

QUARTERLY REPORT

For the period ending 30 June 2021

HIGHLIGHTS

- Net oil & gas revenue in the reporting period was AUD\$661,805¹ a 25% increase from the previous quarter.
- Production during the June 2021 quarter averaged 130 barrels of oil equivalent per day² (boepd) net to Winchester's Working Interest (WI).

Work Completed during the Quarter

- White Hat 2106 has encountered an impressive potential oil pay zone of 84 feet in the Ellenburger Formation with strong oil shows and visual vuggy porosity – completion currently underway.
- Wireline logs have identified an encouraging 8 foot gross pay interval in the Strawn Sands formation in the newly drilled McLeod 1705 well – the same interval interpreted to have produced over 200,000 barrels of oil in the nearby Bast Oil Field – completion early August.
- Following a workover and fracture stimulation costing US\$120,000 targeting the Cisco Sands, the Bast#1 well is now producing oil and minor gas – more recompletions planned for August.



Figure 1: West Texas Intermediate (NYMEX) crude oil price over 1 year³

¹ Using exchange rate 1 AUD = 0.75 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. The conversion ratio is based on energy equivalency and does not represent value equivalency. Estimates are rounded to the nearest boe.

PRODUCTION SUMMARY

Winchester Energy Limited's (Winchester; ASX:WEL) gross and net Working Interest (WI) oil and gas production for the quarter ended 30 June 2021 is shown below:

Oil Production (bo/boe)*	June Quarter 2021 (boe)	March Quarter 2021 (boe)	December Quarter 2020 (boe)	September Quarter 2020 (boe)	June Quarter 2020 (bo)
Gross Oil Production	15,933	17,661	23,206	23,932	28,108
WEL WI Share**	11,857	13,055	17,184	17,706	20,576

* 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 June 2021 quarter was 130 boepd, comprised of 72% oil⁴.

To the end of the June 2021 quarter, Winchester's Permian Basin wells in Nolan County, Texas have produced a total gross 554,247 barrels of oil and 293 million cubic feet of gas.

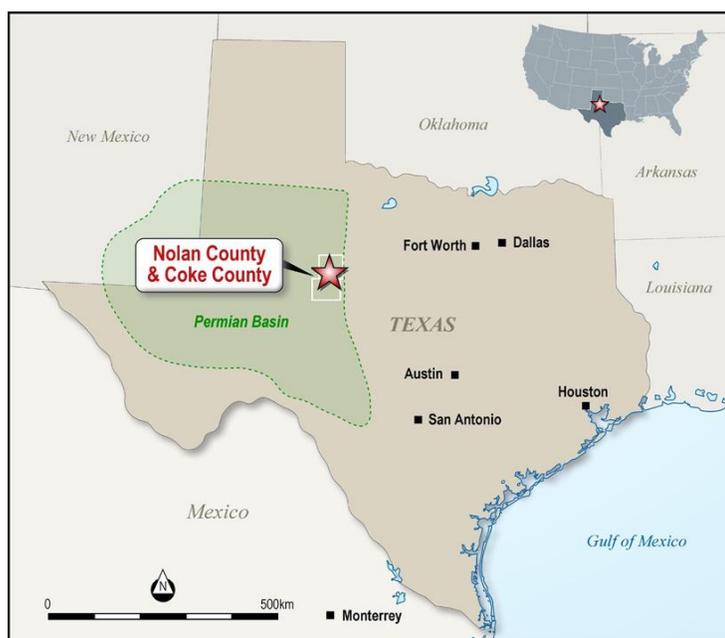


Figure 2: Location of the Company's acreage position in Nolan and Coke Counties, Texas, USA

³ Source: macrotrends.net

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 2021 quarter was A\$661,805⁵ (US\$496,354), a 25% increase on the previous quarter. The average sale price per barrel of oil was US\$64.74, a 21% increase from the March 2021 quarter.

During the quarter, West Texas Intermediate (WTI) oil prices continued to rise appreciably, with WTI oil currently selling at over US\$70 per barrel (Figure 2), bolstering sales revenue for the Company.

EXPLORATION & DEVELOPMENT OPERATIONS

Mustang, Lightning and Bast Well Summary

Well ID	Drilled	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	Strawn	Mustang	50%	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%	Awaiting completion
White Hat 2106	July 2021	Ellenburger	-	100%	Awaiting completion

During the June 2021 quarter Winchester Energy recommenced field operations at its Nolan County assets in the east Permian Basin.

Operations over the past three months have included the drilling of two wells, White Hat 2106 and McLeod 1705, and recompletion (fracture stimulation) of Bast #1 – an existing historic producing well.

