

WEL CAP STRUCTURE

Shares: ~1B
Share Price: 1.3c
Market Cap: ~\$13M
Cash: \$4.46M
Debt: Nil

ASX: WEL



QUARTERLY REPORT

For the period ending 30 June 2022

HIGHLIGHTS

- **Positive cash flow of AUD\$718,840¹ (~84% increase from the March 2022 quarter)**
- **Working Interest quarterly revenue of AUD\$2,628,419¹**
- **Production during the June 2022 quarter averaged 196 barrels of oil equivalent per day² (boepd) net to Winchester's Working Interest (WI)**
- **Contributions from newly acquired Varn Oil Field and Group Prospect forecast to lift production by between 44% (base) and 100% (high) by end CY2022³**
- **Outstanding oil price exposure - Winchester fully leveraged to strong oil and gas prices**

Operations

- Consistent news-flow over next three months with four shallow workovers, one deep-test recompletion and three new wells planned at the Group Prospect
- Oil successfully recovered from the first Group Prospect workover well – second workover well currently underway
- Full permitting and approvals received for development of the Varn Oil Field (Proven and Probable Reserves (2P) of 1.068 mmboe²) with 75% of above-ground infrastructure now in place and drilling to commence in August 2022

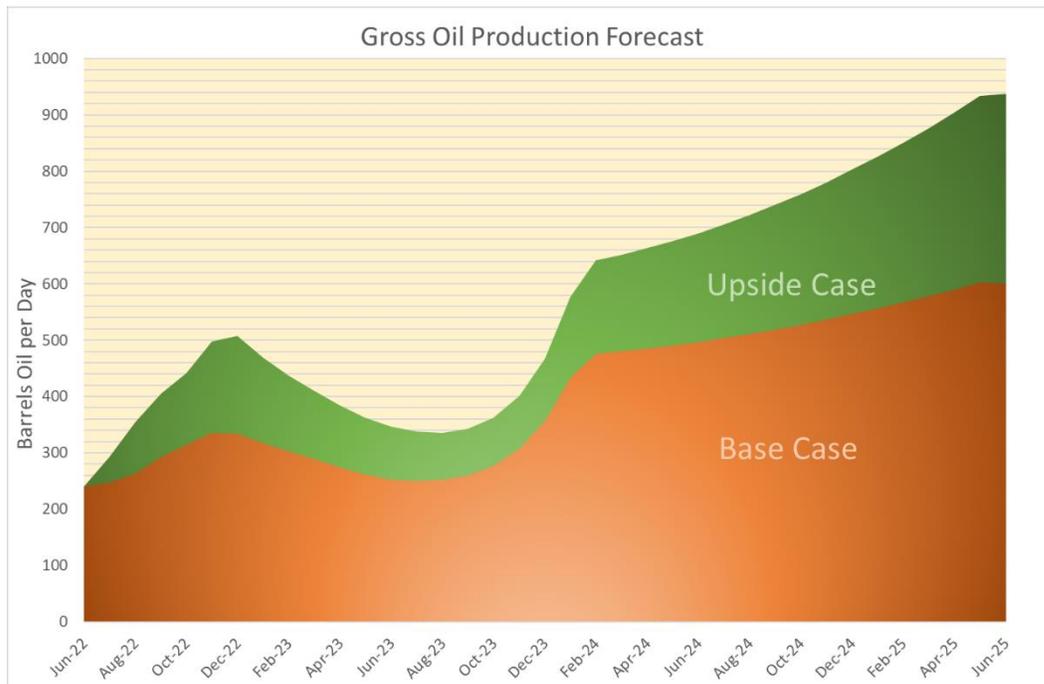


Figure 1: Winchester Gross Oil Production Forecast – Base Case and High Case (excludes gas production)³

¹ Using exchange rate 1 AUD = 0.69 USD.

² boe (barrels of oil equivalent) - gas quantities are converted to boe using 6,000 cubic feet of gas to one barrel of oil. Conversion ratio is based on energy equivalency and does not represent value equivalency. Rounded to the nearest boe.

