



WINCHESTER

ENERGY LTD

Oil Production & Development ASX code: WEL

Permian Basin - Texas - USA

"Australian junior taking on the Permian heavyweights" RGN 2017



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COMPETENT PERSON'S STATEMENT

The information in this document relating to petroleum resources and exploration results is based on information compiled by Mr Neville Henry. Mr Neville Henry has a BA (Honours) in geology from Macquarie University and has over 43 years experience in the technical, commercial and managerial aspects of the oil and gas industry.

Investment Summary

- ▶ **Single focus on Permian Basin, Texas, most profitable basin in USA with large acreage position with high working interest & low royalties.**
- ▶ **Growing low risk and low cost oil production very profitable at current oil prices. Highly leveraged to oil price rises. NO DEBT**
- ▶ **Significant upside development & production potential using latest 3D geophysical, drilling & completion methods. Short radius multi-lateral horizontal drilling in progress to trial potential increase in oil pay length up to twenty times & expected to generate multiples of vertical oil rates.**
- ▶ **Ellenburger target: resource of up to 15 million bbls across interpreted 40sq km trap with successful development drilling**
- ▶ **Strat & structural undrilled traps interpreted with up to 15+ million bbl resource potential**
- ▶ **Active drilling program to increase share price by building daily oil production and successfully drilling up interpreted oil resource.**

Strachan Corporate Analysis

“Winchester is on the brink of testing a potentially game-changing well completion technology to enhance oil production from its Nolan County permits. Success would enable it to boot-strap funding for expansion of oil production, adding value to its permits.

The company is assessed with a target value of 10.3 cps and upside of over 50 cps should all prospects be confirmed.”

Peter Strachan

Strachan Corporate, 26 September 2017

Valuation Matrix

| Prospect | WI | | Target | | | | Success | | POS | Cost | Riskd |
|---------------------|------|----------|------------|--------------|-------|------|----------------|----------------|-----|------|-------|
| | % | % rtn | Gas Bcf | Oil mmbbl | ISV | | value US\$m | WEL A\$/shr | | | |
| Ellenburger 8 | 50% | 50% | - | 1 | \$1.0 | \$15 | \$ 5 | \$0.02 | 90% | 0.0 | 5 |
| Ellenburger 1000 ac | 75% | 75% | 1 | 5 | \$1.0 | \$12 | \$46 | \$0.15 | 50% | 12 | 11 |
| Ellenburger 4000 ac | 75% | 60% | 1 | 10 | \$1.0 | \$12 | \$73 | \$0.24 | 25% | 15.0 | 3 |
| Strawn Play | 100% | 70% | 1 | 5 | \$1.0 | \$12 | \$43 | \$0.14 | 30% | 5.3 | 8 |
| | | | | | | | <u>\$166</u> | <u>\$ 0.55</u> | | | |
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Capital Structure

Winchester Share Price Graph (from listing to present)



Graph by Comsec

| | |
|---|------------|
| Cash | A\$2.3M* |
| Total shares on issue | 250 mill |
| Total options on issue | 44 mill |
| DEBT | Nil |
| Market capitalisation @ A\$0.09/share | A\$23 mill |
| Founders, Board and Management (% ownership of the Company) | 48% |

* at 30 September 2017



WEL has a proven management team

WEL Directors

John Kopcheff (Non-Exec Chairman) – ex Vicpet/Senex MD-technical experience

Neville Henry (MD) – successful start up, business & technical experience – Texas

James Hodges (NED) –US onshore drilling experience – Texas

Peter Allchurch (NED) – successful start up & technical experience

John Kenny (NED) - public company & commercial experience

Larry Lui (NED) – commercial & investment experience - China

Senior Executives – all based in Texas

Neville Henry - Managing the business and geotechnical

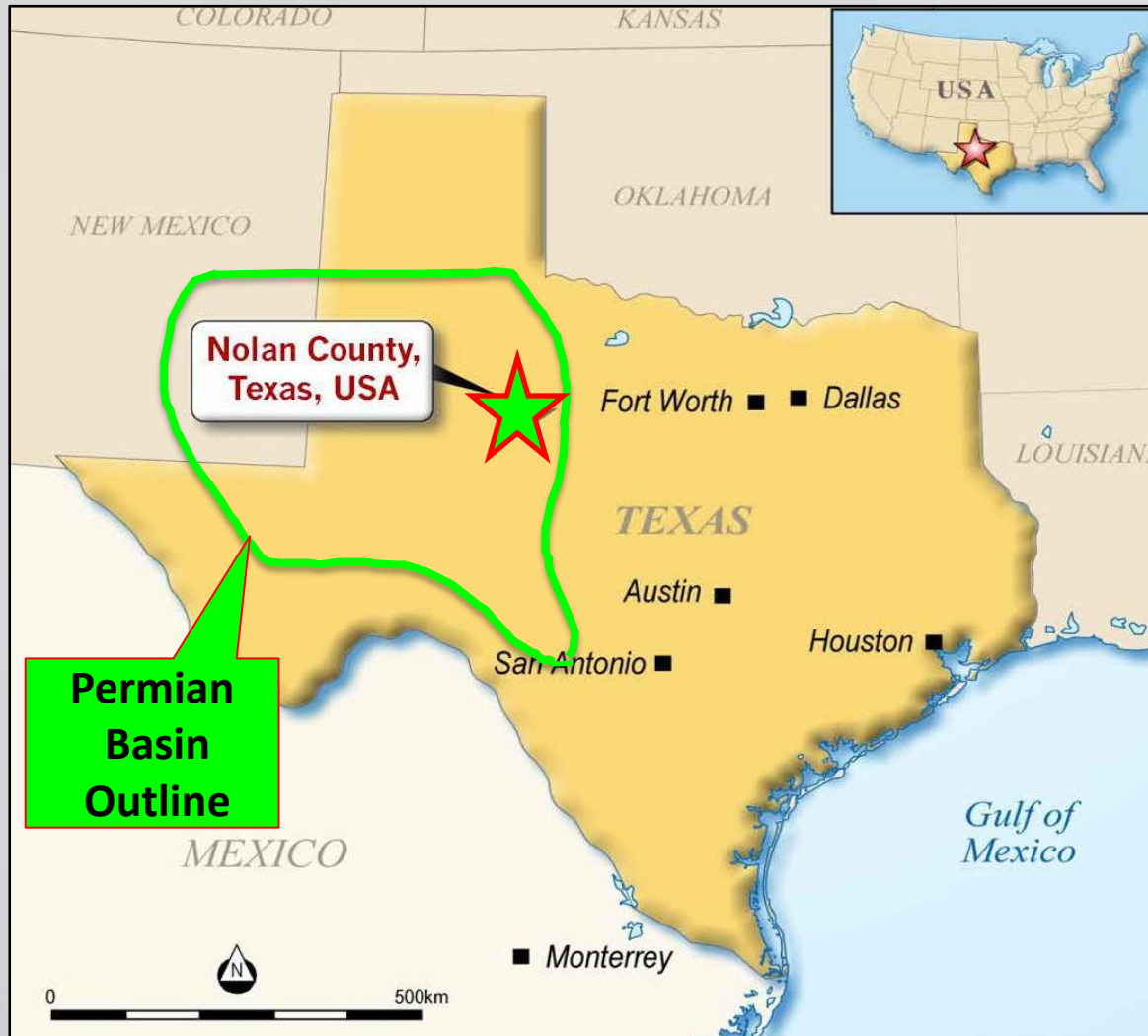
Austin Gard - Operations manager oil field drilling & production