White Hat 2106 (Winchester 100% WI and Operator)

Subsequent to the end of the June 2021 quarter, Winchester, as operator, reached a total depth of 6,820 feet in its new well, White Hat 2106.

⁵ Using exchange rate 1 AUD = 0.75 USD

A highly encouraging 84 foot potential oil pay zone from 6,637-6,721 feet with strong oil shows and visual vuggy porosity was observed within the Ellenburger Formation. Wireline logs have been run suggesting net reservoir over the majority of the gross interval however it is noted that estimation of porosity values is problematic in vuggy reservoirs.

The well has been cased ahead of flow testing which will quantify the reservoir quality and reserves potential of the well.

Wireline logs have also identified potentially productive intervals within both the Strawn Fry Sand Member (Fry Sand) and Canyon Reef (Strawn age) however the underlying Ellenburger Formation clearly represents the most attractive production completion option at this stage. Both overlying intervals will be assessed for future production.

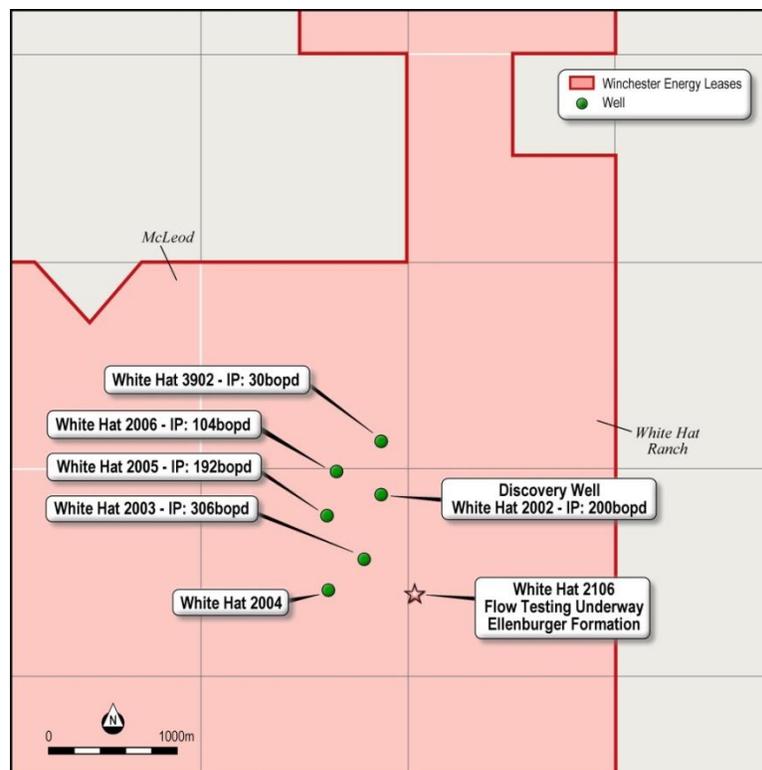


Figure 3: White Hat 2106 (Ellenburger) and producing Fry Sand well locations

McLeod 1705 (Winchester 100% WI)

Wireline logs have identified an encouraging 8 foot gross pay (5 foot net pay) interval (6,461 - 6,469 feet depth) in the Strawn Sand formation in the newly drilled McLeod 1705 well.

This same approximately 8 foot thick interval is interpreted to have produced some 200,000+ barrels of oil from 4 wells located approximately 3,000 feet to the east (Bast Oil Field). If productive, McLeod 1705 would significantly expand the areal extent of this field to the west which would open numerous opportunities to significantly and inexpensively lift oil production through re-completions of existing wells as well as new drill locations.

The Company is currently running casing to incorporate the entire prospective 50 foot Strawn Sand section where strong oil and gas shows were observed. The Upper Cisco Sands will also be cased to ensure flow testing can be completed across this encouraging interval.

A perforation and fracture stimulation programme will now be designed targeting the broad Strawn Sand section (incorporating the gross pay identified plus other prospective zones). This programme will occur in early August with any resultant production able to be put to sales immediately.

A formation image log analysis (FMI) is underway and will tabulate reservoir properties in the Upper Cisco sands. This zone appears highly prospective and, depending on results, may be completed for production following results (or potentially oil production) from the underlying Strawn interval.

Bast #1 Workover (Winchester 92% WI)

Low Cost Operation Increases Cash-flow

During the June 2021 quarter the Bast #1 well was recompleted and fracture stimulated in the Upper Cisco Formation and initially put on beam pump.

Encouraged by the high fluid level in the borehole, high pressure and excellent productivity from the reservoir, Winchester installed an electric submersible pump (ESP) to increase the amount of fluid able to be removed from the well from roughly 200 barrels of fluid per day (bfpd) (beam pump) to around 900 bfpd (ESP).

