

**Announcement to ASX**

**29 April, 2016**

## **MARCH 2016 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B**

### **QUARTERLY HIGHLIGHTS**

- Cornerstone investment raising A\$3.6 million
- Independent expert confirms significant oil potential in WA-503-P
- Assignment of EP416 & EP480 interest, and transfer of operatorship approved by WADMP
- EP416 & EP480 airborne geophysical data interpretation supports prospectivity
- Assignment of EP437 interest approved by WADMP

### **Cornerstone Investment**

As announced by the Company on 31 March 2016, Pilot Energy has executed a Share Subscription Agreement (**SSA**) with a group of new investors (**Subscribers**) to raise A\$3,600,020 before costs.

The key terms of the SSA are as follows:

- An initial investment by the Subscribers of A\$800,000 to acquire 400,000,000 ordinary shares at 0.2 cents per share (**Tranche 1**), representing a 34% premium to the Company's 30 day VWAP of 0.149 cents per share
- Subject to shareholder approval, a further investment by the Subscribers of A\$2,800,020 to acquire 933,340,000 ordinary shares at 0.3 cents per share (**Tranche 2**), representing a 100% premium to the Company's 30 day VWAP

Tranche 1 was completed on 26 April 2016, and Tranche 2 is expected to be in June 2016, subject to shareholder approval. Upon completion of Tranche 2 the Subscribers will collectively hold 45.4% of the issued capital of Pilot Energy.

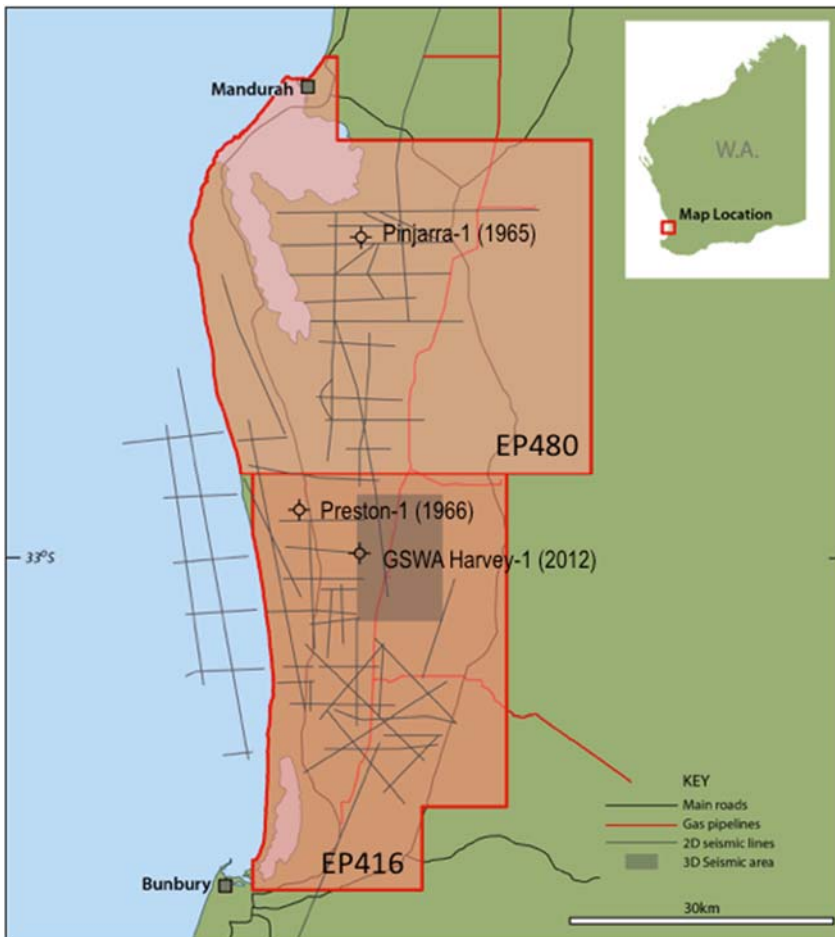
The Board of Pilot Energy and the Subscribers share the common goal of creating a leading junior Australian E&P company. The funding provided by the Subscribers' cornerstone investment enables the Company to meet all of its firm commitments on existing projects, in addition to providing substantial working capital with which to pursue new growth opportunities.