Hugh Idstein - CFO - manages leases & finances

Permian Basin - Texas USA

Net 78 sq. kms (19,000 Acres)

Winchester's 19,000 net acres are located in Nolan County, Texas in the Permian Basin which is currently the best oil address in the world outside of the Middle East – second largest oil field after Ghawar. Forbes 2017



PERMIAN BASIN

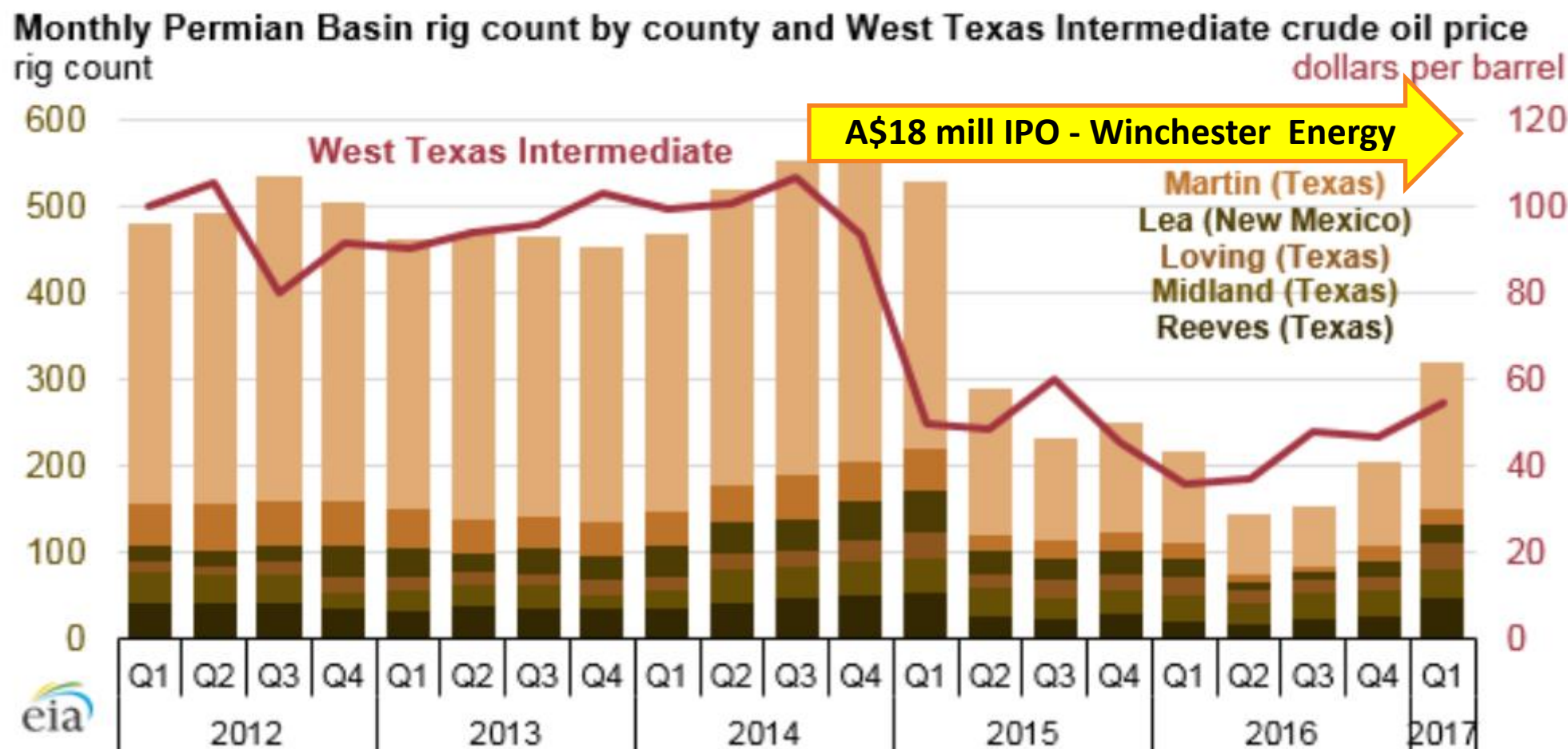
- Total oil and gas production to date: **30 billion bbls & 75TCF**
- Daily oil & gas production now: **2.5 mill bbls/d & 8.6 bcf/d**
- **20% of US oil production now**

US EIA

7/2017

How was Winchester able to build a large acreage position in the Permian Basin?

WEL listed in 3Q 2014 and has acquired acreage during current “down” years



Source: U.S. Energy Information Administration, based on Baker Hughes



Why be in the Permian Basin?-Stacked proven Oil producing Targets!

A number of distinct potential oil pay zones have been targeted by Winchester on its 19,210 net acres. Current development focus is on **Ellenberger**, **Strawn** and **Crystal Falls** conventional oil horizons

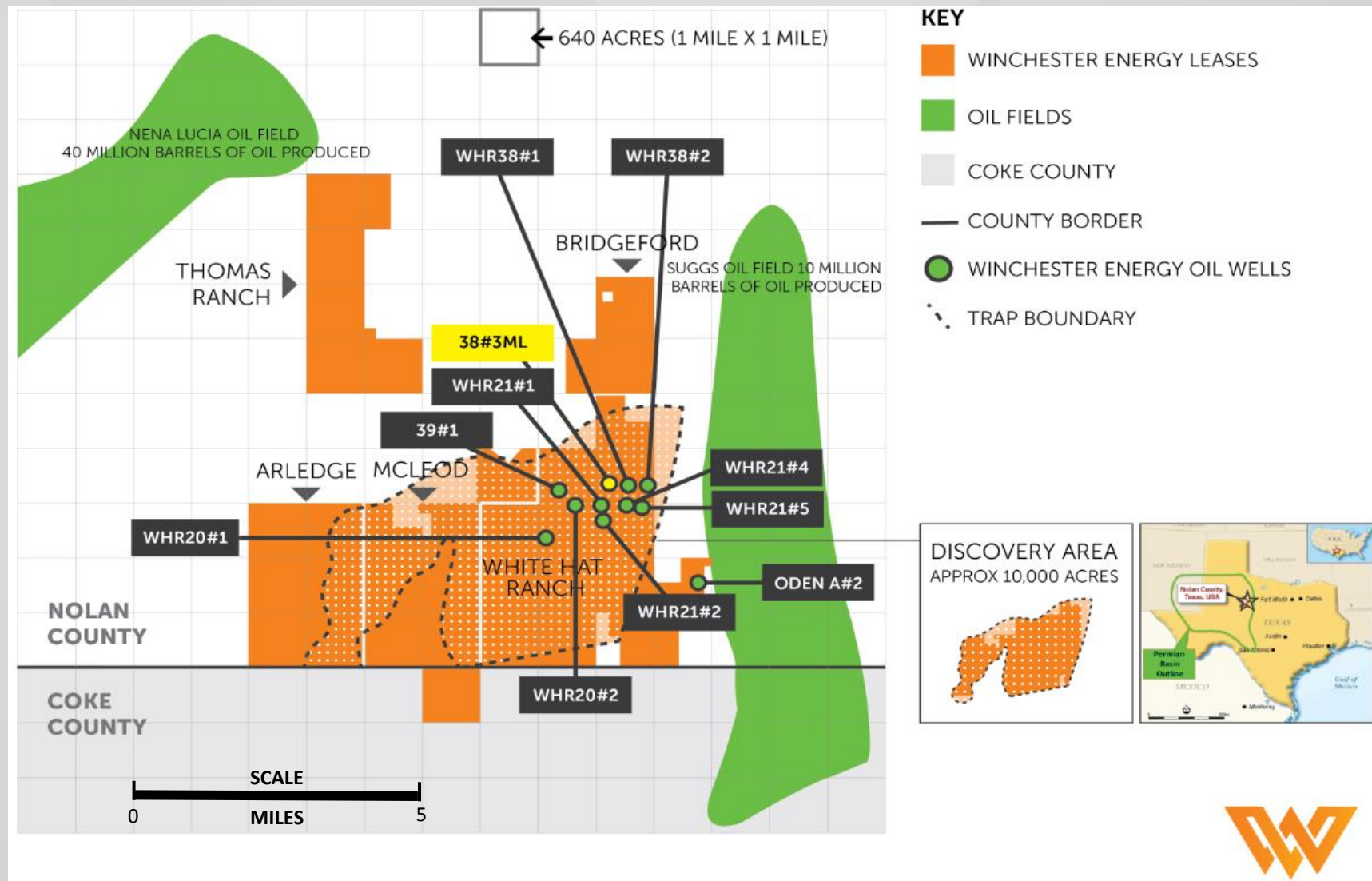
- ▶ **Crystal Falls Limestone (Conventional)**
 - ▶ Blanket resource play.
 - ▶ Present on all of WEL's 19,000 net acres.
 - ▶ Over 10 mill bbls produced in Nolan County
- ▶ **Lower Cline ("Lower Penn Shale") (Unconventional)**
 - ▶ Equal to if not superior to the "3 Fingers Shale" on sample data.
 - ▶ Present on all of WEL's 19,000 net acres.
 - ▶ Over 5 mill barrels produced in Nolan County.
- ▶ **Strawn (Conventional)**
 - ▶ Prolific producing interval.
 - ▶ Over 70 mill barrels produced in Nolan County.
- ▶ **Barnett Shale Equivalent (Atoka) (Unconventional)**
 - ▶ Equal to if not superior to the "3 Fingers Shale" on sample data.
 - ▶ Present on all of WEL's 19,000 net acres.
- ▶ **Ellenburger (Conventional)**
 - ▶ Excellent conventional prospect.
 - ▶ Over 30 mill barrels produced in Nolan County.

