

Drilling of Short-Radius Laterals to Commence at White Hat 38#3ML

Highlights

- **Drilling of short-radius laterals at White Hat 38#3ML to commence on Monday 28 August 2017.**
- **Winchester, as operator, continues drilling the White Hat 39#1 well targeting the Ellenburger Formation.**

White Hat 38#3ML (Multi-Lateral) Well

Winchester Energy Limited (**Winchester** or the **Company**), as operator of White Hat 38#3ML, is pleased to advise that drilling of the short-radius lateral components of the White Hat 38#3ML multi-lateral well on its White Hat oil and gas lease in Nolan County, Texas, USA will commence on Monday 28 August 2017.

Through an evaluation of logs, swc cores, image data and other relevant information relating to the Ellenburger Formation 4 prospective zones have been selected in the Ellenburger Formation as intervals for the four laterals to be drilled, each having a length of approximately 500 feet.

As well as the prospectivity in the Ellenburger Formation, White Hat 38#3ML encountered encouraging oil and gas shows through historically productive formations overlying the Ellenburger Formation.

Proprietary Technology – Short-Radius Multi-Lateral Drilling

White Hat 38#3ML is the first well that Winchester has operated. Winchester has a 70% working interest (**WI**) in the White Hat 38#3ML well but is paying for 80% of the costs of the well. This arrangement is a function of a one-off contractual agreement with former operator, Carl E Gungoll Exploration LLC (**CEGX**), whereby CEGX is 10% free-carried by the Company in one well only. The remaining 20%WI participant in the well is US based drilling company, Ultra Short Radius Drilling (**USR**). USR is paying its 20%WI on a “heads up” basis.

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ASX Code: WEL

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USR is a specialist group with proprietary short radius lateral drilling (or multi-lateral) technology. Commencing on Monday 28 August 2017, Winchester will begin drilling four approximately 500 foot lateral sections (approximately 2,000 feet in total) from the White Hat 38#3ML vertical well bore. All 4 laterals will be in the Ellenburger Formation.

Winchester believes this technology will allow improved well productivity as it will provide the ability to intersect multiple fracture zones. At the same time, these laterals will also connect the zones of better productive characteristics. The Ellenburger Formation has been shown to have highly variable porosity due to multi staged, post depositional mineralization effects on the reservoir and Winchester has already experienced these variations over short distances between the eight wells drilled to date on the White Hat ranch oil and gas lease.

The AFE issued by Winchester as operator to drill and complete the White Hat 38#3ML well is US\$1.6 million. The current cost to drill and complete a vertical well is US\$800,000. Whilst the well cost therefore is double, the objective is to increase the well bore's exposure to the Ellenburger Formation from 100 feet to 2,000 feet being therefore a twenty fold increase in formation rock exposure.

Update on White Hat 39#1 Well

Winchester also advises that the White Hat 39#1 well on its White Hat ranch oil and gas lease in Nolan County, Texas, USA continues to drill towards total depth (**TD**). The well is located approximately one mile west of White Hat 38 #3ML.

The White Hat 39#1 well is operated by Winchester and Winchester has a 100% working interest (**WI**) in the well. The AFE for the well is US\$750,000 drilled and completed.

The White Hat 39#1 well is expected to be drilled to its planned TD of 7,100 feet and will be evaluated with electric logs and sample analyses. The well will be completed based on information derived from this data.

The White Hat 39#1 well is the 10th well on the White Hat ranch oil and gas lease and the second well to be operated by Winchester.

The Company has adopted a drilling and completion design for White Hat 39#1 which will allow testing of the Ellenburger Formation with minimal disturbance and damage to the formation.

The drilling and completion methodology being utilized will enable the Company to subsequently employ the multiple short-radius lateral drilling technique being used in the White Hat 38 #3ML well should results of drilling the vertical component of White Hat 39#1 indicate that multiple short-radius lateral drilling is warranted.

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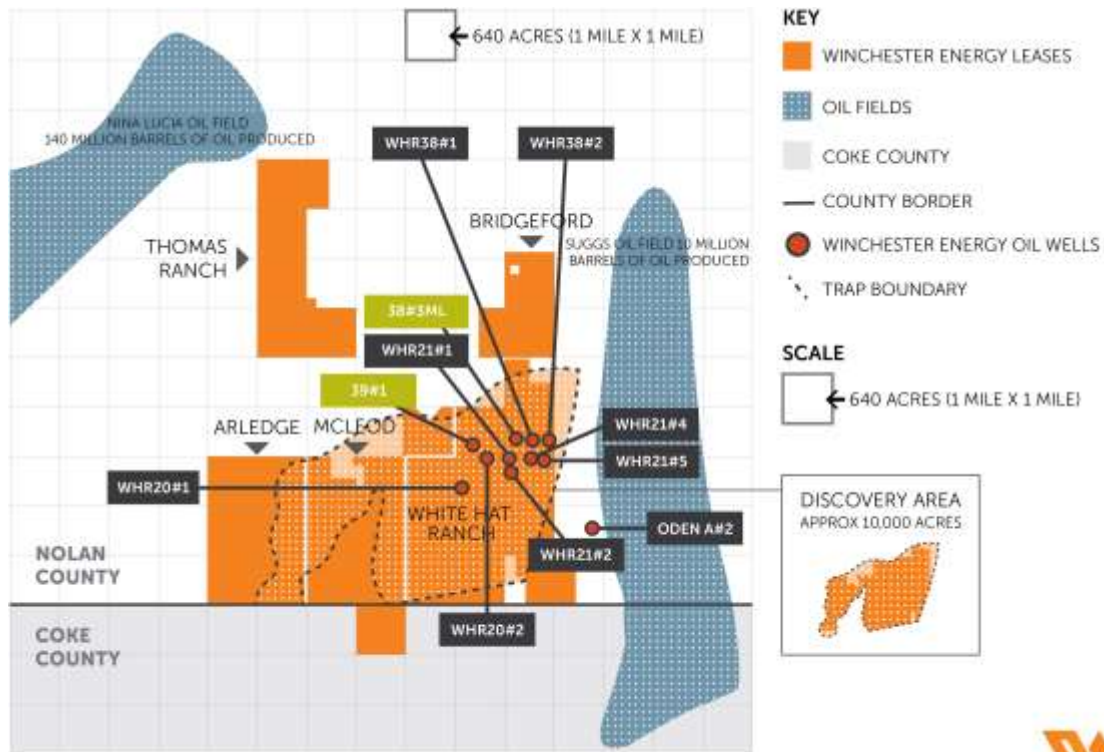


Figure 1: Location of White Hat wells 38#3ML and 39#1

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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.

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