

16 September 2025

Winchester farms out the Varn waterflood project

Highlights

- Winchester has signed a binding farm-out agreement with a private US investor group for a 30% interest in the Varn waterflood project
- Winchester to receive upfront consideration and a “third-for-a-quarter” promote on all planned wells for the waterflood development
- Plans underway to secure drill rig slots for the next well in the next four weeks
- The Varn waterflood contains 2P Reserves of over 1,000,000 barrels of oil equivalent¹ and is expected to contribute significantly to production in coming years

Winchester Energy Limited (ASX: WEL) (**Company**) has entered into a binding farm-out agreement (**Farm-out Agreement**) with a group of private US investors, who will acquire a 30% interest in the Varn Oil Field. The field has 2P Reserves of over 994,000 barrels of oil (plus 442,000 mcf of gas)¹, and is located in Taylor County 18 miles to the east of Winchester’s Nolan County operations (refer Figure 1).

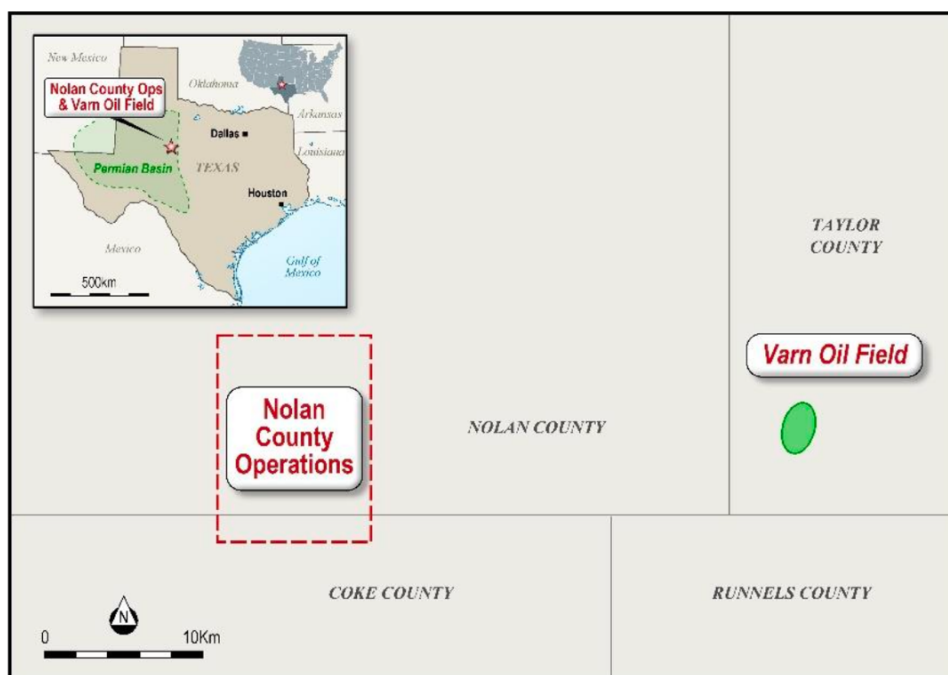


Figure 1. Winchester’s Nolan County Operations and the Varn Oil Field

Chief Executive Officer, Rory McGoldrick said “I am delighted to report to shareholders that Winchester has successfully farmed out a 30% interest in the Varn project. We welcome the farmin group, who between them have considerable expertise operating in Texas oil and gas. This asset level funding will enable the Company to commence the Varn waterflood to support our US business while we continue to review and evaluate various new project opportunities.”

¹ See ASX Release dated 3 December 2021

Key terms of the Farm-out

The Farm-out Agreement contains the following key terms:

- (a) Farmin group to acquire a 30% working interest in the Varn waterflood.
- (b) Winchester to remain as operator of the project (70% working interest).
- (c) Farmin group will pay Winchester US\$112,000 upfront consideration and thereafter will fund 40% of the costs of all further development work on the project (to earn a 30% working interest).
- (d) Drilling will be conducted in four stages with agreed production and revenue hurdles which must be met before the joint venture proceeds to subsequent stages.
- (e) The total costs of the Varn waterflood development are estimated at US\$5.6M over approximately 24 months, with a total funding commitment by the farmin group of circa US\$2.4 million.
- (f) All other commercial terms as per industry standard joint operating agreement.



Photo 1. Existing JVU#6 oil well in operation at the Varn Oil Field

About the Varn waterflood project

Winchester acquired the Varn Oil Field located in Taylor County, Texas in December 2021². The acreage spans 1,145 acres in one single oil and gas unit which is now held by production (HBP) following the drilling of the first Varn well (JVU#6) in 2022.

The planned waterflood operation will comprise a total of 10 wells (five oil and gas producers and five water injectors). The majority of these wells are planned for the central area where the Upper and Lower Fry Sand overlap while the rest of the wells capture oil from the more widespread Upper Fry Sand.