Eastern Shelf Stratigraphy

| SYSTEM | STAGE | FORMATION | HORIZONS | Depth (metres) |
|---------------|------------|-------------|------------------|----------------|
| Permian | Wolfcamp | Wolfcamp | Noodle Creek | |
| | | | Saddle Creek | |
| | | | Breckenridge Ls | |
| | | | Flippin | |
| | | | Jameson | |
| Carboniferous | Missourian | Cisco | Waldrip Ls | |
| | | | CRYSTAL FALLS | 1650m |
| | | | 3 Fingers Shale | |
| | | | Lower Penn Shale | |
| | | | STRAWN | 1800m |
| | | | Atoka | |
| | | | ELLENBERGER | 2200m |
| | | | Woodford Shale | |
| | | | Atoka | |
| | | | Atoka | |
| Ordovician | | | | |
| Cambrian | | Cambrian SS | | |
| | | | | |

Source: Ralph E Davis and Assoc 2014

40 sq. km (10,000 acres) Potential Oil Trap- Ellenburger carbonate formation



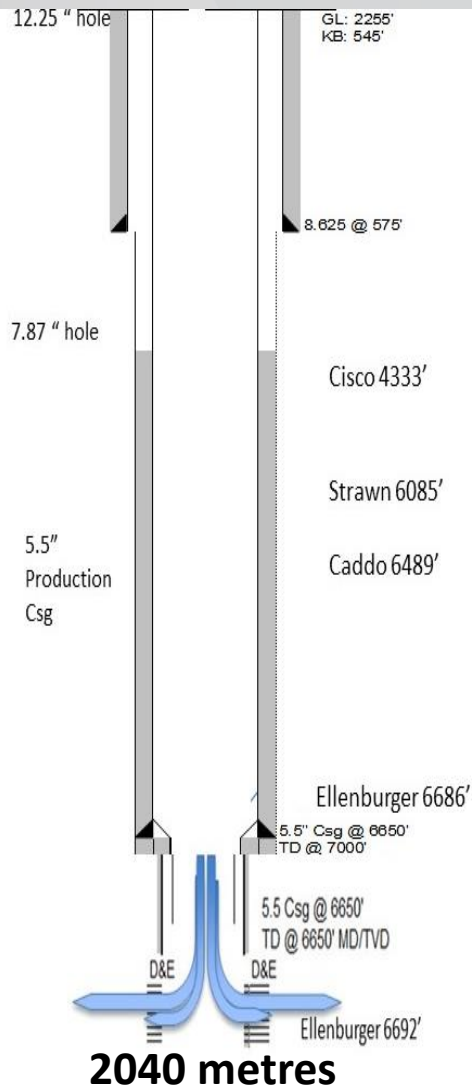
Winchester leases & surrounding area covered by 234 sq. kms (57,600 acres) of 3D seismic