Over the past 18 months, Pilot Energy has successfully employed a counter-cyclical investment strategy to build a substantial and high quality portfolio of oil and gas exploration projects within Western Australia. The Company has been able to maintain a low cost base by limiting full-time personnel to its Managing Director, and has benefited from the time, skills and experience of its other directors on a consulting basis as required. Pilot Energy will continue to keep corporate costs to a minimum, and as announced on 31 March 2016, will make various Board and management changes in order to position the Company for success.

### **EP416 & EP480 Exploration Permits**

As announced on 10 February 2016, the assignment of a 60% interest, and operatorship, of exploration permits EP416 and EP480 has been approved by the West Australian Department of Mines and Petroleum (**WADMP**).

EP416 and EP480 are contiguous onshore permits covering an area of 2,310 km<sup>2</sup>, located in the



southern part of the Perth Basin, a proven hydrocarbon province that has been the subject of significant industry interest; particularly since the Waitsia gas/condensate discovery by AWE Limited. The basin is generally prospective for gas (with some oil/condensate) and is well served by gas distribution infrastructure, with the Dampier to Bunbury gas pipeline running almost the full extent of the basin (and directly across EP416 and EP480). Demand exists for new sources of domestic gas within the area of EP416 and EP480, with industries such as minerals extraction and refining operating nearby.

To date, exploration of the Perth Basin has been focused to the north. However, the southern part of the basin hosts comparable geological formations to those that comprise the hydrocarbon play to the north, with mature gas-prone source rocks underlying

sandstone reservoirs. The primary reservoir target in the permits is the Permian Sue Sandstone, with a secondary target in the overlying Leseur Sandstone. Both reservoir targets could be drilled at the prospect location by a single well.

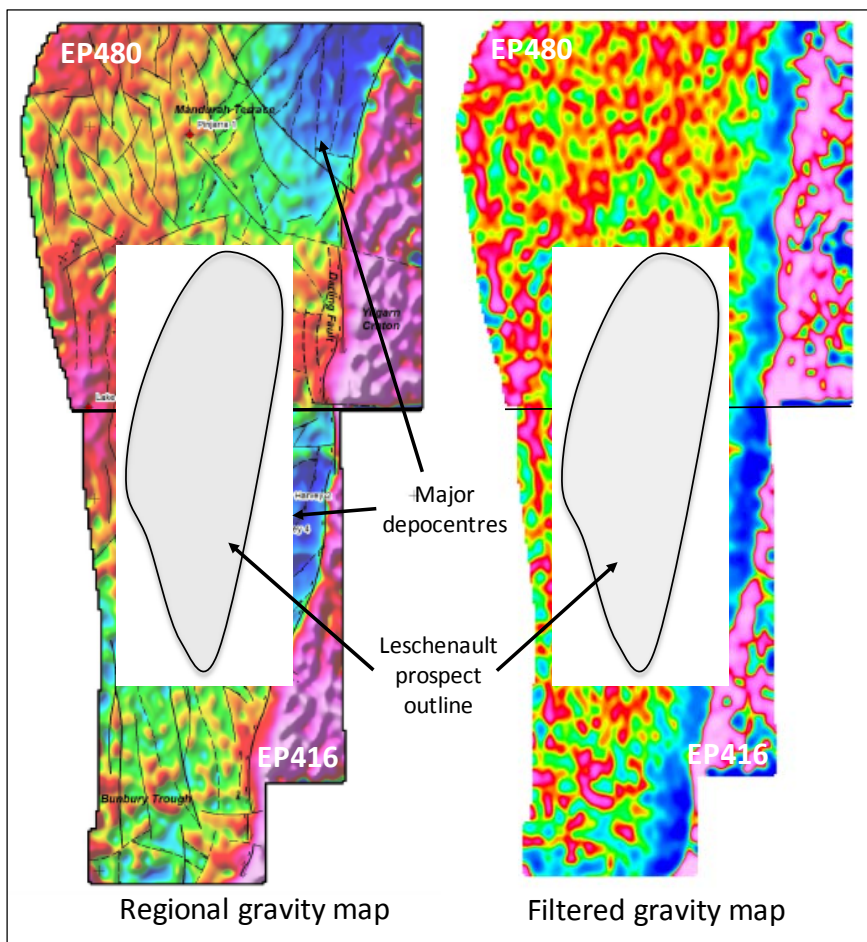
The available 2D seismic data reveals the presence of the c. 200km<sup>2</sup> Leschenault gas prospect across the permits, for which Pilot Energy estimates significant prospective gas resources as follows (refer to Company announcement of 2 September 2015):