³ See 'Forecast Explanation' in ASX announcement dated 18 July 2022

PRODUCTION SUMMARY

Winchester Energy Limited's (ASX:WEL) ("Winchester", "the Company") gross and net Working Interest (WI) oil and gas production for the quarter ended 30 June 2022 is shown below:

Oil Production (boe)	June Quarter 2022	March Quarter 2022	December Quarter 2021	September Quarter 2021	June Quarter 2021
Gross Oil Production	19,090	31,043	46,911	22,245	15,933
WEL WI Share*	17,873	28,313	42,713	18,784	11,857

*Winchester is entitled to its WI share of revenue after royalty payments to the oil and gas mineral rights owners.

Winchester's average daily WI production in the June 2022 quarter was 196 barrels of oil equivalent per day (boepd)⁴, comprising 93% liquids (oil).

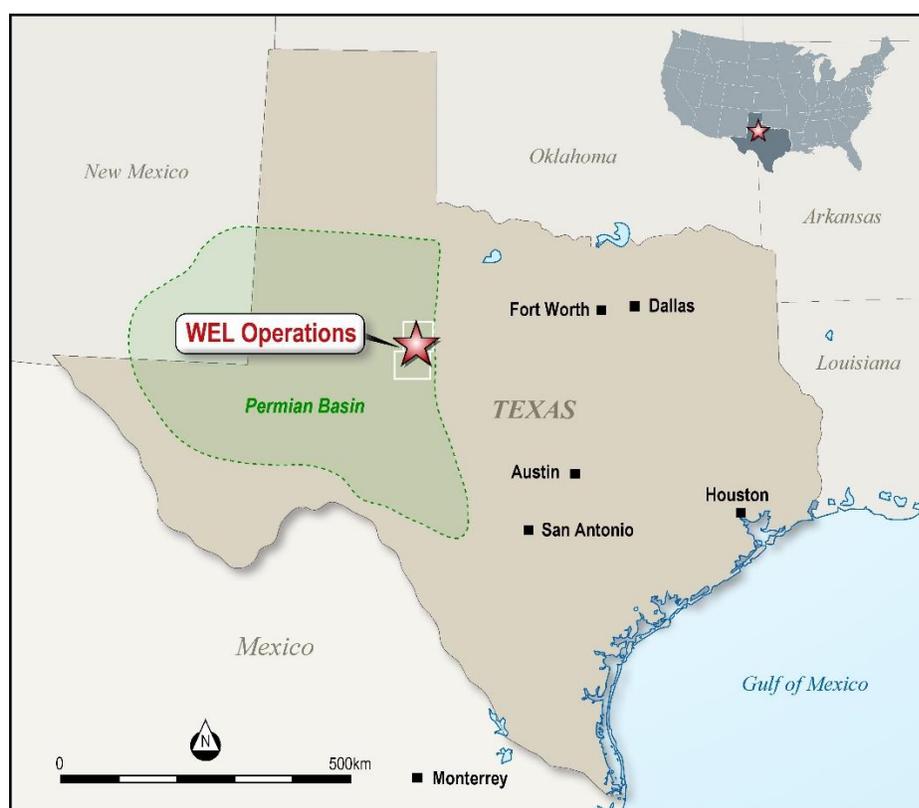


Figure 2: Location of Winchester Operations in Texas, USA

⁴ boe (barrels of oil equivalent) - gas quantities are converted to boe using 6,000 cubic feet of gas to one barrel of oil. The 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.

REVENUE SUMMARY

Total WI oil and gas sales revenue for the June 2022 quarter was A\$2,628,419⁵ (US\$1,813,609). The average sale price per barrel of oil was US\$106.37, a 13.8% increase from the March 2022 quarter.

June 2022 quarterly revenue resulted in positive cash flow of AUD\$718,840⁶⁵ (US\$496,000) for the quarter, an ~84% increase from the March 2022 quarter.

OIL PRODUCTION FORECAST

Winchester is delivering on its strategy to build sustainable high-margin oil and gas production over the coming months and years. In 2H 2022 the Winchester team will oversee a busy schedule of field activity and increasing production across Winchester's portfolio.