Potential Ellenburger Oil Resources

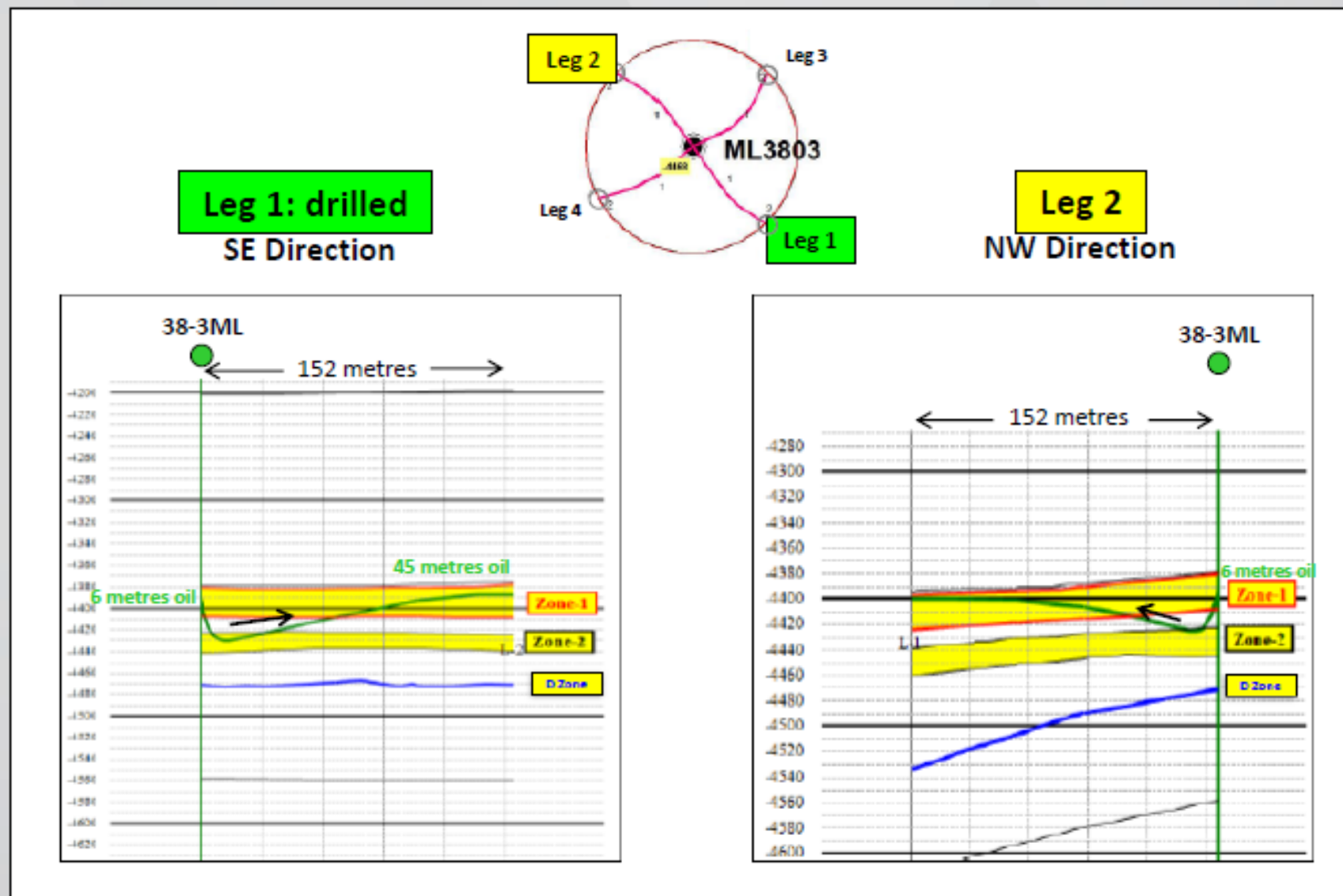
- ▷ Interpreted 40 sq. kms (10,000 acres) oil trap in the Ellenburger Formation only, based on 3D seismic, well data from current 8 producing vertical oil wells & old nearby vertical wells. (Adjacent Suggs Field–10 million bbls oil produced)
- ▷ **Potential gross resource of up to 15 million bbls from 125 drill locations in 5000 acres upgraded with 3D seismic amplitude data**
 - ▷ - 25 vertical well locations over 4 sq. kms (1,000 acres) of high potential reservoir. Target IP 400 bopd with EUR of 200,000 bbls oil per well for interpreted rec. resource of 5 mill bbls oil.
 - ▷ -100 vertical well locations over 16 sq. kms (4,000 acres) of interpreted medium potential reservoir. Target IP 400 bopd with EUR of 100,000 bbls oil per well for interpreted rec. resource of 10 mill bbls oil.
- ▷ **Winchester owns 75% of the White Hat lease and 100% of both the Arledge and McLeod leases. These 3 leases cover the interpreted oil trap.**

Short-Radius Lateral horizontal well drilling strategy-trialling at White Hat 38#3ML



- ▶ **Improve well production & economics by up to four times+** by drilling up to four short radius horizontal laterals. (modern, cutting edge proprietary technology).
- ▶ Drill up to four horizontal lateral legs of 150 metres each with each leg at a different level & different orientation in potential oil pay zone.
- ▶ **Four 150 metre horizontal laterals expose 600 metres of potential oil pay compared to only 5-30 metres in vertical well** thus improving the productivity of each well.
- ▶ Cost to drill and complete four short radius lateral horizontal well such as White Hat 38#3ML is US\$1,600,000.
- ▶ **Twenty times (20x) exposure to potential oil pay at only double (2x) cost of a vertical well.**
- ▶ Horizontal laterals optimizes chance of intersection of multiple potential oil pay zones with high fracture density & enhanced porosity due to mineralization.

Short-Radius Lateral (short horizontal) well plans for White Hat 38#3ML-Leg 1 (drilled successfully) & Leg 2 (currently underway) - Zone 1



