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WINCHESTER
ENERGY LIMITED

ACN 168 586 445

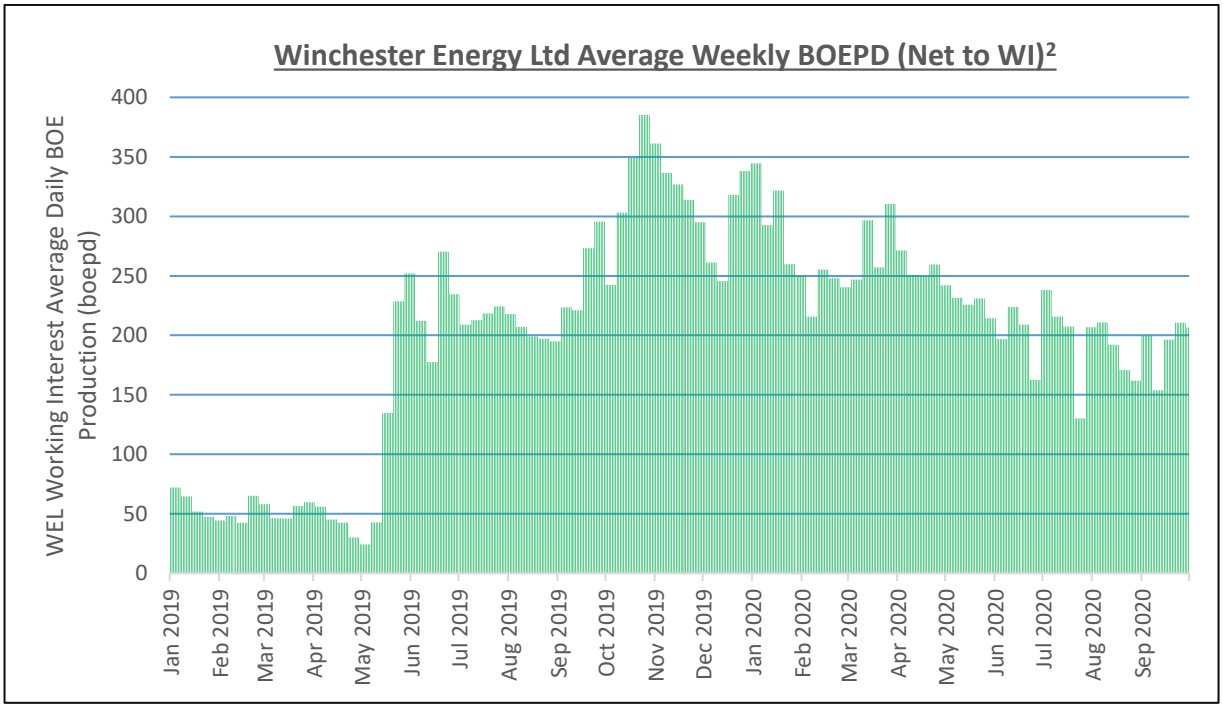
ASX: WEL

QUARTERLY REPORT

For the period ending 30 September 2020

HIGHLIGHTS

- **Net oil & gas revenue in the reporting period was AUD$671,299[1]. Average sale price of oil increased 40% from the preceding June 2020 quarter.**
- **Average production of 192 barrels of oil equivalent per day[2] (boepd) during the reporting period net to Winchester's Working Interest (WI).**
- **Work underway on a recompletion of Winchester's White Hat 3801 well to test the 'Bonus Sands' unit within the Three Fingers Shale which potentially extends over 5,000 – 7,000 acres. Substantial follow up potential if testing is successful, with a number of other wells available for re-entry.**
- **Further low-cost recompletions of wells able to be undertaken across several productive horizons within Winchester's dominant 17,973 acre leasehold position.**
- **Two recently drilled wells targeting the Cisco Sands, Arledge 1602 and McLeod 1703, have been tied-in to gas sales, augmenting ongoing revenue.**



[1] Using exchange rate 1 AUD = 0.71 USD; Revenue (US$) net to working interest and after payment of royalties.
[2] boe (barrels of oil equivalent) - gas quantities are converted to boe using 6,000 cubic feet of gas to one barrel of oil. The conversion ratio is based on energy equivalency and does not represent value equivalency. Estimates are rounded to the nearest boe.