All of Winchester's existing and forecast production is derived from conventional reservoirs which can be immediately brought online to deliver oil and gas sales at decade-high oil prices. Production forecasts on a project basis using conservative base case projections are provided in Figure 3.

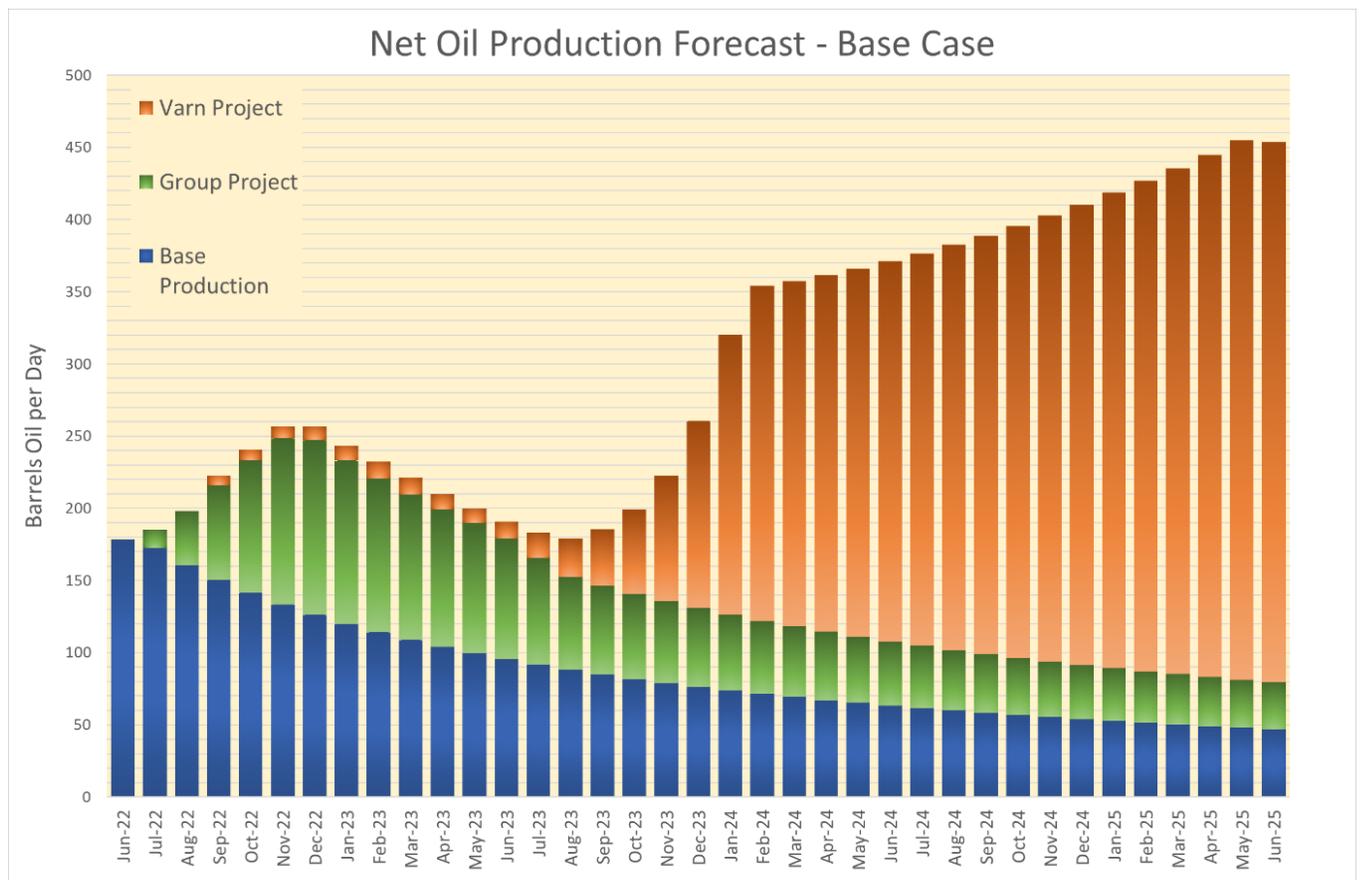


Figure 3: Winchester Net Oil Production Forecast by Project – Base Case (excludes gas production)⁶

⁵ Using exchange rate 1 AUD = 0.69 USD.