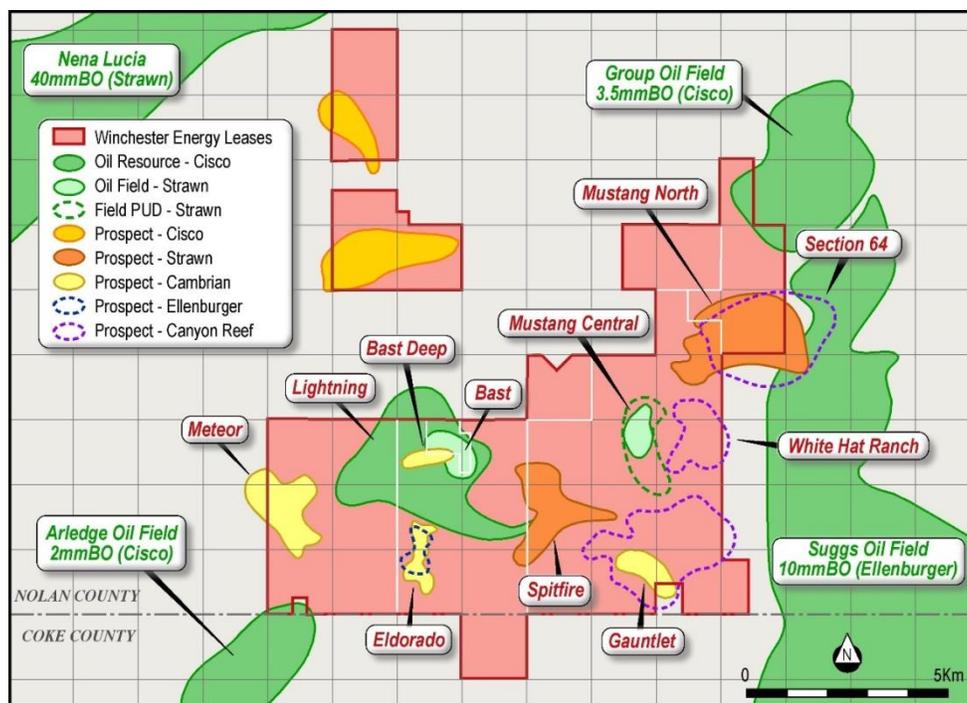


Figure 4: Winchester Leases, Prospects and Fields

The well has consistently been producing approximately 15 barrels of oil per day (bopd). The workover cost of Bast #1 was approx US\$120,000, making these recompletions commercially attractive.

Having demonstrated appreciable oil production in the Upper Cisco, Winchester has four other existing wells that are now candidates for re-completion and fracture stimulation which could potentially greatly improve production at very little cost.

EXPLORATION POTENTIAL

The Eastern Shelf of the Permian contains several vertically-stacked oil productive units (vertical pay). The recent results from the Strawn, Cisco and Ellenburger Formations have proven that the Winchester leases hold significant potential at several formation levels.

As well as the Strawn, Cisco and Ellenburger 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.

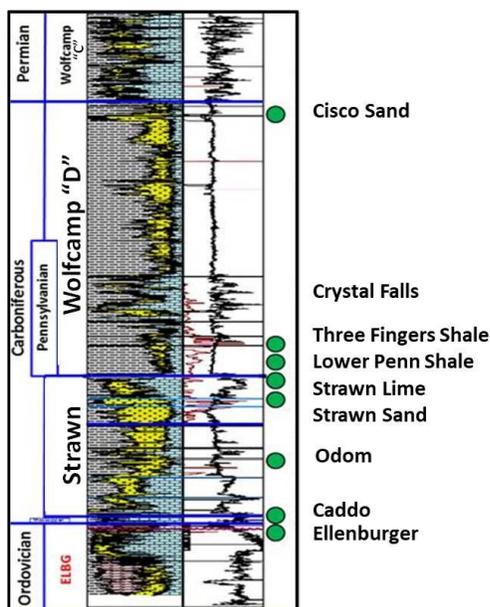


Fig 5: Stratigraphic Column – East

Winchester has identified, from both 3D seismic and well control, the Mustang and Lightning Oil 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.

The Winchester technical team continues to review and assess new project/play opportunities. Winchester is progressing several discussions and will inform the market if and when any transaction is completed.

RESERVES AND RESOURCES

Following an independent Reserves and Resources Estimate undertaken during the quarter, Winchester Energy Limited's (Winchester or WEL) share of petroleum Reserves and 'Best Estimate' or P50 Resources in its lease position in the East Permian Basin, Texas - as at 31 December 2020 - has been assessed at 496 thousand barrels of oil equivalent (mboe) of 3P reserves and a combined 11.1 million barrels of oil equivalent (mmboe) in Contingent and Prospective Resources.

