut several fracture zones interpreted from 3D seismic. The horizontal lateral is planned to stay in the Ellenburger pay interval approximately 30 feet below the unconformity in the upper Ellenburger Formation.

The White Hat 39#1 lateral is planned for the June 2018 quarter based on successful negotiation with prospective partners.

The location of White Hat 39#1ML is over 1.5 miles west of the producing White Hat Ranch Ellenburger wells. There is no evidence of reservoir depletion.



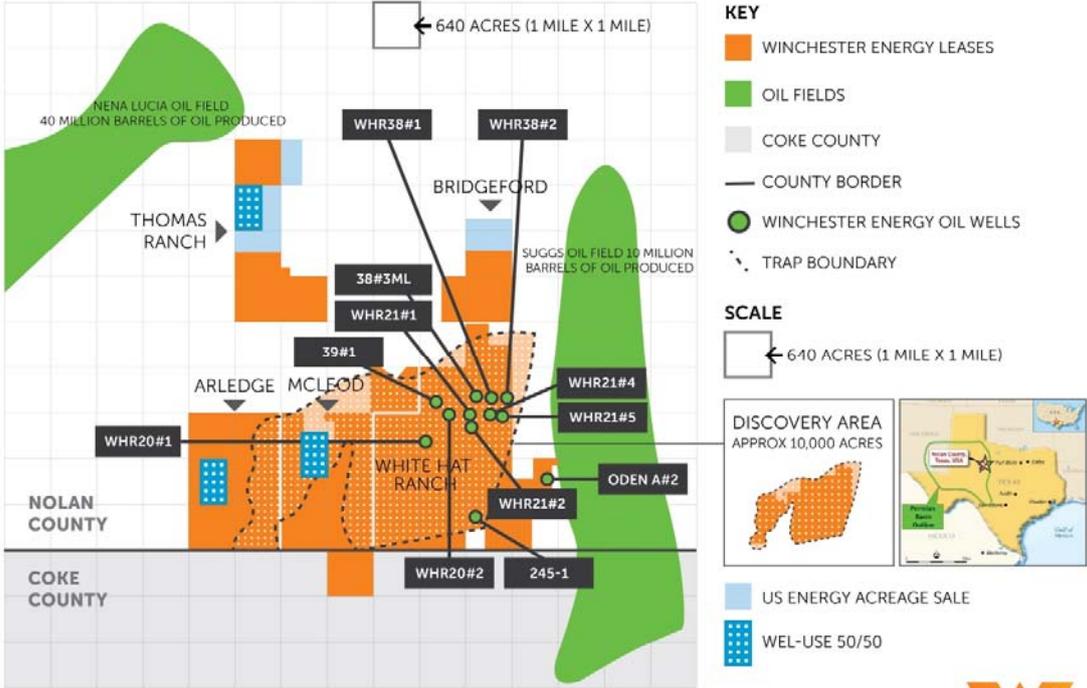
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COMPANY STRATEGY

Expansion of Oil Production Base

As demonstrated by the oil production summary tabled above, Winchester derives 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.

Winchester has established an area of 40 square kilometres (10,000 acres) where the Ellenburger has been proven productive in several wells (see map below) which extends over 3 leases and partially a fourth, This 40 square kilometre area (10,000 acres) out of Winchester’s 17,402 net acres of leasehold is expected to be productive based on drilling results, new ultra-short radius horizontal drilling and completion technologies and 3D seismic interpretations.



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Future Ultra-Short Radius (USR) Lateral Drilling in the Ellenburger Formation

Winchester is actively planning additional lateral wells in the Ellenburger Formation at locations where Ellenburger reservoir depletion is less likely to have occurred due to previous oil production. Winchester is well advanced in its plans to laterally drill White Hat 39#1.

Winchester's deployment of USR Drilling's proprietary ultra-short radius drilling equipment and technology is expected to allow improvement in well productivity in non-depleted reservoirs by providing the ability to intersect an increased length of oil pay in conventional limestones and dolomites with increased probability of cutting across multiple fractures and fracture zones.

At the same time, these horizontal laterals are expected to also connect the zones of better productive characteristics. Further, new 3D seismic processing and interpretation has the ability to clearly identify fracture systems which typically influence production rates.