⁶ See 'Forecast Explanation' in ASX announcement dated 18 July 2022

The Group Prospect and Varn Oil Field acquisitions are expected to add significantly to Winchester's production volumes in Nolan County in the near and medium term. Crucially, both Varn and the Group Prospect include several historically oil-rich 'bonus' formations that represent significant additional upside and can be tested for minimal additional cost.

In addition, Winchester continues to leverage its large seismic database and regional experience to review and assess further low-risk opportunities in the region that can add barrels of oil at low cost.

ACQUISITION OF GROUP PROSPECT

On 29 June 2022, Winchester announced it had executed an agreement with private US-based oil company Westex Resources Inc (Westex) that allows Winchester to farm-in to the Group Prospect which is contiguous with its 100%-owned Whiteside Prospect in Nolan County, Texas.

The Group Prospect farm-in provides Winchester with an entry into an oil play contiguous to its existing land holding and will deliver an immediate incremental increase in the Company's oil production for minimal operational outlay.

One of the Group Prospect wells, Chapman 1, was a former Ellenburger Formation producer meaning it is a deep well providing access to all the oil-bearing formations prevalent in the area, including the Strawn and Cisco Sands. The Chapman 1 workover will enable Winchester to cheaply assess the stratigraphy and potential of the area that includes the Company's critical Whiteside acreage.

An Area of Mutual Interest (AMI), incorporating all areas within one mile of the Group Prospect has been agreed between Winchester and Westex. The AMI stipulates where either party acquires leases within the AMI, that party must offer to the other party (within 30 days) the leases on a 75% Winchester / 25% Westex basis.

Table 1: Winchester work commitments under the Group Prospect farm-in

Activity	Commencement Date	Approx Cost	Westex Back-in after Payout*
Workover 1	29 June 2022 (complete)	US\$75,000	50%
Workover 2	10 days after completion of Workover 1 (commenced)	US\$75,000	50%
Workover 3 (Chapman 1 deep test)	10 days after completion of Workover 2	US\$250,000	50%
Workover 4	10 days after completion of Workover 3	US\$75,000	50%
Workover 5	10 days after completion of Workover 4	US\$75,000	50%

New well 1	19 August 2022	US\$600,000	25%
New well 2	14 days after completion of New well 1	US\$600,000	25%
New well 3	14 days after completion of New well 2	US\$600,000	25%
Additional workovers or new wells	To be determined by Winchester	To be determined	No back-in. Heads up at WI of 75% Winchester / 25% Westex

* Westex to assume stipulated percentage of WI revenue (back-in) after Winchester recovers 100% of individual workover/new well cost from revenue (payout)

On top of the farm-in work commitments, Winchester can conduct further workovers and drill additional wells across the Group Prospect on a 75% (Winchester) / 25% (Westex) 'heads up' basis. This represents significant upside for Winchester should initial work prove successful.

Winchester has taken ownership of 75% of the Group Prospect (1,320 net acres to Winchester). Details of the work commitment under the farm-in agreement are provided in Table 1.