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PRODUCTION SUMMARY

Winchester Energy Limited's (Winchester; ASX:WEL) gross and net Working Interest (WI) oil and gas production for the quarter ended 30 September 2020 is shown below:

Oil Production (bo/boe)*	September Quarter 2020 (boe)	June Quarter 2020 (bo)	March Quarter 2020 (bo)	December Quarter 2019 **(bo)**	September Quarter 2019 (bo)
Gross Oil Production	**23,932**	28,108	34,269	39,461	29,771
WEL WI Share**	**17,706**	20,576	24,855	28,702	20,556

** Figures show oil production only to June Quarter 2020; thereafter showing combined oil and gas production in barrels of oil equivalent. **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 production in the September 2020 quarter was 192 barrels of oil equivalent per day (boepd), comprised of 78% oil[3].

To the end of the September 2020 quarter, Winchester's Permian Basin wells in Nolan County, Texas have produced a total gross 497,447 barrels of oil and 259 million cubic feet of gas.

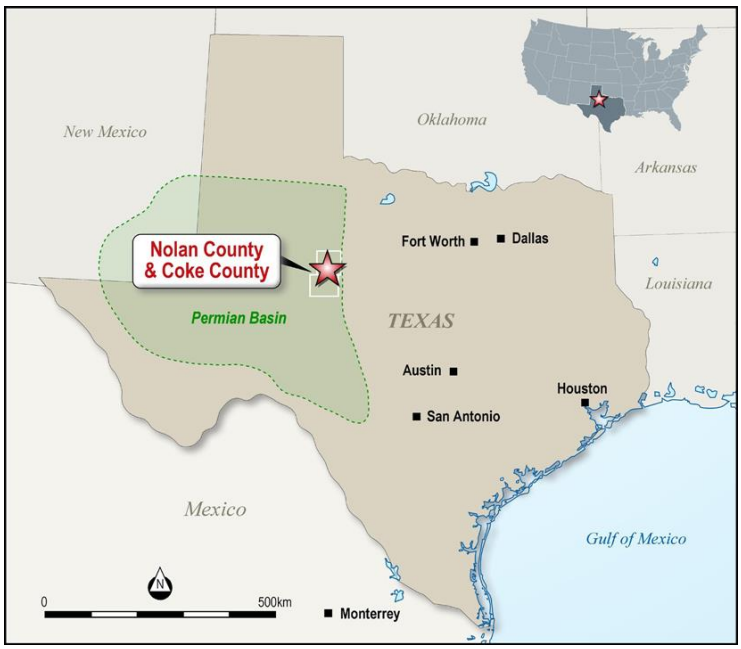


Figure 1: Location of the Company's acreage position in Nolan and Coke Counties, Texas, USA

[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.

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REVENUE SUMMARY

Total WI sales revenue for the September 2020 quarter from oil and gas production was approximately A$671,299[4] (US$476,622). The average sale price per barrel of oil was US$38.54, a 40% increase from the sale price received in the preceding June 2020 quarter.

During the quarter, WTI oil prices continued to stabilize and consolidate around US$40 per barrel post the COVID19 oil shock (Figure 2), contributing further revenue for the Company.

Towards the middle of the September 2020 quarter the Company placed the two recently drilled Cisco Sand wells, Arledge 1602 and McLeod 1703, on gas sales, helping to contribute an aggregate of 17,028 thousand cubic feet (mcf) net to Winchester for the quarter. These wells continue to produce commercial gas and the Company looks forward to reporting a full quarter of gas production for the current quarter.