Target	Low Case (Bscf)	Best Case (Bscf)	High Case (Bscf)
<i>Sue Sandstone</i>	30	130	300
<i>Leseur Sandstone</i>	60	140	300

Five wells have been drilled within the permits, two of which were drilled in the 1960's. The three more recent wells, drilled since 2012 as part of a carbon geo-sequestration pilot program, confirm the presence of good quality sandstone reservoir formations at locations down-dip from the crest of the Leschenault structure.

As announced on 23 February 2016, the Joint Venture has completed preliminary interpretation of the airborne geophysical survey acquired over the EP416 and EP480 exploration permits.

The survey was acquired by previous Operator Empire Oil & Gas Ltd (ASX: EGO) in mid 2015, and gathered 2,703 line kms of gravity and magnetic data. The resulting dataset is of high resolution and quality, and provides valuable new information that validates the prospectivity of the permits by greatly improving the understanding of the regional basin architecture. Importantly, the gravity data indicates the presence of large regional depocentres to the northeast and southeast of the Leschenault prospect, which represent deep potential "hydrocarbon kitchens" from which gas is thought to have been generated.



The adjoining figure shows the regional total gravity map over EP416/480, with the location of the Leschenault prospect highlighted. The Leschenault prospect is situated on the flank of a large regional “gravity high”.

Additional processing of the data has been undertaken in order to remove the deeper, regional gravity effects, resulting in the filtered gravity map as also shown in the figure. This indicates a more localised gravity anomaly that straddles the EP416/480 permits, and shows good correlation with the Leschenault structure as mapped on seismic data.

The Joint Venture is currently considering the optimal work program required to progress the Leschenault prospect to drillable status, and is in discussion with the WADMP regarding certain permit

variations, regarding which the Company will provide an update in due course.

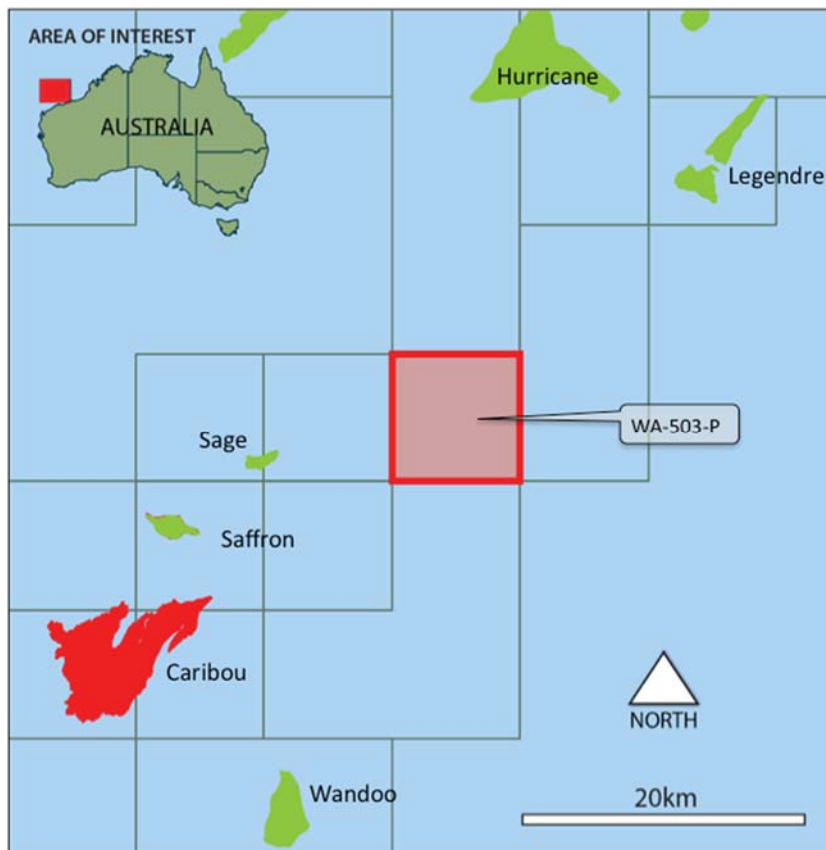
### Australia: WA-503-P Exploration Permit