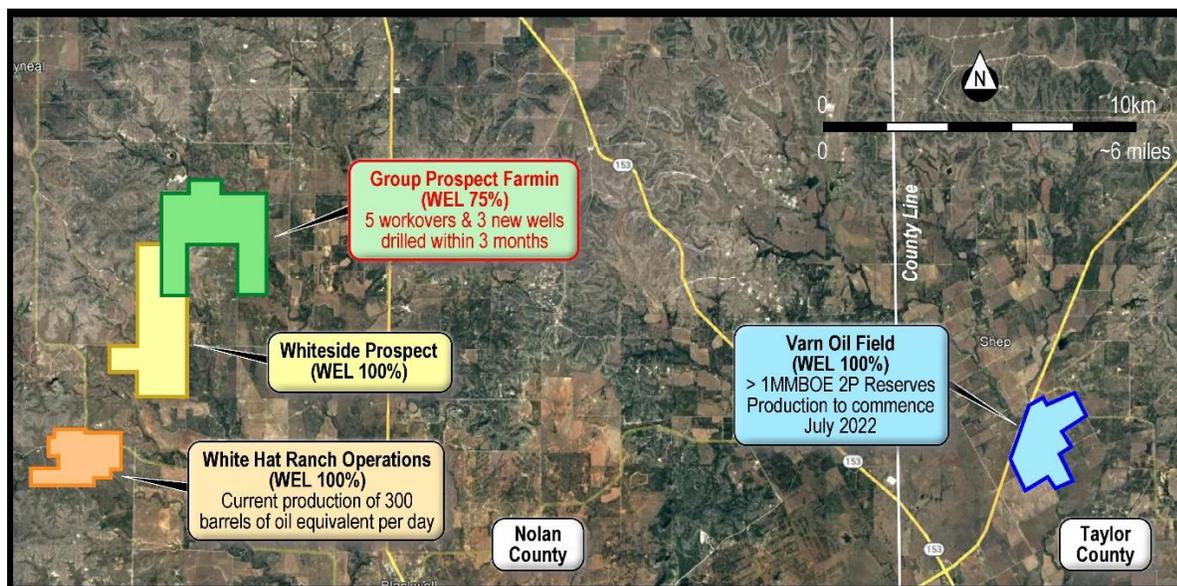


Figure 4: Location of WEL assets in Nolan and Taylor Counties, Texas

EXPLORATION & DEVELOPMENT OPERATIONS

Well Summary

Well ID	Drilled/Work over	Formation	Oil Field	WEL WI	Status
White Hat 2002	Apr 2017	Strawn	Mustang	50%	Producing
White Hat 2003	Mar 2019	Strawn	Mustang	75%	Producing
White Hat 2005	Aug 2019	Strawn	Mustang	75%	Producing
White Hat 3902	Dec 2019	Ellenburger	-	100%	Producing
White Hat 2006	Jan 2020	Strawn	Mustang	75%	Producing
Arledge 1602	Jul 2019	Cisco Sands	Lightning	100%	Producing
McLeod 1703	Dec 2019	Cisco Sands	Lightning	100%	Producing
Bast 1	1985	Strawn	Bast	92%	Producing
Bast 2	1985	Strawn	Bast	94%	Producing
Bast A-1	1985	Strawn	Bast	93%	Producing
McLeod 1705	June 2021	Strawn	-	100%	Producing
White Hat 2106	July 2021	Ellenburger	-	100%	Producing
Group 4000 – 16A	July 2022	Cisco Sands	Group	75%	Production to commence shortly

Group Prospect (75% WI)

On 20 July 2022, Winchester advised that oil had been successfully recovered from its first workover well (Group 4000 – 16A) at the newly-acquired Group Prospect. The well is now being placed on pump with oil sales to commence immediately. The oil production rate will be determined once the flow rate stabilizes under pump.

The workover rig has now moved to the second workover well and has commenced recompletion activities.

The Group Prospect work programme will provide consistent news-flow with a further three shallow workovers, one deep re-entry recompletion and the drilling of three new low-risk wells to be completed within the next three months.

Varn Oil Field (100% WI)

Operations have accelerated significantly at Winchester's Varn Oil Field (2P Reserves of over 994,000 barrels of oil (plus gas))⁷, located 18 miles to the east of Winchester's existing producing assets in Nolan County, Texas.

⁷ See ASX Release dated 3 December 2021

As per the announcement of 7 July 2022, the waterflood operation is now fully permitted with 75% of above-ground infrastructure (roads, flow lines and facilities) now in place.

Winchester is the operator at Varn, which is a waterflood field operation comprising 11 wells (six oil and gas producers and five water injectors). The majority of these wells are planned for the central area where the Upper and Lower Fry Sand overlap while the rest of the wells capture oil from the more widespread Upper Fry Sand. Drilling is expected to commence in August.