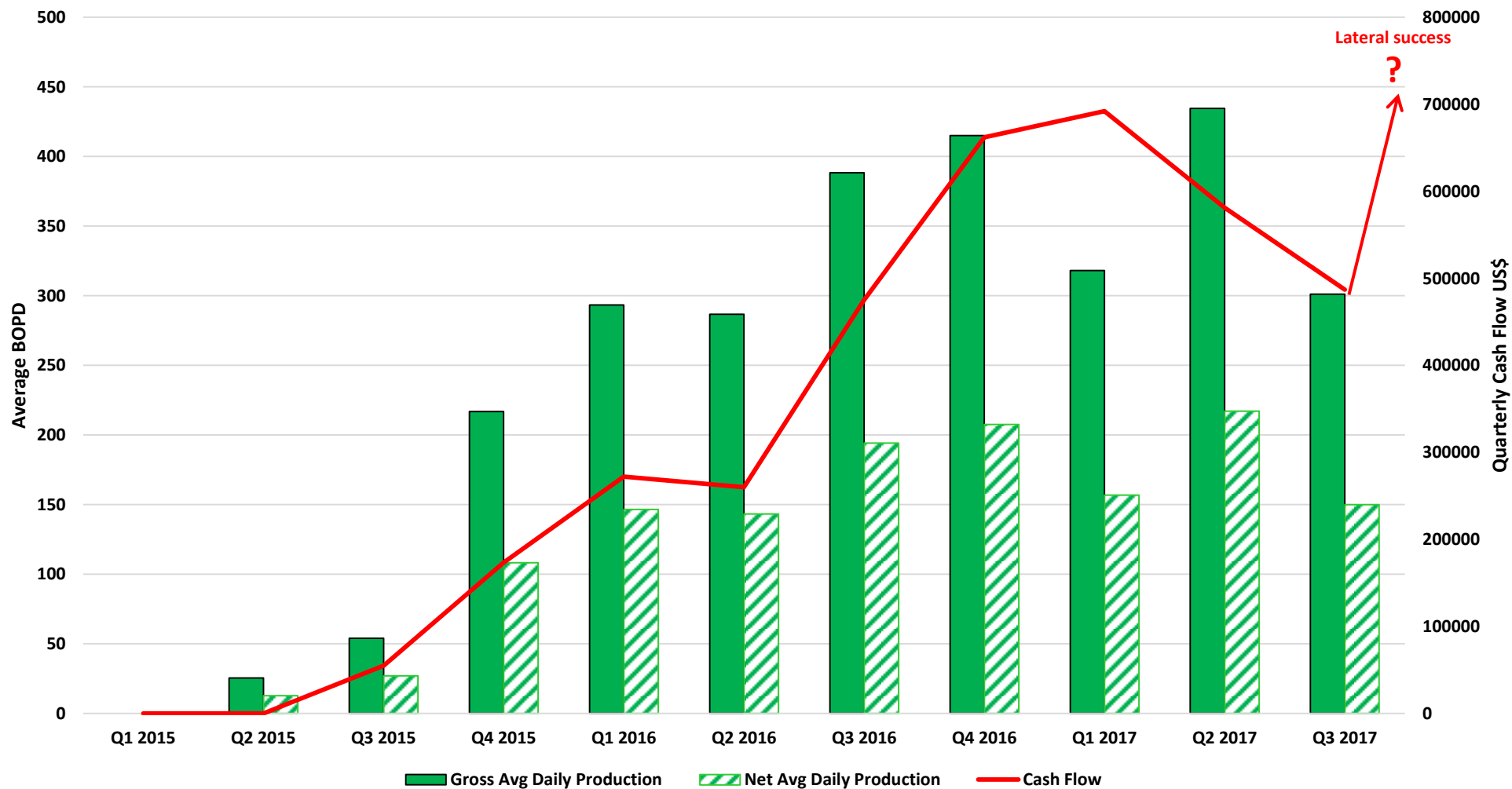


Overview of production & well economics

- ▷ 8 producing vertical oil wells from White Hat Ranch. Gross oil production 301 bopd 49 deg API with associated gas. Net 150 bopd and 60 mcf
- ▷ Multi-lateral wells twice cost vertical well, expose up to 20 times potential reservoir length of vertical well with multiples of production possible.
- ▷ For 100% WI, 100 bopd IP vertical well recovering 100,000 BO with WTI US\$45/bbl & US\$2.75/mcf flat pricing, well and completion costs of US\$800,000 and royalties pay out in 12 months
- ▷ For 100% WI, 400 bopd IP vertical well with successful laterals recovering 540,000 BO with WTI US\$45/bbl & US\$3.30/mcf flat pricing, well and completion costs of US\$1.6 million and royalties pay out in 5 months
- ▷ For 100% WI, NPV10 of US\$6.2 million per well with Internal Rate of Return (IRR) of 193% at WTI US\$45/bbl flat. Equates to NPV10 of US\$11.48/bbl
- ▷ Low cost of production of US\$8/bbl.
- ▷ **Production cash flow & profits significantly leveraged to any rise in oil price**

Oil Production and Cash Flow

Gross & Net Average Barrels of oil per day (BOPD)



Due to low cost of drilling & completion with production cost of US\$8/bbl, 100 bbls Permian Basin equal on net revenue basis to 180 bbls Cooper Basin production

Exploration upside- Undrilled Stratigraphic trap potential

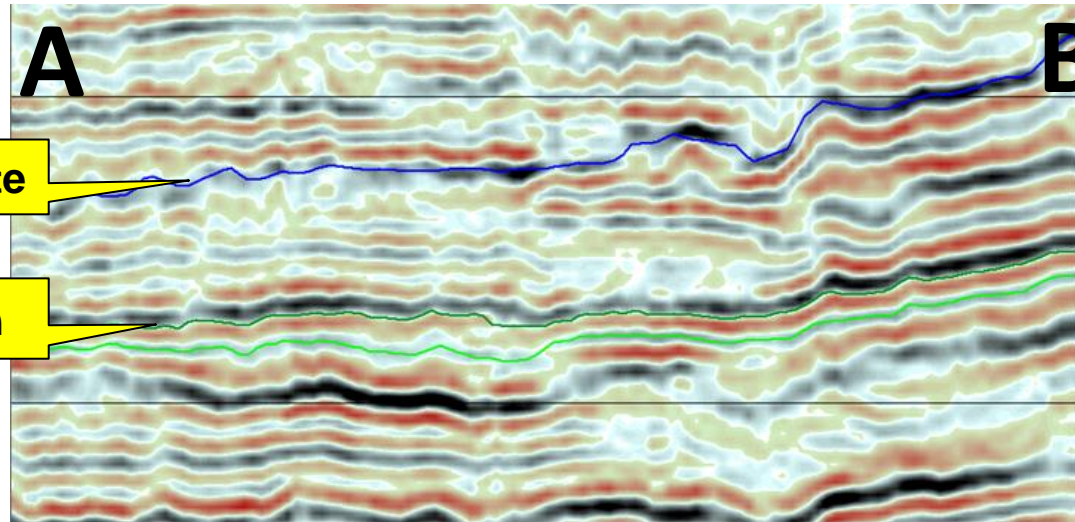
Winchester Energy LTD

3D Seismic pre and post inversion showing
undrilled **Isochron thick Strawn** feature

Original 3D
seismic line

Top Penn Carbonate

Strawn

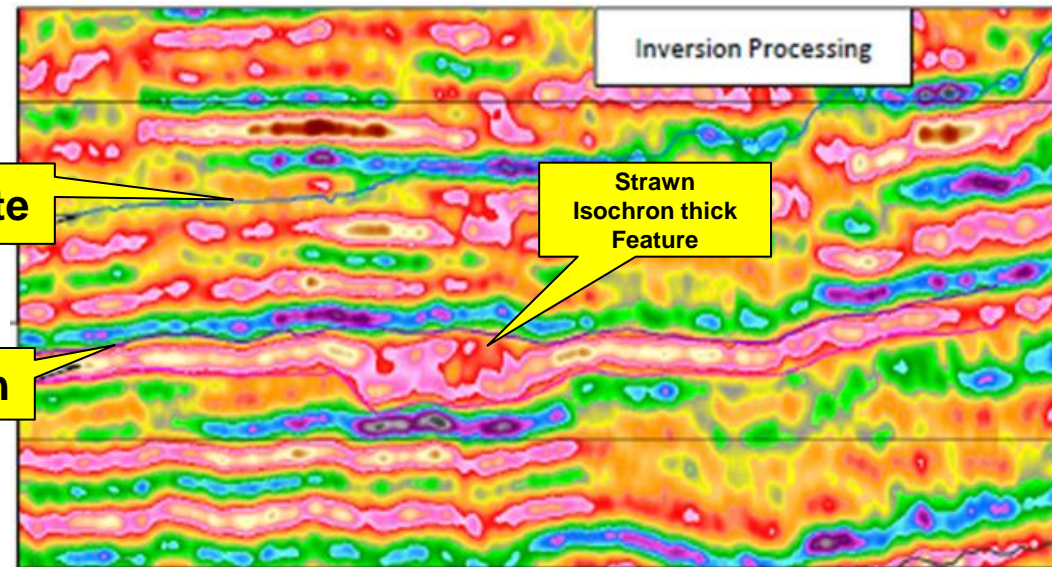


For the interpreted
mapped feature:
Area: 8 sq. kms
Ave Thickness: 10 m
Depth: 1800 m
Assume: 100 bbl/ac ft
Potential resource:
6 mill bbls rec.

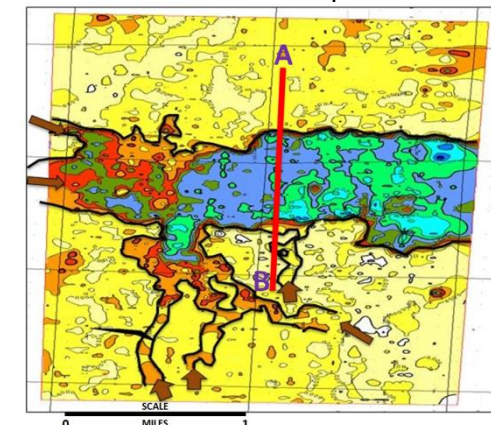
Re-processed 3D
seismic inversion line

Top Penn Carbonate

Strawn



Line location Map





How to Drive the current Share Price?

Build daily oil production by successfully drilling up interpreted resource of 15 mill bbls in Ellenburger carbonate formation with active lateral horizontal drilling program.

Successfully drilling and bringing on production low risk & modest cost Ellenburger lateral horizontal development wells on at average IP 400 bopd on 80 acre spacing.

Production, cash flow and reserves build up accelerated by lateral horizontal drilling success in Ellenburger formation.

Exploration drilling success of interpreted Strawn stratigraphic “channel sand” trap overlying Ellenburger development oil horizon – 5 mill bbl

Exploration drilling success of significant oil potential interpreted for Crystal Falls play – 10 mill bbl

Finance from free cash flow ongoing drilling program of 6 -12 wells per year.