Pilot Energy holds an 80% working interest (as Operator) in exploration permit WA-503-P, and recently commissioned Gaffney Cline & Associates (GCA) to conduct an independent assessment of the prospective oil resources for the three prospects identified within the permit. As announced on 3 March 2016 the gross prospective oil resources for the three structural prospects are as follows:

Lead	Reservoir	Gross Prospective Resources (MMBbl)		
		Low	Best	High
Updip Janus	Legendre	3.0	6.9	13.5
	Eliassen	1.5	3.1	6.2
Updip Orion	Legendre	7.6	25.1	63.5
	Eliassen	0.6	1.1	2.1
	M Australis	0.6	2.9	7.2
Bojangles	Angel	1.5	3.4	6.9
	M Australis	1.5	3.5	7.1

Block WA-503-P is located offshore Western Australia within the Dampier Sub-basin, inboard of the giant Northwest Shelf complex and on trend with numerous oil and gas discoveries; including the Legendre and Hurricane fields. The shallow water depth across the block (maximum 70 metres) allows for drilling by lower cost “jack up” drilling rigs.

The primary exploration focus of WA-503-P is Lower Cretaceous to Upper Jurassic sandstone reservoirs within the oil rich Legendre Trend, situated along the eastern flank of the Lewis Trough. The decommissioned Legendre field is situated some 20 km to the northeast of the block, and produced over 40 MMbbl of oil from excellent quality sandstone reservoirs. The most recent discovery in the area, Hurricane, is believed to contain over 100 MMbbl of oil in place (plus associated gas and condensate) within a structural/stratigraphic combination trap.



Pilot Energy has until May 2017 to complete the work commitment associated with the permit's primary term, being acquisition of 80km<sup>2</sup> of new "Broadband" 3D seismic and completion of various geological and geophysical studies. The Company has an agreement in place with a seismic contractor to acquire the new data at a very favorable cost of US\$500,000, with acquisition anticipated in H2 2016 (subject to vessel availability).

### WA-507-P Exploration Permit

Pilot Energy holds an 80% working interest, as Operator, in the WA-507-P exploration permit, located offshore Western Australia. As announced by the Company on 20 October 2015, GCA completed an estimate of prospective oil resources for the three exploration leads identified by Pilot Energy, in addition to the significant gas potential previously assessed.

GCA's independent assessment confirms the potential for very significant oil discoveries within WA-507-P, as follows (quoted figures are on-block and recoverable):

Lead	Low (MMBbl)	Best (MMBbl)	High (MMBbl)
<i>Dalia Updip</i>	250	764	1,743
<i>Beta</i>	151	381	931
<i>Gamma</i>	203	436	926

GCA previously estimated the prospective resources of the three leads for the gas case, as below (refer to ASX announcement dated 25 February 2015).

Lead	Low (Bscf)	Best (Bscf)	High (Bscf)
<i>Dalia Updip</i>	1,644	4,734	9,639
<i>Beta</i>	1,010	2,436	5,674
<i>Gamma</i>	1,376	2,877	5,786

Block WA-507-P covers an area of 1,622 km<sup>2</sup> over the Exmouth Plateau. The block is covered by a high quality 3D seismic dataset (licensed by Pilot Energy) which reveals three large exploration leads, ranging in area from 60 km<sup>2</sup> to 280 km<sup>2</sup>. While WA-507-P is situated within a proven gas province,