Figure 2: West Texas Intermediate (NYMEX) crude oil price over 1 year[5]

[4] Using exchange rate 1 AUD = 0.71 USD
[5] Source: macrotrends.net

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EXPLORATION & DEVELOPMENT OPERATIONS

Mustang and Lightning Well Summary

Well ID	Drilled	Formation	WEL WI	Status
Mustang Oil Field				
White Hat 2002	Apr 2017	Strawn	50%	Producing
White Hat 2003	Mar 2019	Strawn	75%	Producing
White Hat 2004	Oct 2019	Strawn	100%	Shut-in
White Hat 2005	Aug 2019	Strawn	75%	Producing
White Hat 3902	Dec 2019	Strawn	50%	Producing
White Hat 2006	Jan 2020	Strawn	75%	Producing
Lightning Oil Field				
Arledge 1602	Jul 2019	Cisco Sands	100%	Producing
McLeod 1703	Dec 2019	Cisco Sands	100%	Producing

Oil Field Development and Recompletion Opportunities

In December 2019, the company commenced a 3D seismic reprocessing program covering the bulk of Winchester's Nolan County holdings and focusing on improving imaging of the Strawn and Cisco intervals.

Re-mapping of key geologic horizons in the company's leases is underway and has already added clarity to the understanding of the configuration of the Lighting and Mustang fields, while also identifying several new prospects. This work has also outlined several prospective intervals within existing wells with potential for re-entry and completion. The identification of additional potential productive intervals in existing wells presents a highly attractive opportunity to increase oil production at minimal cost.

White Hat 3801 Recompletion (WEL WI: 100% & Operator)

Winchester has commenced a testing program at its White Hat 3801 well. The well was originally drilled in 2016 by Carl E Gungoll Exploration LLC, targeting the Ordovician Ellenburger formation. Based on Winchester's review of wireline log and mudlog data and sample analysis of drill cuttings, the company has noted that the Pennsylvanian-age "Three Fingers" shale encloses a series of previously unidentified thin sandstones and sand laminations (Bonus Sands) within a gross interval of 60 feet. The porous 'sands' identified in this unit have been obscured by the "hot" shale and therefore not recognised by previous operators.

Winchester's testing of the Bonus Sands will include a slick-water fracture stimulation using 4,000 barrels of water to place 100,000 pounds of total proppant in the formation - the fractures are expected to extend over 500 feet from the borehole (Figure 3).

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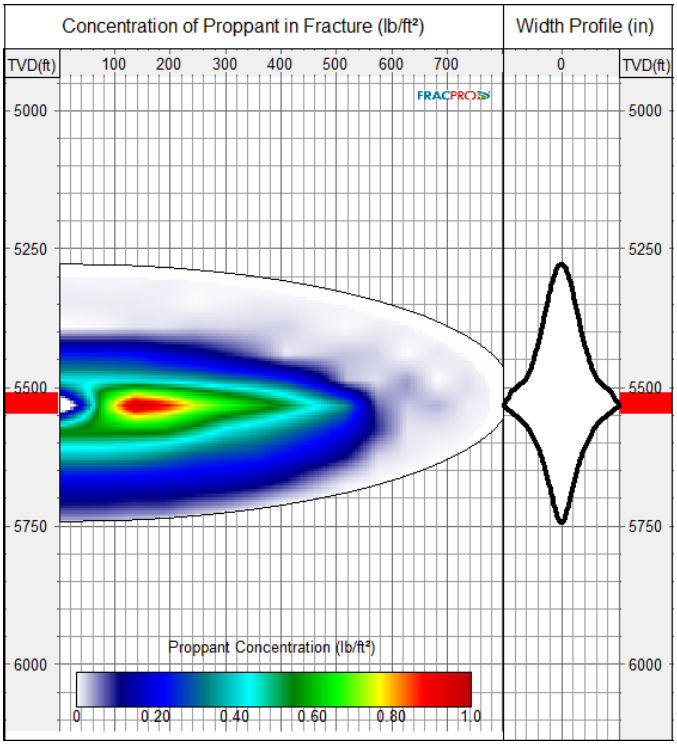


Figure 3: White Hat 3801 – Modelled Frac Profile

The Bonus Sands play is potentially transformational for Winchester as mapping indicates that it may have an area extent of up to 5,000 – 7,000 acres within the Company's existing lease position. Sufficient success in this program may justify a standalone drilling program to fully develop the play, utilising vertical wells rather than requiring more expensive horizontal drilling.