The drilling of three horizontal laterals in White Hat38#3ML by Winchester and its partner in the well, USR drilling, demonstrates that these two objectives have been achieved using the USR drilling technology.

Stacked Pay Opportunities in Winchester's Leasehold acreage

There also exists within the White Hat ranch oil and gas lease several other shallower intervals with 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 acreage position. Several of these formations have already produced significant oil and gas from Nolan County and other areas within the Permian Basin.

Winchester is currently conducting a detailed assessment of these intervals for production given oil shows during drilling across all eight wells operated by CEGX and Clear Fork. Winchester recognises the potential value these intervals represent.



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In a validation of the stacked pay potential within Winchester's acreage, US Energy Corporation of America is planning in the near future to test the Permian Basin Wolfcamp "D" Shale oil potential in several wells that they may re-enter to horizontally drill and fracture stimulate within or near Winchester's leases. These wells will provide at no cost to Winchester, an important evaluation of the potentially significant Permian Shale oil resource potential in Winchester's and its adjacent acreage.

PLANNED ACTIVITIES – NEXT QUARTER

The planned activities for the quarter ending June 30, 2018, to be funded out of existing funds on hand. are:

- Drill a new horizontal lateral well in the Ellenburger by re-entering the White Hat 39#1 well.
- Winchester, as operator, complete White Hat 38#3ML in the Fry and Strawn sands where an aggregate net oil pay of 25 feet was observed.
- Complete the Fry and Strawn sands for oil production in several existing vertical wells, the candidates including White Hat 21#5 and 38#1.
- Identify well locations for commitment wells in the McLeod, Arledge and Bridgeford leases that require drilling in 2018.

CORPORATE

The Company ended the quarter with cash reserves (in Australian dollar equivalent) of approximately AUD\$2,005,000.

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

Cash (AUD\$0.766: USD\$1.00)	AUD \$2,005,000
Total shares on issue and quoted	285,148,832
Total options on issue 30m @ \$0.25 (expire 30 April 2019) 15.5M @ \$0.12 (expire 31 January 2022)	45,500,000
Total convertible recoverable reserve milestone notes (converting to 60,000,000 shares)	60,000
Market capitalisation @ A\$0.048	AUD \$13,687,144
Enterprise Value of the Company's assets	AUD\$11,681,925
Founders, Board and Management (% ownership of the Company)	42%

LAND AND LEASE ACTIVITIES

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

Winchester has continuous drilling provisions on each lease after the primary term expires. This allows Winchester 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 40 square kms (10,000 acres) that is currently identified as the prospective Ellenburger trap area. However, additional oil and gas is likely to be trapped in the Ellenburger of both the Thomas and Bridgeford leases. In addition, several shallow productive intervals are expected to be potentially developed in due course over the Winchester's total net leasehold.

Oil and Gas Leases Held as at 31 March 2018

Winchester's lease holding at the end of the March 2018 quarter is 17,402 acres.

	Winchester % 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
	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	-	-	-

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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 Winchester.
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
Winchester	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 Winchester 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 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.



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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 2018

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (3 months) \$USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	508	508
1.2 Payments for		
(a) exploration & evaluation	(957)	(957)
(b) development	(82)	(82)
(c) production	(382)	(382)
(d) staff costs	(118)	(118)
(e) administration and corporate costs	(201)	(201)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
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	(1,232)	(1,232)
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	-	-

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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)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	-	-
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)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,795	2,795
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,232)	(1,232)
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)	-	-
4.5 Effect of movement in exchange rates on cash held	(25)	(25)
4.6 Cash and cash equivalents at end of period	1,537	1,537

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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	1,537	2,795
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)	1,537	2,795

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
113
-

During the quarter a total amount of \$113,000 was paid as fees to the Company directors.

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
330
-

During quarter reimbursement payments totally to US\$330,000 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 rent and outgoings, and provision of labour. These services were provided on a cost reimbursement basis.

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$USD'000	Amount drawn at quarter end \$USD'000
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	350
9.2 Development	25
9.3 Production	25
9.4 Staff costs	150
9.5 Administration and corporate costs	200
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	750

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 March 2018 quarterly Activities Report	17,402 net acres	17,402 net acres
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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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: 30 April 2018

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.