Investment Summary

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- ▶ **Growing low risk and low cost oil production very profitable at current oil prices. Highly leveraged to oil price rises. NO DEBT**
- ▶ **Significant upside development & production potential using latest geophysical, drilling & completion methods. Short radius multi-lateral horizontal drilling in progress to trial increase in oil pay length up to twenty times & expected to generate multiples of vertical oil rates.**
- ▶ **Ellenburger target: resource of up to 15 million bbls across interpreted 40sq km trap with successful development drilling**
- ▶ **Exploration upside with undrilled stratigraphic & structural traps interpreted with up to 15+ million bbl resource potential**
- ▶ **Active drilling program to increase share price by building daily oil production and successfully drilling up interpreted oil resource.**

STRACHAN

CORPORATE

Winchester Energy WEL

BUILDING LOW COST PRODUCTION FROM MIGRATED OIL ON THE MIDLAND BASIN'S EASTERN FLANK

AFSL: 259730

Capital Structure

| ASX Code: WEL | | |
|--------------------|----------------|--|
| Shares | 244.7 m. | |
| Options | 44.0 m. | |
| Con Note | 60 K @60ms hrs | |
| Price | \$ 0.080 | |
| Market Cap | \$ 19.6 m. | |
| Cash (est Dec '17) | \$ 1.9 m. | |

Valuation

| | A\$m. | \$/shr |
|----------------------|-------|---------|
| Cash | \$ 2 | 0.006 |
| Options | \$ 9 | 0.025 |
| New Equity (assumed) | \$ 2 | 0.005 |
| Ellenburger 8 | \$ 6 | 0.016 |
| Ellenburger 1000 ac | \$ 6 | 0.016 |
| Ellenburger 4000 ac | \$ 14 | 0.036 |
| Strawn Play | \$ 4 | 0.010 |
| Corporate | -\$ 4 | -0.011 |
| | \$ 39 | \$0.104 |

Source: Strachan Corporate

Board

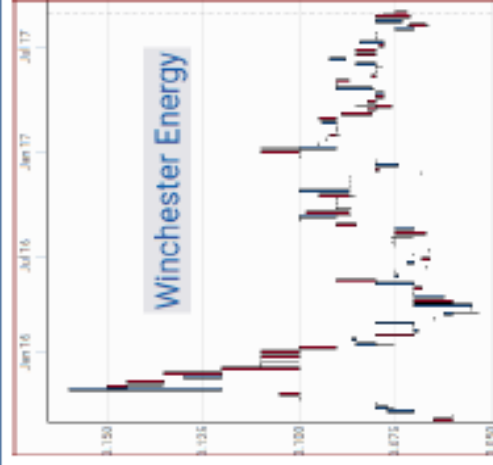
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|-----------------|-------------------|
| John Kopchell | Chairman |
| Nevill Henry | Managing Director |
| Peter Allchurch | Non-Exec Director |
| James Hodges | Non-Exec Director |
| John Kenny | Non-Exec Director |
| Larry Liu | Non-Exec Director |

Opinion

Winchester is on the brink of testing a potentially game-changing well completion technology to enhance oil production from its Nolan County permits. Success would enable it to boot-strap funding for expansion of oil production, adding value to its permits.

The company is assessed with a target value of 10.3 cps and upside to over 50 cps should all prospects be confirmed.

Peter Strachan



Investment Drivers

- ♦ **RISKED VALUATION:** Strachan Corporate finds a risked value of 10.3 cents per share for Winchester. Exploration success on targets already identified offers upside valuation to over 50 cps.
- ♦ **MANAGEMENT:** Winchester is managed by industry professionals who have done this before, along the Eagle Ford Shale and elsewhere! The company has pegged out a new play type and its early drilling vindicates prospectivity.
- ♦ **ACTIVE DRILLING:** The company is trialling short length, horizontal radial completion technology (USR) to improve initial production, total oil recovery and all up financial results for low cost vertical wells. While work so far validates this commercial oil play, success from USR application would be a game changer, lifting value for its Nolan County permits by several multiples.
- ♦ **SELF FUNDING:** The company aims to build drilling activity on the back of operating free cash flow from ongoing oil sales. Value should accrue to the company as the play is further established to lift land and production value multiples.
- ♦ **MULTIPLE PLAY TYPES IDENTIFIED:** Drilling to date has identified several conventional reservoirs that are either producing oil or have potential to flow commercial oil with appropriate completion.
- ♦ **NEWS FLOW:** The first of two wells employing USR completions is due to be tested by early October with a second well to follow. The market is likely to wait on results but a positive market response is likely should USR work prove positive.

Winchester's project area



Source: Winchester

+19,200 acres on eastern flank of Midland Basin

Summary

Winchester has established a petroleum exploration and production position over 19,210 net acres on the eastern flank of the Midland Basin in Texas. After an initial work-in period that ended in March 2017, Winchester moved from a 50% working interest (WI) on the White Hat Ranch lease activities to become operator with a 75% WI in subsequent wells at White Hat and has 100% WI in permits over Bridgford and Thomas Ranch as well as McLeod, Arledge and Coke County permits and a 25% WI at the Oden Drilling Unit.

8 wells producing ~net 220 BOPD

Oil migrates out of the Midland Basin into traps on Winchester's permits

Just as on the western flank of the Cooper Basin, oil migrates over tens of kilometres out from deeper zones to find traps in several horizons on the Basin edge, under Winchester's leased areas. The company's main focus has been on the Late Ordovician aged Ellenburger Formation from where oil is produced but other units also hold conventional commercial oil reservoirs. Additionally, sediments at White Hat and surrounding permits hold potential for trapped petroleum within shale and other tight sedimentary units where stimulation techniques may be able to extract commercial volumes of petroleum products.

Funding for short lateral drilling tests in place

In June 2017 the company raised ~\$2.5 million through a rights issue at 9 cps to assist with funding a program of wells that will apply multi-lateral, ultra short radius (USR) completion technology. Wells that are currently under way will drill to a depth of ~2,133 metres and then be completed with four, USR completions extending in different directions for a length of approximately 152 metres from the well bore, significantly increasing exposure to productive sediments.

| Per Well Oil Production Summary | | | | |
|---|---|------------|---|------------------------------------|
| Adjusted Average BOPD June 2017 Quarter | | | | |
| Oil Well | Adjusted Average (less Oil Production Per Day (bopd)) | Wells WI % | Adjusted Average Net Oil Production to WIS (bopd) | Well Ownership ^a (bopd) |
| White Hat 2181 | 13 bopd | 50% | 6.5 bopd | 1.0 |
| White Hat 2182 | 111 bopd | 50% | 55.5 bopd | 1 |
| White Hat 2181 | 41 bopd | 50% | 20.5 bopd | 4 |
| White Hat 2182 | 21 bopd | 50% | 10.5 bopd | 2 |
| White Hat 2184 | 172 bopd | 50% | 76 bopd | 6 |
| White Hat 2082 | 23 bopd | 50% | 11.5 bopd | 2 |
| White Hat 2185 | 19 bopd | 50% | 7.5 bopd | 2 |
| Cham APPL | 26 bopd | 25% | 6.5 bopd | 3 |
| TOTAL | 642 bopd | | 294.5 bopd | |

Note A: The number of shares owned is not producing due to maintenance activities on well numbers. Note B: revised and Older APPL commenced steady state production on 26 June 2017.