² See ASX release dated 3 December 2021

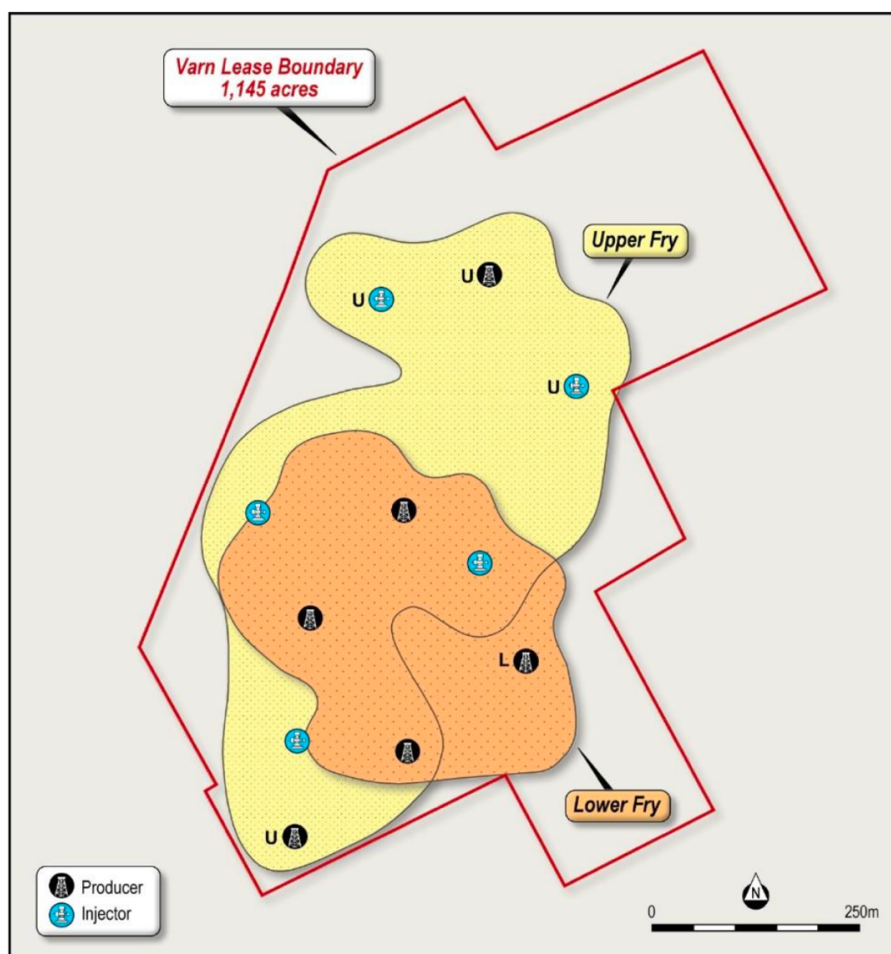


Figure 2. Configuration of producer and injector wells at Varn

All planning and permitting is in place to drill the remaining wells. A significant amount of above-ground infrastructure (roads, flow lines, tanks and facilities) are already in place which will enable each well to be put on production shortly after drilling and completion.

Drilling will be conducted in stages over approximately 24 months with agreed production and revenue hurdles which must be met before the joint venture proceeds to subsequent stages. The total cost for the Varn waterflood is approximately US\$5.6M, with a total funding commitment by the farmin group of circa US\$2.4 million. The development timeline has been designed to ensure that Winchester's share of the Varn waterflood expenses can be funded from cash flow from existing operations.

The Varn Oil Field contains existing Proven and Probable (2P) of 1,068,000 barrels of oil equivalent (boe) comprised of 994,000 barrels of oil and 442 thousand cubic feet of gas (mmcf) (see Table 1). Production is to be derived from the Fry Sands (a sub-unit of the Strawn Sands) which, together with the Ellenburger Formation, is currently producing oil and gas at Winchester's Nolan County operations.

Reserves	Product	1P – Proved Reserve	2P – Proved + Probable Reserve	3P – Proved + Probable + Possible Reserve
Upper and Lower Fry Sands	BO	415,000	994,000	1,680,000
	MCF	169,000	442,000	894,000
	BOE	443,000	1,068,000	1,829,000

BO means barrels of oil

BOE means barrel of oil equivalent

MCF means one thousand cubic feet of gas

The above stated Calculated Reserves incorporates WEL's net revenue interest of 77%

Further ASX Listing Rule 5.31 Information (Notes to Reserves) related to these reserves is provided in Winchester's ASX release of 3 December 2021

Table 1: Calculated Varn Oil Field Reserves - Mire Petroleum Consultants³

About the Farmin Group

The farmin group is led by Houston, TX based Production Lending, LLC, a private credit and private equity provider to small, US-based E&P companies. Given this is a core focus of the farmin investors, Winchester expects to benefit greatly from Production Lending's expertise and local network to develop the project.

The farmin group members are not related parties of the Company, however, it is noted that Winchester's US based Chief Financial Officer, Mr Ed May is a member of the farmin group and will acquire a 2% working interest in the project. The Company is satisfied that the Mr May's participation in the farmin and joint venture is on arms-length terms.

Waterflooding

Waterflooding is a secondary recovery technique which injects water into an oil reservoir in a downdip position. The water repressurises the field and provides energy to move unswept oil updip to crestal oil well producers.

Secondary oil recovery is very common, particularly in the US. In any given oil field, primary production accounts for the removal of 10-20% of all original oil in place (OOIP), secondary recovery (waterflooding) accounts for a further 10-20% recovery of OOIP whilst further oil is often recovered through tertiary recovery (enhanced oil recovery such as CO2 injection).

This announcement was authorised for release by the Board of Directors.

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³ See ASX Release dated 3 December 2021

ESTIMATES OF PETROLEUM RESERVES AND RESOURCES

All references to petroleum reserves and resources are cross-referenced to Winchester's ASX announcement dated December 2021. The Company confirms that it is not aware of any new information or data that material affects the information included in that announcement and all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

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.