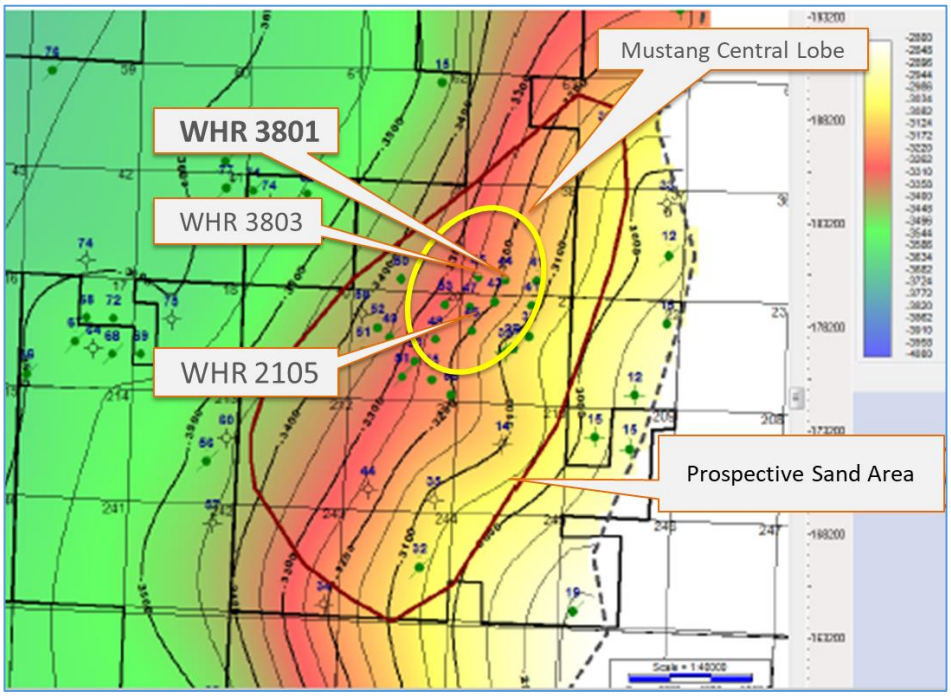


Figure 4: Depth Structure Map – Three Fingers Shale (Bonus Sand)

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The Bonus Sands has also been identified in several other existing Winchester-controlled oil wells (Figure 4) that may represent additional behind-pipe pay that could drive a relatively inexpensive and commercially attractive re-entry program.

White Hat 3902 (WEL WI: 50% and operator)

During the September 2020 quarter, the White Hat 3902 well was brought back on-line, producing 45 bopd in its first full day of production. Production is being monitored for approximately 90 days. A follow-up fracture stimulation of the Fry Sand is under consideration to increase production along with a possible completion in the upper Ellenburger zone (identified as potentially productive when drilled).

White Hat 2004 Recompletion (WEL WI: 100% and operator)

Further testing of two units within the Upper Cisco Sands was completed during the September 2020 quarter at Winchester's White Hat 2004 well, drilled in late 2019 targeting the Strawn Fry Sand Member within the Company's Mustang Oil Field.

After perforation, acidisation and swabbing of the two upper Cisco Sand zones it was determined that there was insufficient hydrocarbons returned to warrant fracture stimulation or further testing. Total cost of the operation was approximately US$35,000.

Additional Recompletions

In addition to the program at White Hat 3801, detailed assessments of well log data and new 3D seismic interpretation have identified several opportunities for completions in currently untested zones in existing wells. Potential pay zones have been identified in several wells in formations including the Fry Sands, Cisco Sands and sands within the Three Fingers Shale (TFS). Several of these recompletions, if successful, have considerable commercial implications given the lateral extent of the formations as well as the high availability of historic wells for re-entry.

Winchester is in the process of designing and prioritizing these proposed recompletions.