USR programme

The Ultra Short Radius drilling technology being deploying by Winchester through September '17, is proprietary to the USR company. With an eye to expanding its position in the Basin the USR group is supplying its technology to the project at concessional rates and as a show of good faith and in recognition of the commercial appeal, has agreed to take 20% equity on a well by well basis in part of the White Hat Lease. Winchester has negotiated an exclusive agreement with USR for use of its technology over its Nolan and Coke County permits.

Going forward, Winchester will start with 75% WI in upcoming wells, prior to any farm -in funding while 7 wells remain at 50% WI plus one at 25% WI.

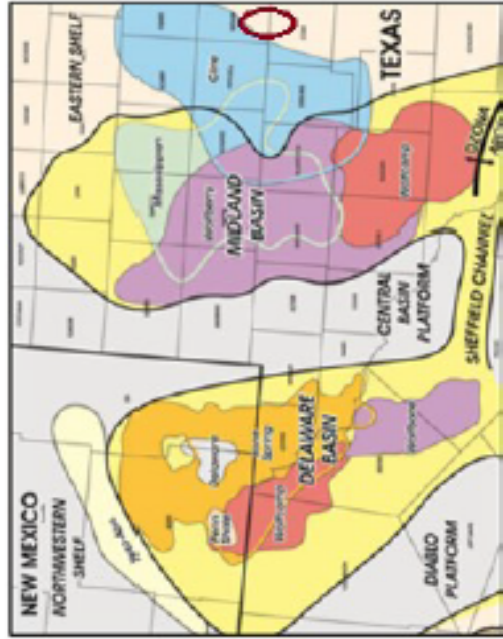
The permits sit on the eastern edge of the prolific Midland Basin, which is part of the larger Permian Basin complex. Sediments thin out to about 2,200 metres in this location from over 3,700 metres in the most productive, central Midland Basin areas.

Just as on the western flank of the Cooper Basin, oil migrates over tens of kilometres out from deeper zones to find traps in several horizons on the Basin edge, under Winchester's leased areas. The company's main focus has been on the Late Ordovician aged Ellenburger Formation from where oil is produced but other units also hold conventional commercial oil reservoirs. Additionally, sediments at White Hat and surrounding permits hold potential for trapped petroleum within shale and other tight sedimentary units where stimulation techniques may be able to extract commercial volumes of petroleum products.

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The company holds five current leases with modest continuous drilling provisions of 1 to 2 wells per year, to any depth to hold all depths after the initial 3 year term on each lease.

Winchester's current revenue is derived from net production of about 220 BOPD from 8 wells that were drilled while the plays were de-risked, in which it has a 50% interest. The company's operating cash flow of about \$700,000 in the June '17 quarter currently supports the drilling of a vertical well from cash flow every 4 months.



Map showing tectonic subdivision of the Permian Basin, after shaleexperts.com

USR completions increase contact with the reservoir 20 fold

Trial completions aim to increase initial oil flow by at least three fold & possibly double recoverable oil per well

USR completions aim to take advantage of variable reservoir porosity over short distances

Ramping up activity & production with USR completions

USR completions in the company's wells will initially target the Ordovician age Ellenburger Formation to provide at least 600 metres of additional contact between the well bore and the reservoir. Radial extensions drilled at different depths down the well will be orientated to provide the best chance of intersecting natural fractures in reservoir sands.

The aim of the USR technology is to lift initial production from each well so as to improve overall economics of oil produced from the Basin, without the high costs associated with drilling long horizontal completions and applying fracture stimulation.

The company is budgeting for a drilling cost of US\$800,000 per vertical well, leading to ~US\$1.6 million for a completed well with four, 152 metre short lateral completions, providing the well with up to 20 times the exposure to the target reservoir than with conventional well completion processes.

Further cost efficiencies are likely to accrue once the process has been established and USR can be guaranteed a 12 month multi well programme.

White Hat 38#3ML is the first well in the USR programme. Winchester has a 60% WI but an 70% paying interest after carrying former operators CEGX for 10% in this well only. Service provider USR is backing itself by taking up a 30% WI. In all subsequent wells, Winchester will have an 80% WI.

The target Ellenburger Formation has variable porosity over short distances as a result of diagenic alteration of sediments, resulting in variable outcomes over very short distances. Application of the USR technology will reduce the risk of landing in a low porosity zone and provide options to access multiple zones of improved permeability and porosity, away from the well bore.

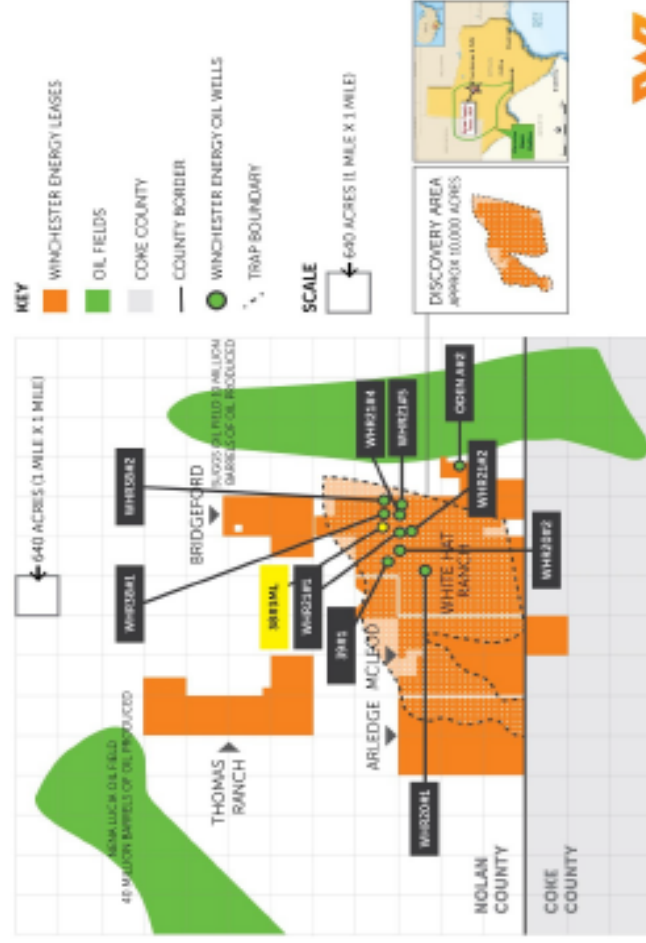
Permian Activity

Once Winchester demonstrates success with USR completion technology it will be in a position to expand acreage positions beyond the current 19,200 net acres while restricting competition from peer groups.

Success from the current programme of lateral completions that are now being tested will substantially boost productivity from each well, lift profitability and reduce the company's current cost of finding oil below US\$16 per barrel.

Wells with lateral extensions will be located on 80 acre spacing. Successful lateral completion in areas of lower performing well productively is expected to lift initial oil production several fold. The technology potentially expands Winchester's area of opportunity for accessing oil in the Ellenburger Formation and could open up shallower zones that have been found to hold oil, especially the Strawn Formation **where the White Hat 20#2 well was recently successfully stimulated and flowed with an initial rate of over 200 BOPD**. To date, the company maps out 125 vertical well locations over 5,000 acres of prospective permits at 40 acre spacing.

Permit map



*Strong results from the Strawn
Fm lead to mapping of
potential for further discovery*

Strawn Formation

The Eastern Shelf has produced oil and gas from multiple intervals from 1,220 to 1,830 metres. These include the Odom, Strawn and Canyon (Wolfcamp D). Drilling the deeper Ellenburger enables analysis of these shallow horizons and while drilling the 8 current producing wells plus the 39#1 and 38#3ML wells the company has reported oil and gas shows over a several of these horizons.

