

Announcement to ASX

7 November, 2016

RISC CONFIRMS SIGNIFICANT PROSPECTIVE RESOURCES FOR LESCHENAULT PROSPECT

HIGHLIGHTS

- **RISC validates recently upgraded prospective resource estimate**
- **Leschenault structure has two main target reservoirs**
- **Sue Sandstone has prospective resources of up to 625 Bcf gas**
- **Lesueur Sandstone has prospective resources of up to 970 Bcf gas**
- **Geochemical survey for prospect derisking in early 2017**

Pilot Energy Ltd (the **Company**, ASX: PGY) is pleased to announce that independent oil and gas advisory firm, RISC Operations Pty Ltd (**RISC**), has completed an audit of the Company's internal estimate of prospective resources for the Leschenault prospect, located in exploration permits EP416 and EP480, with an effective date of 31 October 2016.

RISC's report confirms the prospective resources of the two main reservoir target intervals, as follows:

Reservoir	Gross (100%) Bcf			Net to Pilot (60%) Bcf		
	Low	Best	High	Low	Best	High
Lesueur Sandstone	150	435	970	90	260	580
Sue Sandstone	120	290	625	70	175	375

Notes:

1. Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a chance of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
2. The estimates of Prospective Resources included in this announcement have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). The PRMS defines prospective resources as those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
3. RISC's methodology was to review a probabilistic resource evaluation carried out by Pilot Energy, modifying some of the inputs to conform to RISC's views and updating the resource estimation. The prospective resources were estimated by mapping the extent of the prospect using the seismic data and applying ranges of volumetric parameters based on regional data. Recovery efficiencies were estimated using generalized recovery factors which RISC assessed to be reasonable. The parameters were then combined probabilistically.
4. Gross Prospective Resources are 100% of the on-block volumes estimated to be recoverable from the Leads in the event that a discovery is made and subsequently developed.
5. The volumes reported are "Unrisked" in the sense that the Geological Chance of Success (GCoS) factor has not been applied to the designated volumes within RISC's assessment. RISC have estimated the GCoS for the Sue Sandstone target as 10%, and the GCoS for the Lesueur Sandstone target as 5%. As both targets can be drilled by a single well, Pilot estimates that the combined GCoS for the prospect, for at least one of the reservoir targets to be a discovery, is 14.5%. In the event of discovery the chance of development has been assessed by Pilot as 90%.

Leschenault Prospect Summary

The Leschenault prospect is located across permits EP416 and EP480, located in the southern Perth Basin. Pilot Energy is partnered in the permits with Empire Oil & Gas NL (ASX: EGO). 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/condensate, and is well served by gas distribution infrastructure,

with the Dampier to Bunbury Natural Gas Pipeline (DBNGP) 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 confirms the presence of the key components for a working petroleum system, as evidenced by the Whicher Range gas field to the south.

Seismic data confirms the presence of a very large structure across the permits, with up to 240 km² of structural closure and confirmed by RISC to be structurally robust. The structure is a “three-way dip” feature that relies on closure to the west by a major bounding fault and exhibits two culminations, both of which offer potential drilling locations for a vertical well to test the two conventional reservoir targets. Importantly for commercialisation of a discovery, these locations are less than 10 km west of the DBNGP. The prospective resources for Leschenault have recently been upgraded due to re-interpretation of the seismic data, and a basin-wide assessment of existing discoveries and associated reservoir parameters.

