

White Hat 38#3ML Production Testing Results, Permian Basin, Texas

White Hat 38#3ML – (WEL 60% WI)

On 23 November 2017, Winchester Energy Limited (ASX:WEL) (**Winchester or Company**), announced that it had completed the third and final ultra-short radius lateral (Leg 3) in the White Hat 38#3ML well at its Permian Basin White Hat oil and gas lease in Nolan County, Texas, USA.

Legs 1, 2 and 3 in the White Hat 38#3ML well recorded aggregate oil and gas shows of 430 feet which has greatly increased the length of well bore exposed to oil and gas when compared to a vertical well with its 6 feet of interpreted oil pay in the Ellenburger Formation.

On 15 January 2018 Winchester advised that it had replaced the electric submersible pump (ESP) from White Hat 38#3ML with the more reliable conventional rod pump to facilitate production testing and subsequent production.

White Hat 38#3ML Ellenburger Formation Production Testing Results

Following the installation of a conventional rod pump the Company has been conducting detailed production testing at White Hat 38#3ML.

White Hat 38#3ML is currently producing 10 barrels of oil per day (BOPD) and 25 barrels of water per day (BOWPD).

Given the difficulty experienced during production testing with differential pressures, gas locking and inconsistent flow rates, the Company engaged an independent oil and gas expert with a career focus on transient pressure analysis to assist with interpretation of production test data.

A review of pressures, offset well performance and production history suggest that the ultra-short radius laterals have intersected a depleted fracture reservoir with tight matrix.

Three ultra-short radius horizontal laterals have been drilled and completed successfully in the Ellenburger Formation by Winchester at White Hat 38#3ML. However it seems likely that the ultra-short radius laterals drilled have intersected fractures and matrix porosity within the drainage radius of pre-existing Ellenburger Formation producing oil wells.

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ASX Code: WEL

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Additional Oil Producing Potential in White Hat 38#3ML

The Company is currently evaluating the White Hat 38#3ML logs where 60 feet of potential oil pay was observed in three shallower sands, behind pipe in the vertical well bore, overlying the Ellenburger Formation. This potential oil pay was observed in the Odom, Strawn (Lazarus and Fry) and Canyon (Wolfcamp "D") formations and they are thus candidates for completion and production. The Strawn Formation is considered an attractive zone for completion and production as this zone has been productive in the Company's nearby White Hat 20#2 well which had an initial production rate of 200 bopd.

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

The Company is considering drilling additional lateral wells in the Ellenburger Formation at locations where Ellenburger reservoir depletion is less likely to have occurred due to previous oil production. Existing wells such as White Hat 39#1 and White Hat 245#1 are two such candidates for re-entry and lateral drilling. The partner in White Hat 38#3ML, USR Drilling, has indicated a desire to move forward and drill and complete a lateral well in White Hat 39#1.

Winchester's deployment of USR Drilling's proprietary ultra-short radius drilling equipment and technology is still 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.

The successful drilling of three horizontal laterals in White Hat 38#3ML by Winchester and its partner in the well, USR drilling, demonstrates that these two objectives have been achieved using the USR drilling technology.

The White Hat 38#3ML well is the first well that Winchester has operated. Winchester has a 60% working interest (**WI**) in the White Hat 38#3ML well but is paying for 70% of the costs of the well. This arrangement is a function of a one-off contractual agreement with former operator, CEGX, whereby CEGX is 10% free-carried by the Company in one well only. The remaining 30% WI participant and contributor to the well cost is US based drilling company, USR Drilling

Managing Director of Winchester, Mr. Neville Henry, commented:

"With the successful drilling of the White Hat 38#3ML ultra-short radius laterals, Winchester has proven that the USR drilling technology is an excellent new

method with which to significantly increase the length of the oil bearing Ellenburger Formation for production when compared to a vertical well.

The drilling of White Hat 38#3ML has also provided valuable information on the reservoir production characteristics of the Ellenburger Formation. The White Hat 38#3ML target Ellenburger reservoir is interpreted to have been depleted by adjacent oil production. Future multi-lateral drilling will target areas where virgin Ellenburger reservoir pressures are expected. Two such vertical well locations already drilled with oil bearing Ellenburger zones have been selected for future Ellenburger laterals.

The Company is also considering completing White Hat 38#3ML within zones of observed oil and gas shows within the shallower horizons in the vertical well bore."

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About Winchester Energy Ltd (ASX Code: WEL)

Winchester Energy Ltd (ASX Code: WEL) is an Australian ASX listed energy company with its operations base in Houston, Texas. The Company has a single focus on oil exploration, development and production in the Permian Basin of Texas. The Company has established initial oil production on its large (17,321 net acres) leasehold position on the eastern shelf of the Permian Basin, the largest oil producing basin in the USA. Winchester's lease position is situated between proven significant oil fields. Winchester is of the view that with the several known oil productive horizons in its lease holding, that it can build through the application of modern geology, 3D geophysical analysis, drilling and completion methods, a potentially significant proven reserves and oil production asset.

Competent Person's Statement

The information in this ASX announcement 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.