The company has tested and is now producing oil from two wells in the Pennsylvanian Strawn Formation as well as the target Ellenburger. In the **White Hat 20#2** well, where the Ellenburger Formation was found to be water wet, the Strawn Formation was successfully completed and flowed oil at an initial rate of 200 BOPD, averaging 145 BOPD average flow rate over its first 30 days of production. White Hat 38#1 was also recompleted by fracturing a zone through the Strawn Formation which showed initial production over just 3 days of 28 BOPD.

Winchester has a 25% WI in the **Oden A#2** well which produced 26 BOPD from the Ellenburger Formation during the June quarter. Logging and sampling results from the Strawn formation while drilling this well provide encouragement to re-complete the well in that Formation as well.

The company is evaluating offset drill locations and is now mapping the Strawn Formation regionally to look for areas where it is best developed as a primary oil target.

Other Formations

The company has identified several other stacked intervals that are prospective for oil which, along with three unconventional shale levels at this location and tight carbonate Formations called the Crystal Falls in the Wolfcamp "D" zone that were noted while drilling, could ultimately form the basis for a new play type. Shows have also been seen in the Pennsylvanian Carbonate Shelf that extends across the White Hat Ranch lease.

Electric logs, sidewall cores and FMI formation image data are being recorded to better define plays that may become commercial once the oil price rises above US\$50/barrel to justify drilling horizontally.

*While Ellenburger is prime
target, many other zones
appear to hold commercial
potential*

Valuation

| Valuation | A\$m. | \$/shr |
|----------------------|-------|---------|
| Cash | \$ 2 | 0.006 |
| Options | \$ 9 | 0.025 |
| New Equity (assumed) | \$ 2 | 0.005 |
| Ellenburger 8 | \$ 6 | 0.016 |
| Ellenburger 1000 ac | \$ 6 | 0.016 |
| Ellenburger 4000 ac | \$ 14 | 0.036 |
| Strawn Play | \$ 4 | 0.010 |
| Corporate | -\$ 4 | -0.011 |
| | \$ 39 | \$0.104 |

Source: Strachan Corporate

Strachan Corporate takes a conservative view on the value of Winchester's current net oil production of ~220 BOPD. Additionally, risked upside is calculated for a further 5 million barrels of Prospective Resources within the most prospective 1,000 acres of its Nolan County permits plus a further 10 mmbbls of Prospective oil Resources under an additional 4,000 acres.

Following recent production success, Strachan Corporate assesses potential for an additional 5 mmbO from the Strawn Formation.

Together, Strachan Corporate values total success at each of these plays at US\$166 million or A\$0.55 per share for WEL on a fully diluted basis.

| WEL - Current Multiples | | |
|----------------------------|----------|------------|
| Market Cap | \$64,465 | US\$/BOEPD |
| Market cap/acre | \$ 738 | US\$/acre |
| Source: Strachan Corporate | | |

Winchester's permit areas are not directly comparable with the highly rated Midland Basin or the Cline play areas further to the west. Permits in the most highly rated permits transact for over US\$40,000 per acre and productive leases are valued at between US\$52K and US\$125K per flowing barrel of oil equivalent.

Strachan Corporate believes that further modest success on Winchester's Nolan County permits holds potential to lift the value of its key permit areas to over US\$2,000/acre, which translates to a value of 15 cps to Winchester, after diluting for in-the money options and conversion of its target based notes.

Strachan Corporate values a 'type well', assuming success from adoption of USR technology, applying an oil price of US\$50/bbl and an NRI of 76.5%.

Evaluation assumes IP of 400 BOPD to produce at an average rate of 293 BOPD over year one, with total petroleum production of 446 KBOE over a

*Lifting value per acre to US\$2K
would boost WEL's value to 15
cps.*

| Summary well | | |
|----------------------------|----------|----------|
| IP | 400 BOPD | |
| EUR | 446 KBOE | |
| Oil price | \$ 50 | US\$/bbl |
| Gas | \$ 3.3 | US\$/Gj |
| Capex | \$ 1.6 | \$m. |
| Life Av. Opex | \$ 9.3 | \$/boe |
| Pre-tax NPV ₇ | \$ 16.1 | per bbl |
| Post-tax NPV ₇ | \$ 10.5 | per bbl |
| Source: Strachan Corporate | | |

well life of 14 years. Initial capital of US\$1.6 million is applied to assess a post tax NPV of US\$10.5/BOE.

When risking production, appraisal and exploration projects, sunk costs at the company's existing Ellenberger/Strawn wells result in an assessed value of US\$15/bbl, while a value of US\$12/bbl is applied to other targets.

Valuation Matrix

| Prospect | WI | | Target | | | Success | | POS % | Cost Risked \$m | | |
|--|------|-------|---------|-----------|-------|-------------|------|--------|-----------------|------|----|
| | % | % rtn | Gas Bcf | Oil mmbbl | ISV | value US\$m | WEL | | | | |
| Ellenburger 8 | 50% | 50% | - | 1 | \$1.0 | \$15 | \$ 5 | \$0.02 | 90% | 0.0 | 5 |
| Ellenburger 1000 ac | 75% | 75% | 1 | 5 | \$1.0 | \$12 | \$46 | \$0.15 | 50% | 12 | 11 |
| Ellenburger 4000 ac | 75% | 60% | 1 | 10 | \$1.0 | \$12 | \$73 | \$0.24 | 25% | 15.0 | 3 |
| Strawn Play | 100% | 70% | 1 | 5 | \$1.0 | \$12 | \$43 | \$0.14 | 30% | 5.3 | 8 |
| Source: Strachan Corporate | | | | | | | | | \$166 \$ 0.55 | | |
| ISV = Initial value, US\$ per Mcf or bbl | | | | | | | | | | | |
| | | | | | | | | | | | 26 |

Leadership

John Kopcheff Chairman

John is a Geologist and Geophysicist with over 40 years of experience in global oil & gas exploration and production. He founded Victoria Petroleum which is now Senex Energy, successfully pioneering oil exploration on the western Margin of the Cooper Basin.

Neville Henry Managing Director

Neville is a Houston based Geologist with over 40 years of experience in successfully finding oil & gas in six sedimentary basins globally. He was formerly International Exploration and Worldwide Business Development Manager for Anadarko at a time when its oil production rose from 25,000 to 400,000 BOPD.

John Kenny Non- Executive Director

John is a lawyer with experience advising ASX listed companies in corporate, mining and banking. He has been a venture capital investor and Director of several public companies.

Peter Allchurch Non- Executive Director

Peter is a Geologist and resources venture capitalist with over 50 years of experience in minerals and petroleum exploration, development and production who has founded several successful ASX listed companies. He and Mr Henry were instrumental in developing the Eagle Ford Shale portfolio for Aurora Oil & Gas, Eureka Energy and Adelphi Petroleum.

James Hodges Non- Executive Director

James is a Texas based Engineer with over 40 years of oilfield experience. His private business is active in exploration and production, providing engineering consulting services to the energy, financial and environmental industries.

Larry Liu Non- Executive Director

Larry is a professional investor who is an associate of Mr Yang Xiangyang, a 25.6% owner of Winchester. He has a corporate history as a senior executive of General Electric.

Disclaimer

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Permian Basin oil producer, Texas



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