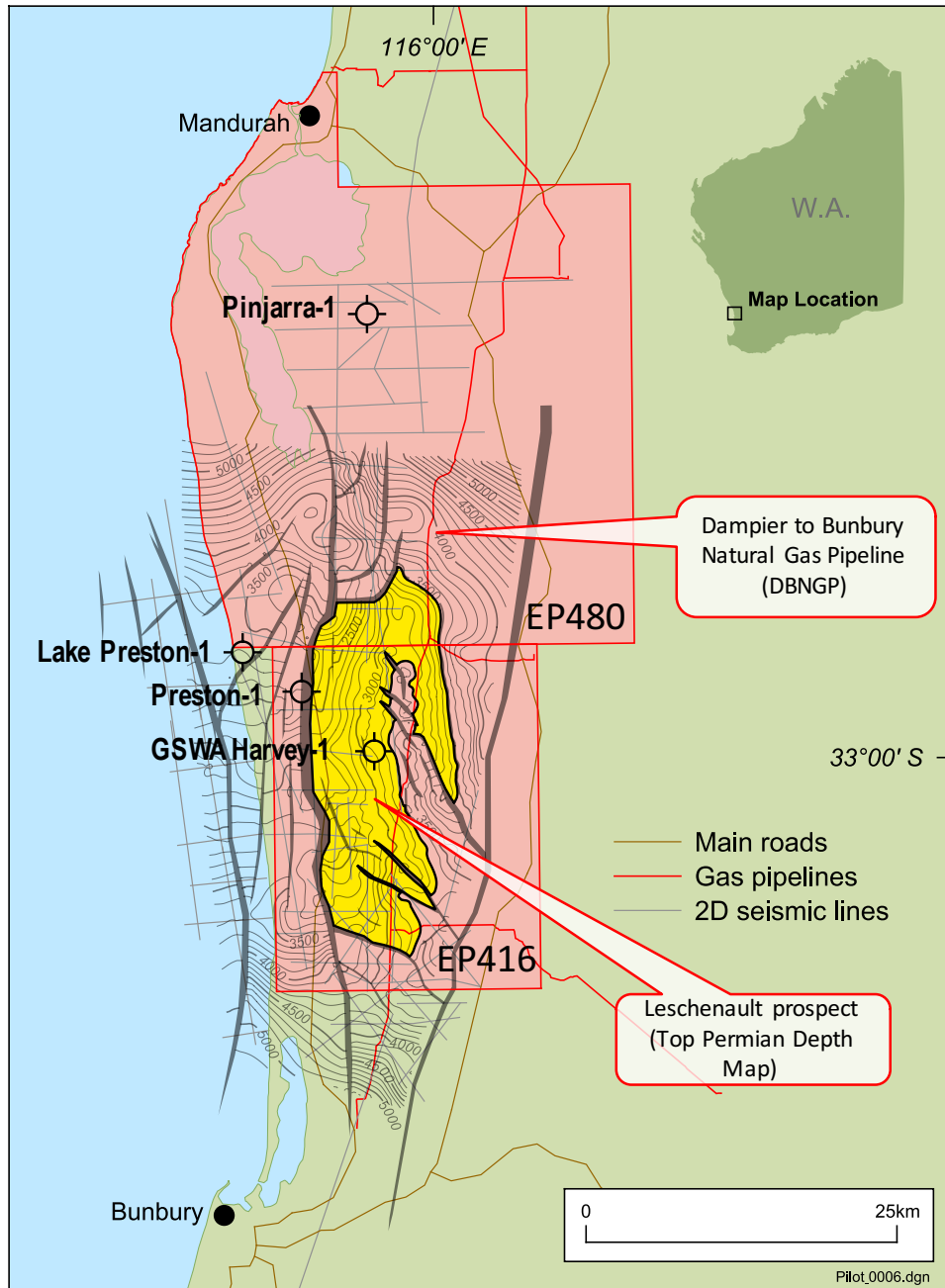
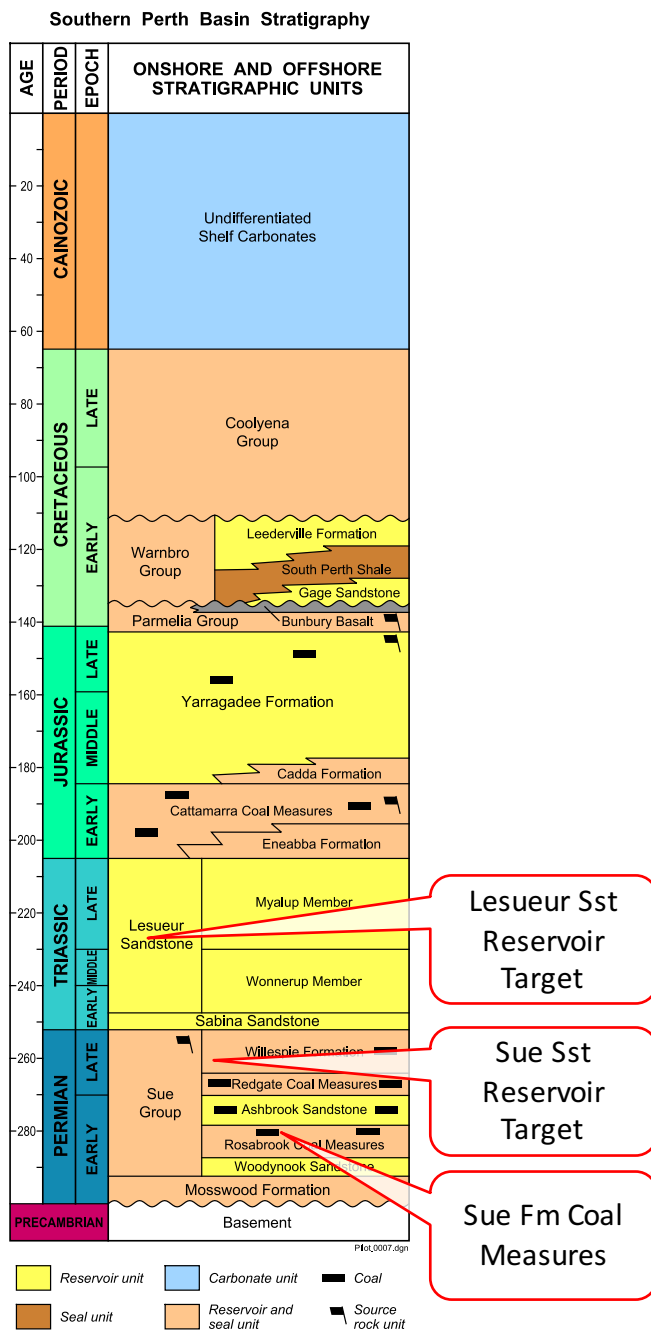