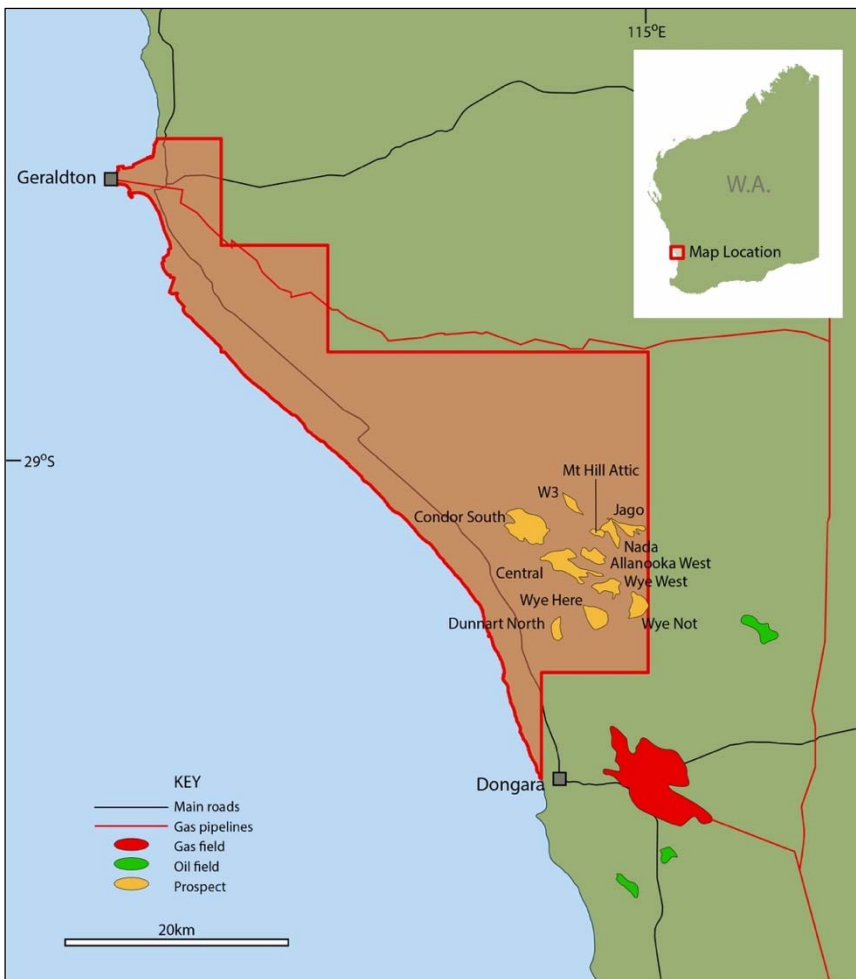
along trend from existing discoveries, regional well data and various studies support the case for an oil play within this part of the Exmouth Plateau. The Triassic Mungaroo source/reservoir interval in this area is believed to have been deposited in an outboard, marine depositional environment, which has positive implications for extensive deposition of oil-prone source rocks and good quality sandstone reservoirs.

The potential for an oil play in the Exmouth Plateau is attracting considerable industry interest, with the likes of Shell, Statoil and Eni/Octanex pursuing the oil play in their own permits surrounding WA-507-P.

The main work commitment associated with the primary term of the permit is licensing of the existing 3D seismic data, from TGS Nopec. Pilot Energy has thus far paid US\$350,000 towards the license fee, with a balance of US\$912,500 payable by 31 December 2016. While the Company will have the ability to meet this commitment, upon completion of Tranche 2 of the cornerstone investment, Pilot Energy continues to market the project in order to attract a farmin partner to fund the seismic-related costs.

### EP437 Exploration Permit

As announced on 20 April 2016, the WADMP has approved the assignment of a 13.058% interest in exploration permit EP437 to Pilot Energy.



EP437 is situated on the west of the northern onshore Perth Basin, between the towns of Geraldton and Dongara; some 10km to the north of the large Dongara gas field and Jingemial/Hovea oil fields, and 20km to the north of the Cliff Head oilfield. A number of wells have been drilled to date, the results of which confirm a working petroleum system within the permit; the Dunnart-1 and 2 wells recovered oil from the Lower Triassic Bookara sandstone, and the Wye-1 well tested gas from Bookara and Aranoo sands.

The primary prospects currently identified by the Joint Venture are Wye Not, Becos and Conder South.