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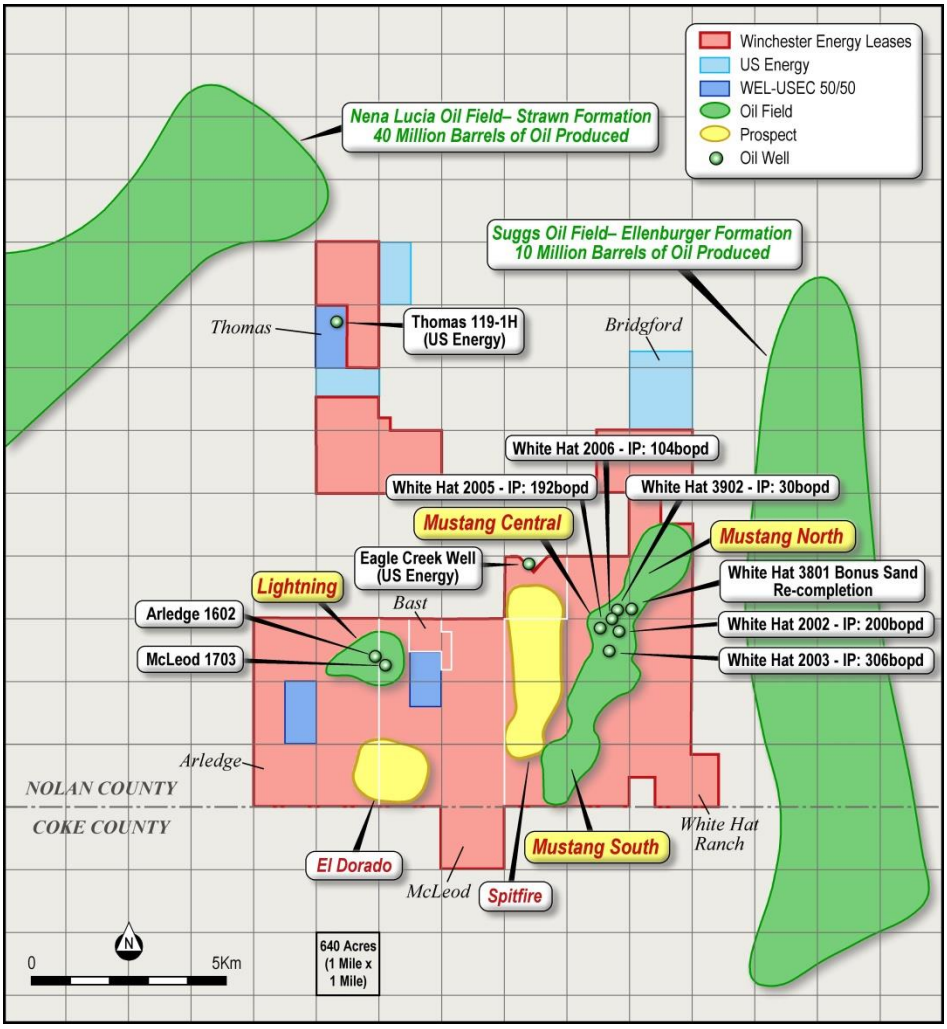


Figure 5: Winchester Leases - Prospects and Wells

In addition to the recompletion program, the recent pause in drilling activities has allowed the Winchester technical team to review and assess several new project/play opportunities emerging from the low oil price environment. Winchester is progressing several discussions and will inform the market if and when any transaction is completed.

OIL FIELD DEVELOPMENT AND EXPLORATION UPSIDE

In just over a year Winchester has significantly expanded its production base and added two new producing horizons, the Fry Sand in the Strawn Formation (Mustang Oil Field) and the Cisco Sands (Lightning Oil Field).

Within Winchester's prime lease position of approximately 17,973 acres along the eastern shelf of the Permian Basin in central west Texas, USA, there are numerous productive units with a long established history of oil and gas production.