Figure: Leschenault Prospect Location Map, Showing Top Permian Depth Structure

The two main reservoir objectives are the Permian Sue Sandstone and the Triassic Lesueur Sandstone, both of which are thick and laterally extensive. The Permian Willespie Formation at Whicher Range is a direct analogue for the Sue Sandstone, although superior reservoir properties are expected at Leschenault due to the shallower depth of burial. Target depths for the Lesueur and Sue

Sandstones are approximately 500m and 2,500m respectively, whereas the Whicher Range reservoir is at approximately 4,000m. The hydrocarbon source for the region are the extensive Sue Formation coal measures, equivalent to the Irwin River Coal Measures that source much of the gas in the north of the Perth Basin. The coal measures are buried at great depth to the east and west of the Leschenault structure, and are thermally mature for gas generation. The Lake Preston-1 well encountered the Sue Formation from approximately 4,000m to TD at 4,565m, encountering gas shows and coal beds with TOC of up to 54%. The Sue Formation is currently within the gas generation window at the Lake Preston-1 location.



Of the four wells within the permits, Preston-1 (1966) and Lake Preston-1 (1966) were drilled off-structure and did not test valid prospects. However, Lake Preston-1 did encounter gas shows in Sue sandstones. The Pinjarra-1 well (1965) did not reach the Sue Sandstone, reaching TD early due to an interpretation error.

The most relevant well was not an exploration well but was drilled in 2012 as part of the Southwest Geosequestration Hub project, as a stratigraphic test. GSWA Harvey-1 did not reach the Sue Sandstone primary reservoir objective, but did intersect the Lesueur Sandstone, with excellent porosity evident (up to 20%). However, the well intersected the reservoir only on the flank of the Leschenault structure, and significant Lesueur potential therefore exists updip of the Harvey-1 well location, towards the structural crest.

Reservoir top seal is provided by the Eneabba Formation shales for the Lesueur Sandstone, and by intraformational shales for the Sue Sandstones. The latter are proven at Whicher Range, and **RISC note in their report** that “the Whicher Range field is an encouraging analogue and demonstrates the Sue Sandstone play works in an adjacent basin sector.”

The main geological risk associated with Leschenault 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 for early 2017.

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 surface location of the bounding fault, to determine whether macro-seepage of gas is occurring through the fault system.

Managing Director, **Iain Smith commented**, “RISC’s report confirms that Leschenault offers the potential for a major new gas discovery, just a few kilometres from regional pipeline infrastructure and within a proven petroleum system. To the best of our knowledge Leschenault is the largest undrilled prospect within the Perth Basin, for which independently verified prospective resources are available. The geological risk is well understood and an appropriate work program is in place that will address

that risk. We very much look forward to conducting the geochemical survey in early 2017, as we progress this exciting prospect to drillable status.”

Working interests in both EP416 and EP480 are as follows:

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

Consents

Information on the Prospective Resources in this release relating to the Leschenault Prospect is based on an independent review conducted by RISC Operations Pty Ltd (RISC) and fairly represents the information and supporting documentation reviewed. The review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. David C.B. Cliff, the Head of Geoscience for RISC, a leading independent petroleum advisory firm. Mr. Cliff is a member of the AAPG and his qualifications include a Bachelor of Science (Geology) from University of Exeter. Mr Cliff has more than 30 years of global experience in the upstream hydrocarbon industry and is a qualified petroleum reserves and resources evaluator (QPRRE) as defined by ASX oil and gas listing rules. Mr Cliff consents to the inclusion of this information in this report.

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-481-P, WA-507-P, 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