

Announcement to ASX

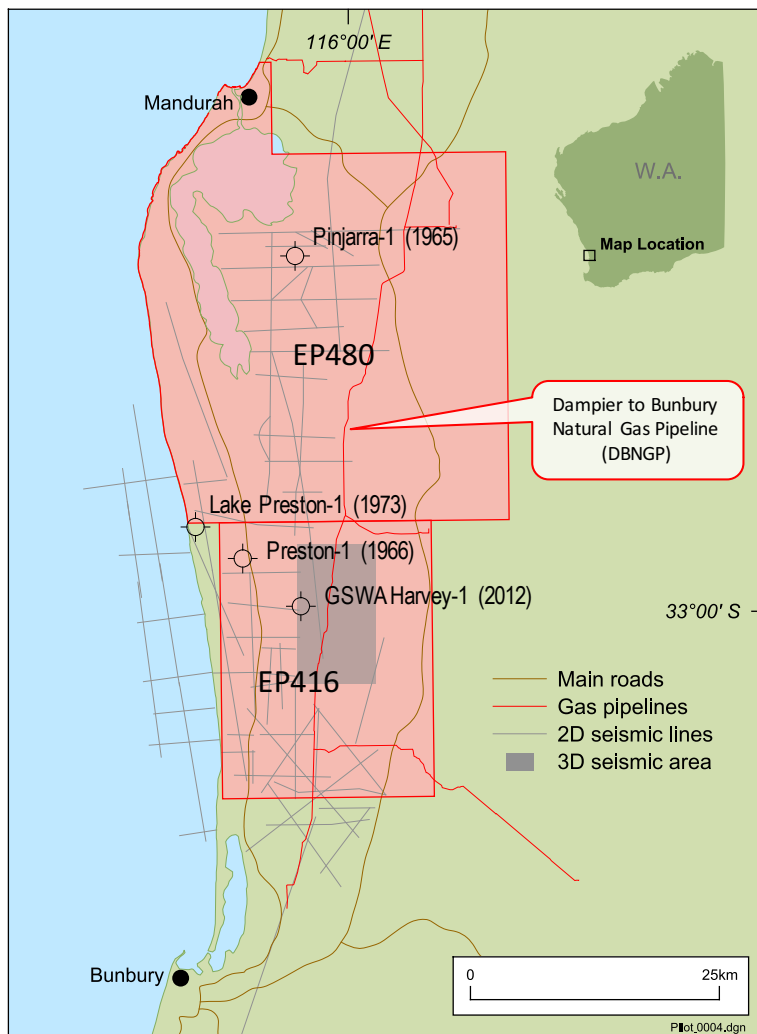
6 October, 2016

RENEWAL OF EP416 EXPLORATION PERMIT

HIGHLIGHTS

- **EP416 renewed for five-year term**
- **Geochemical survey to de-risk Leschenault gas prospect**
- **Recent mapping indicates Leschenault structure is larger than previously thought**
- **Revised prospective resources to be announced in coming weeks**

Pilot Energy Ltd (the **Company**, ASX: PGY) is pleased to announce that the West Australian Department of Mines & Petroleum has approved renewal of the EP416 Exploration Permit, located in the southern Perth Basin. The permit renewal has been granted for a five-year term, with the primary term work commitment (two years) comprising of geochemical surveying, advanced processing of the Falcon airborne geophysical survey data acquired in 2015, and geological/geophysical studies. An optional exploration well is required in year four.



Perth Basin

The Perth Basin is a proven hydrocarbon province that has been subject to significant industry interest and activity, particularly since the Waitsia gas/condensate discovery by AWE Limited (2014). The basin is generally prospective for gas (with some oil and 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 running directly across EP416 and EP480).

Exploration of the basin to date has been primarily focused to the north, with the southern portion having only been lightly explored. However, the limited drilling that has occurred in this part of the basin does confirm the presence of the key components for a working petroleum system; namely source, reservoir and seal.

EP416 and EP480

EP416 and EP480 are large and contiguous permits located in the southern part of the onshore Perth Basin, on the coast of Western Australia.

Existing 2D seismic data and airborne geophysical data confirm the presence

of a very large structure across the permits, with up to 240 km² of structural closure mapped at two reservoir levels. The data also indicate the presence of large regional depocentres to the northeast

and southeast of the structure, representing likely source “kitchens” for gas generated from the extensive and excellent quality Sue coal measures deposited across the region.

Pilot Energy’s recent interpretation of available data indicates that the Leschenault structure is larger than previously thought. The Company is currently revising its assessment of prospective resources, and anticipates announcing an upgrade within the coming weeks, together with a full technical overview of the prospect.

The Leschenault prospect is a three-way dip structure that relies on closure to the west by a major bounding fault. The structure is well defined by 2D seismic data, and exhibits two structural culminations, both of which offer potential drilling locations for a vertical well to test the two conventional reservoir targets. The primary geological risk is one of cross-fault seal, i.e. whether the western bounding fault has sealing capacity to retain hydrocarbon gas migrating in to the structure. In order to address this risk a geochemical survey is planned in order to determine whether gas anomalies are evident.

The aim of the survey is to identify anomalies due to micro-seepage of hydrocarbon components from depth, that are broadly conformable to the Leschenault area of structural closure; indicating that one or both of the reservoir targets are gas-bearing. The survey will also focus on the location of the bounding fault, to determine whether macro-seepage of gas is occurring through the fault system, to surface.

Managing Director, **Iain Smith commented**, “*We are delighted to have secured this renewal, which combined with EP480 provides Pilot Energy with continued tenure over a very large, robust gas prospect, just a few kilometres from existing pipeline infrastructure. The renewal work program will address the primary geological risk of the Leschenault prospect, and we look forward to progressing the geochemical survey, in particular, in order to bring this exciting prospect to drillable status.*”

Pursuant to the Company’s Farmin Agreement with Empire Oil & Gas NL (“Empire”) dated 1 September 2015, the renewal of EP416 satisfies the remaining condition to that agreement, and Pilot Energy will now pay Empire A\$150,000 as the final farmin installment.

Working interests in both EP416 and EP480 are as follows:

Pilot Energy Ltd	60% (Operator)
Empire Oil & Gas NL	40%

Enquiries

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About Pilot Energy: Pilot Energy Ltd is an emerging junior oil and gas exploration company that is implementing a low-cost, counter-cyclical strategy to develop a portfolio of high quality oil and gas exploration assets. The Company’s aggressive new ventures program has rapidly resulted in acquisition of material working interests in the WA-507-P and WA-503-P and EP416/480 exploration permits, located offshore and onshore Western Australia, in addition to a minor working interest in the EP437 permit. Key to Pilot Energy’s strategy is minimisation of project entry cost and work commitments, while allowing sufficient time to add value through desktop studies prior to seeking farming partners to fund seismic and/or drilling. Pilot Energy works closely with industry partners such as seismic contractors in order to develop creative pricing models for services that help to reduce the Company’s upfront cash investment.