Calculated Varn Oil Field Reserves - Mire Petroleum Consultants

Reserves	Product	1P – Proved Reserve	2P – Proved + Probable Reserve	3P – Proved + Probable + Possible Reserve
Upper and Lower Fry Sands	BO	415,000	994,000	1,680,000
	MCF	169,000	442,000	894,000
	BOE	443,000	1,068,000	1,829,000

BO –

barrels of oil

BOE – barrel of oil equivalent

MCF – thousand cubic feet of gas

Calculated Reserves incorporate WEL's net revenue interest of 77%

Further ASX Listing Rule 5.31 Information (Notes to Reserves) related to these reserves is provided in the ASX release of 3 December 2021

CORPORATE

Winchester recorded positive cash flow of AUD\$718,840⁸ (US\$496,000) for the June 2022 quarter driven by improved oil and gas prices and the streamlining of operations.

As of 30 June 2022, Winchester Energy had 1,010,219,792 ordinary shares on issue and cash reserves of approximately AUD\$4.46 million⁸.

During the June 2022 quarter, USD\$132,000 was paid to related parties and their associated entities which was comprised of directors' fees and salaries.

⁸ Using exchange rate 1 AUD = 0.69 USD

Oil and Gas Leases Held as at 30 June 2022

Winchester's lease holding at the end of the June 2022 quarter was 4,910⁹ acres, an increase of 33% from the March 2022 quarter.

	WEL Interest	Lease/Prospect	Location
Held at end of quarter			
	100%	McLeod (HBP only)	Nolan County Texas
	100%	Coke	Coke County Texas
	100%	White Hat (HBP only)	Nolan County Texas
	100%	Arledge (HBP only)	Nolan County Texas
	92%	Bast (HBP only)	Nolan County Texas
	100%	Whiteside	Nolan County Texas
	100%	Varn Oil Field	Taylor County Texas
Acquired during the quarter	75%	Group Prospect	Nolan County Texas
Disposed during the quarter	-	-	-

HBP – Held by Production (no lease costs or holding obligations as long as oil and gas production continues)

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.

⁹ The Company's net acreage position varies modestly in accordance with earned interests in drilling units of the current operations.

COMPETENT PERSON'S STATEMENT

The information in this report is based on information compiled or reviewed by Mr Keith Martens, consulting geologist/geophysicist to Winchester Energy. Mr Martens is a qualified petroleum geologist/geophysicist with over 45 years of Australian, North American and other international executive petroleum experience in both onshore and offshore environments. He has extensive experience of petroleum exploration, appraisal, strategy development and reserve/resource estimation. Mr Martens has a BSc. (Dual Major) in geology and geophysics from The University of British Columbia, Vancouver, Canada.

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

21 168 586 445

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (..6.months) \$USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,882	3,285
1.2 Payments for		
(a) exploration & evaluation	(772)	(1,288)
(b) development	(242)	(325)
(c) production	(209)	(375)
(d) staff costs	(32)	(229)
(e) administration and corporate costs	(129)	(286)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(2)	(5)
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	496	778

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	(27)	(27)
(c) property, plant and equipment	(114)	(156)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets (ROU asset)	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (..6.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	(141)	(183)

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	-	(1)
3.5	Proceeds from borrowings (ROU liability)	-	-
3.6	Repayment of borrowings	(9)	(18)
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	(9)	(19)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,845	2,565
4.2	Net cash from / (used in) operating activities (item 1.9 above)	496	778
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(141)	(183)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(9)	(19)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (..6.months) \$USD'000
4.5	Effect of movement in exchange rates on cash held	(115)	(65)
4.6	Cash and cash equivalents at end of period \$USD'000	3,076	3,076

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	3,076	2,845
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)	3,076	2,845

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	132
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$USD'000	Amount drawn at quarter end \$USD'000
<i>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.</i>		
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)	496
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(141)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	356
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,076
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	3,076
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A
<i>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.</i>	
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: N/a	
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: N/a	
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: N/a	
<i>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.</i>	

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 July 2022.....

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.