The Wye Not prospect was drilled on the crest of the structure by the Wye-1 well in 1996, and tested gas from two reservoirs. The Bookara and the Arranoo sandstone reservoirs flowed

4.4MMscf/day and 2.5 MMscf/day respectively. Neither of these reservoirs exhibited a water leg, and both had good, live oil shows during drilling - suggesting that they may have been previously oil-filled, with the oil being displaced to a down-dip oil rim by subsequent gas migration.

The Becos prospect lies down-dip from the Wye Not prospect, on the migration path from the hydrocarbon "kitchen" that lies to the south. The seismic data across the Wye Not and Becos prospects will now be reprocessed by the Operator in order to better define prospect structures, and

the existing wells will be subject to petrophysical reinterpretation prior to prospect finalisation and ranking, with a view to selecting a drilling target.

While most of the EP437 prospects offer relatively modest prospective resources, they are economically attractive due to the low cost of exploration drilling, and low cost of development in the event of discovery. Once prospect ranking has been completed and a drilling target selected, the Joint Venture will consider well planning in order to bring the leading prospect to drill-ready status.

#### **Financial: Reconciliation of expenditure**

Exploration and evaluation expenditure for the period amounted to \$64,000. Administration expenditure amounted to \$266,000. Cash as at 31 March 2016 was \$352,000, and has been supplemented by the \$800,000 raised via completion of Tranche 1 of the cornerstone investment, subsequent to the reporting period.

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 October 2015 to 31 December 2015.

#### **ASX Listing Rule 5.3.3 tenement details**

<b>Tenement reference and location</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
WA-503-P Western Australia	80%	80%
WA-507-P Western Australia	80%	80%
EP416 & EP480 Western Australia	60%	60%
EP437 Western Australia	13.058%	13.058%

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#### **Enquiries**

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10, 17/12/10

Name of entity

PILOT ENERGY LIMITED

ABN

86 115 229 984

Quarter ended ("current quarter")

31 MARCH 2016

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(64)	(708)
(b) development	-	-
(c) production	-	-
(d) administration	(266)	(491)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received / (paid)	-	-
1.7 Other -	-	-
<b>Net Operating Cash Flows</b>	<b>(330)</b>	<b>(1,198)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	(15)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	694
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - sale of exploration assets	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>679</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(330)</b>	<b>(519)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(330)	(519)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	30	30
1.17	Repayment of borrowings	-	(8)
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	(22)
	<b>Net financing cash flows</b>	(30)	-
	<b>Net increase (decrease) in cash held</b>	(300)	(519)
1.20	Cash at beginning of quarter/year to date	662	902
1.21	Exchange rate adjustments to item 1.20	(10)	(31)
1.22	Cash at end of quarter *	352	662

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	108
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.16 – part repayment of a loan advanced to a director  
1.23 - includes salaries and consultancy fees paid to directors.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

+ See chapter 19 for defined terms.



### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	195
4.2 Development	-
4.3 Production	-
4.4 Administration	250
<b>Total *</b>	<b>445</b>

\* Following approval of the Cornerstone investment, \$3.6 million will be raised during the next quarter.

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	352	662
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>352</b>	<b>662</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased *	-	-	-

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>	Nil	N/A	N/A
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A
7.3	+Ordinary securities **	1,605,476,834	1,605,476,834	N/A
7.4	Changes during quarter (a) Increases through issues *  (b) Decreases through returns of capital, buy-backs	-	-	-
7.5	+Convertible debt securities <i>(description)</i>	Nil	N/A	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> <i>(description and conversion factor)</i>	125,000,000 10,000,000 12,500,000 10,083,334 25,500,069 2,000,000	- - - - - -	<i>Exercise price</i> 0.2 cents 3 cents 12 cents 12 cents 6.75 cents 6 cents	<i>Expiry date</i> 30 June 2019 30 September 2017 31 October 2016 30 September 2016 31 July 2016 30 April 2016
	<b>Performance rights</b>	45,000,000	-		30 June 2018
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	N/A	N/A	N/A	N/A
7.10	Expired during quarter	108,164,528 843,882	108,164,528 -	10.5 cents \$1.185	31 January 2016 16 February 2016
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	N/A		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	N/A		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Company Secretary

Date: 29 April 2016

Print name: David M McArthur

+ See chapter 19 for defined terms.

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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