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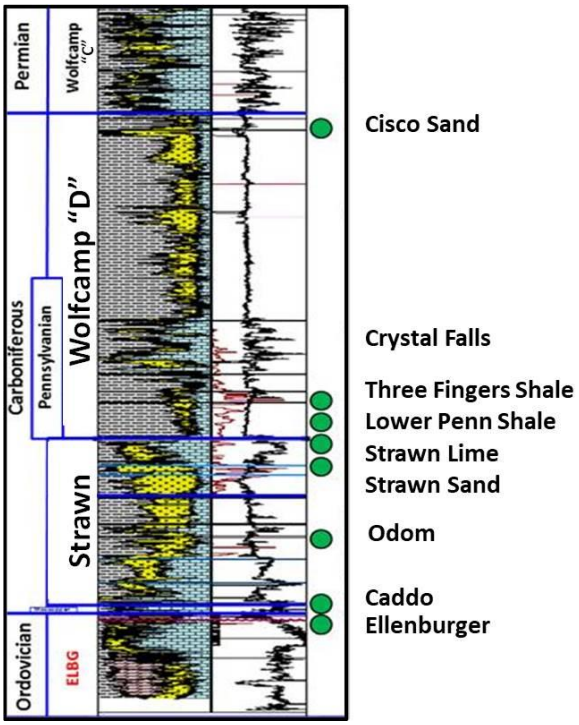


Fig 6. Stratigraphic Column – East Permian

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.

As well as the Strawn and Cisco Formations, other prospective units include the, Wolfcamp 'D' high total organic carbon shale intervals, Three Fingers Shale (currently undergoing testing), 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 and Lightning Oil Winchester has identified, from both 3D seismic Fields as well as the Spitfire and El Dorado prospects in the Strawn, Ellenburger and Cisco formations. Furthermore, Winchester has numerous additional locations identified for potential future exploration.

More recently, the company has also identified a number of Cambrian-age structural traps situated within its leasholdings. This thick, porous widespread reservoir has produced in excess of 23 MMBO from fields along the nearby Fort Chadbourne fault trend - just 10 miles to the east of Winchester's holdings.

Winchester is currently prioritising its Cambrian prospects for inclusion in future drillng campaigns.

RESERVES AND RESOURCES

The Company has booked 1.7 million barrels of oil equivalent (mmboe) in 3P Reserves along with 6.7 mmboe in Contingent Resources and a further 2.8 mmboe in Prospective Resources. In a significant development for the Company, the combined 'Best Estimate' Resources represent a 49% increase from the previously announced Resources.

The Reserves and Resources Reports were commissioned by Winchester and conducted by Texas-based independent consultant Kurt Mire of Mire & Associates Inc (MAI), in accordance with the definitions and guidelines set out by the United States Securities and Exchange Commission (SEC) and Petroleum Resources Management System revised in 2018 and endorsed by the Society of Petroleum Engineers.

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Table 1 (following) provides MAI's Reserve and Resource assessment of Winchester's net interests in its Nolan County, Texas acreage as of 31 December 2019. Further details can be found in the ASX announcement of 25 May 2020.

Reserves - WEL Net Interests - Nolan County, 31 December 2019			
	Net Reserves		BO equiv.
Category	Oil (mBO)	Gas (mmscf)	(mboe)
Proved Developed Producing (PDP)	179	75	192
Proved Developed Not Producing (PDNP)/Shut In	79	159	105
Proved Undeveloped (PUD)	131	195	164
Total Proved Reserves (1P)	**389**	**428**	**461**
Probable Undeveloped	299	470	377
Total Proved & Probable Reserves (2P)	**688**	**898**	**838**
Possible Undeveloped	671	862	815
Total Proved, Probable & Possible Reserves (3P)	**1,359**	**1,760**	**1,653**

Table 1a – WEL Net Reserve Estimates

Contingent Resources - WEL Net Interests - Nolan County, 31 December 2019			
	Net Contingent Resources		BO equiv.
Category	Oil (mBO)	Gas (mmscf)	(mboe)
Contingent Resources (Low Estimate; 1C)	1,895	3,424	2,466
Contingent Resources (Best Estimate; 2C)	4,709	12,108	6,727
Contingent Resources (High Estimate; 3C)	12,029	39,523	18,571