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

Table 1 (following) provides MPC's Reserve and Resource estimates of Winchester's net interests in its Nolan County, Texas acreage.

Reserves - WEL Net Interests - Nolan County, 31 December 2020			
Category	Net Reserves		BO equiv.
	Oil (mBO)	Gas (mmscf)	(mboe)
Proved Developed Producing (PDP)	67.3	165.7	94.9
Proved Developed Not Producing (PDNP)/Shut In	0.0	0.0	0.0
Proved Undeveloped (PUD)	56.0	65.0	66.8
Total Proved Reserves (1P)	123.3	230.7	161.8
Probable Undeveloped	106.9	161.5	133.8
Total Proved & Probable Reserves (2P)	230.2	392.2	295.6
Possible Undeveloped	153.7	279.6	200.3
Total Proved, Probable & Possible Reserves (3P)	383.9	671.8	495.8

Table 1a – WEL Net Reserve Estimates

Contingent Resources - WEL Net Interests - Nolan County, 31 December 2020			
Category	Net Contingent Resources		BO equiv.
	Oil (mBO)	Gas (mmscf)	(mboe)
Contingent Resources (Low Estimate; 1C)	1,472	2,828	1,944
Contingent Resources (Best Estimate; 2C)	2,923	8,572	4,352
Contingent Resources (High Estimate; 3C)	5,625	24,969	9,787

Table 1b – WEL Net Contingent Resources Estimates

Prospective Resources - WEL Net Interests - Nolan County, 31 December 2020			
Category	Net Prospective Resources		BO equiv.
	Oil (mBO)	Gas (mmscf)	(mboe)
Prospective Resources (Low Estimate; P90)	2,584	1,704	2,868
Prospective Resources (Best Estimate; P50)	5,994	4,554	6,753
Prospective Resources (High Estimate; P10)	13,512	11,969	15,507

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 a combination of deterministic and probabilistic methods. All resource estimates were prepared using probabilistic methods. All reserves aggregation was performed by arithmetic summation. All resource aggregations was performed probabilistically.
- Cautionary note: the aggregate 1P estimate may be a very conservative estimate and the aggregate 3P estimate may be very optimistic due to the portfolio effects of arithmetic summation.
- "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.
- 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.

CORPORATE

As of 30 June 2021, Winchester Energy had 863,806,109 ordinary shares on issue and cash reserves of approximately AUD\$3.1 million⁶. Tranche 1 of the placement announced 26 May 2021 was completed during the quarter and raised AUD\$2.2M; subject to shareholder approval at the 19 August 2021 General Meeting, a further AUD\$2.8m will be raised under a second tranche.

The total raising of \$5 million announced on 26 May 2021 will be used to accelerate oil exploration and production activity across Winchester's lease holding.

On 30 April 2021 Winchester accepted the resignation of Laurence Roe from the Board and his role as Executive Chairman.

During the March 2021 quarter, USD\$88,000 was paid to related parties and their associated entities which was comprised of directors' fees and salaries.

Oil and Gas Leases Held as at 30 June 2021

Winchester's lease holding at the end of the June 2021 quarter was 16,650⁷ acres.

	WEL Interest	Lease/Prospect	Location
Held at end of quarter			
	75%	White Hat Ranch	Nolan County Texas
	100%	McLeod	Nolan County Texas
	100%	Arledge	Nolan County Texas
	100%	Coke	Coke County Texas
	92%	Bast	Nolan County Texas
	100%	Whiteside	Nolan County Texas
Acquired during the quarter	-	-	-
Disposed during the quarter	-	-	-

This announcement has been authorised by the board of directors of Winchester Energy Ltd.

⁶ Using exchange rate 1 AUD = 0.75 USD

⁷ 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 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 2021

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	549	961
1.2 Payments for		
(a) exploration & evaluation	(853)	(1,085)
(b) development	(59)	(102)
(c) production	(88)	(277)
(d) staff costs	(200)	(444)
(e) administration and corporate costs	(106)	(210)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(1)
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	(757)	(1,157)

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	-	-

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	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,138	2,138
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	(137)	(137)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(33)	(64)
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	1,968	(1,936)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,177	1,610
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(757)	(1,157)
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)	1,968	(1,936)

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	(58)	(58)
4.6	Cash and cash equivalents at end of period \$USD'000	2,331	2,331

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	2,331	1,177
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)	2,331	1,177

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	88
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)	(757)
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)	(757)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,331
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	2,331
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.1
<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: 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	

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

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:30 July 2021.....

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.