

White Hat 38#1 and 38#2 Wells - Update

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Both White Hat 38#1 and 38#2 wells intersected log-interpreted pay zones in the target Ellenburger Formation with comparable thickness and character to the existing five producing wells already drilled by Winchester Energy Limited (**Winchester**) and the Operator, Carl E Gungoll Exploration LLC (**CEGX**), in the White Hat oil discovery.

The 38#1 well recovered oil at low rates of 70-100 barrels of total fluid per day at 5-20% oil cut during swabbing from two separate zones of the Ellenburger Formation. The 38#1 well was then fracture stimulated in an attempt to improve the production rate however pump production has only recovered water at high rates (300-400 bwpd). Micro seismic was used by Winchester to monitor the frack from the White Hat 38#1 well and that indicated the frack penetrated downwards into a deeper water bearing zone, near the base of the Ellenburger Formation. Pumping of White Hat 38#1 continues and CEGX is currently attempting to pump off the water in order to attempt to eventually bring the oil in. However no oil has been recovered as yet.

The White Hat 38#2 well swabbed oil from three separate intervals in the Ellenburger Formation, with the upper interval producing 103 bopd (testing in daylight hours). After a pump was installed, the White Hat 38#2 well had high initial production rates but also emulsion problems. Oil production has now stabilized to between 30 and 40 bopd with only minor water production.

Winchester becomes the operator of the White Hat lease on 1 March 2017. Winchester is planning changes to drilling and completion designs for future wells and operations in order to enhance and improve individual well productivity under its operatorship.

Winchester's White Hat Lease

Winchester has a 50% working interest in the five producing wells and in the White Hat 38#1 and White Hat 38#2 wells together with the 40 acre drilling units around each well. Under the terms of Winchester's agreement with CEGX, CEGX will have a 50% working interest in each new well up until 1 March 2017, along with each accompanying 40 acre drilling unit. After 1 March 2017, lease interests outside those drilled units will be 75% Winchester and 25% CEGX.



Winchester's wholly owned USA subsidiary, Winchester Energy USA Holdings Inc., owns a 75%WI in the oil and gas mineral rights of the 7,378 acres which surround and adjoin the existing 7 White Hat wells. CEGX owns the remaining 25%WI in these 7,378 acres, all of which are located in Nolan County, Texas in the Eastern Shelf of the Permian Basin.

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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 40 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.