Table 1b – WEL Net Contingent Resources Estimates

Prospective Resources - WEL Net Interests - Nolan County, 31 December 2019			
	Net Prospective Resources		BO equiv.
Category	Oil (mBO)	Gas (mmscf)	(mboe)
Prospective Resources (Low Estimate; 1U)	1,662	1,006	1,830
Prospective Resources (Best Estimate; 2U)	2,519	1,810	2,821
Prospective Resources (High Estimate; 3U)	3,888	3,296	4,437

Table 1c – WEL Net Prospective Resources Estimates

Notes:

- *Reserves are stated net to Winchester's working interest and after deductions for royalty payments.*
- *All reserves estimates were prepared using deterministic methods. All resource estimates were prepared using probabilistic methods. All reserves aggregation was performed by arithmetic summation. All resource aggregations were performed probabilistically.*
- *"bbl(s)" means barrel(s); "bopd" or "boepd" means barrels of oil per day and barrels of oil equivalent per day, respectively*
- *"boe" means barrels of oil equivalent. Winchester reports boe using a gas to oil conversion based on equivalent thermal energy, i.e. 6000 cubic feet of gas = 1 barrel of oil*
- *"m" prefix means thousand; "mm" prefix means million; "scf" means standard cubic feet*
- *Production quantities are measured at the leases via a sales meter (gas) or in oil storage tanks.*

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CORPORATE

Winchester has continued to optimise and streamline all elements of the organization, from field completion and production operations, vendor support and costs, to internal approval and reporting procedures and financial and accounting practices. This has served to reduce overheads and the cost of operations, making Winchester a more viable, robust business.

As of 30 September 2020, Winchester Energy had 688,779,334 ordinary shares on issue and cash reserves of approximately AUD$2.85 million[6].

During the September 2020 quarter, USD$78,000 was paid in Director's fees and salaries.

Oil and Gas Leases Held as at 30 September 2020

Winchester's lease holding at the end of the September 2020 quarter is 17,973[7] acres.

	WEL Interest	Lease/Prospect	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
	92%	Bast	Nolan County Texas
	60.5%	Whiteside	Nolan County Texas
Acquired during the quarter	-	-	-
Disposed during the quarter	-	-	-

[6] Using exchange rate 1 AUD = 0.71 USD

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

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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 or oil and gas exploration entity quarterly cash flow report

Name of entity

WINCHESTER ENERGY LIMITED (ASX CODE: WEL)

ABN	Quarter ended ("current quarter")
21 168 586 445	30 September 2020

	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	793	2,493
1.2	Payments for		
	(a) exploration & evaluation	(550)	(2,596)
	(b) development	(154)	(1,759)
	(c) production	(188)	(567)
	(d) staff costs	(199)	(556)
	(e) administration and corporate costs	(108)	(305)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	4
1.5	Interest and other costs of finance paid	(3)	(10)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(408)**	**(3,294)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $USD'000	Year to date (..9.months) $USD'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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 equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(30)	(85)
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**	**(30)**	**(85)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,438	5,416
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(408)	(3,294)
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)	(30)	(85)

Consolidated statement of cash flows		Current quarter $USD'000	Year to date (..9.months) $USD'000
4.5	Effect of movement in exchange rates on cash held	20	(17)
4.6	**Cash and cash equivalents at end of period $USD'000**	**2,021**	**2,021**

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	2,021	2,438
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)**	**2,021**	**2,438**

6.	Payments to related parties of the entity and their associates	Current quarter $USD'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	78
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $USD'000**	**Amount drawn at quarter end $USD'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8.	**Estimated cash available for future operating activities**	**$USD'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(408)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(408)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,021
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	2,021
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	4.9

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Item 8.7 is greater than 2 quarters

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Item 8.7 is greater than 2 quarters

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8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: Item 8.7 is greater than 2 quarters	

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date: .....29 October 2020.....

Authorised by: .....Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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