

Announcement to ASX

20 December, 2016

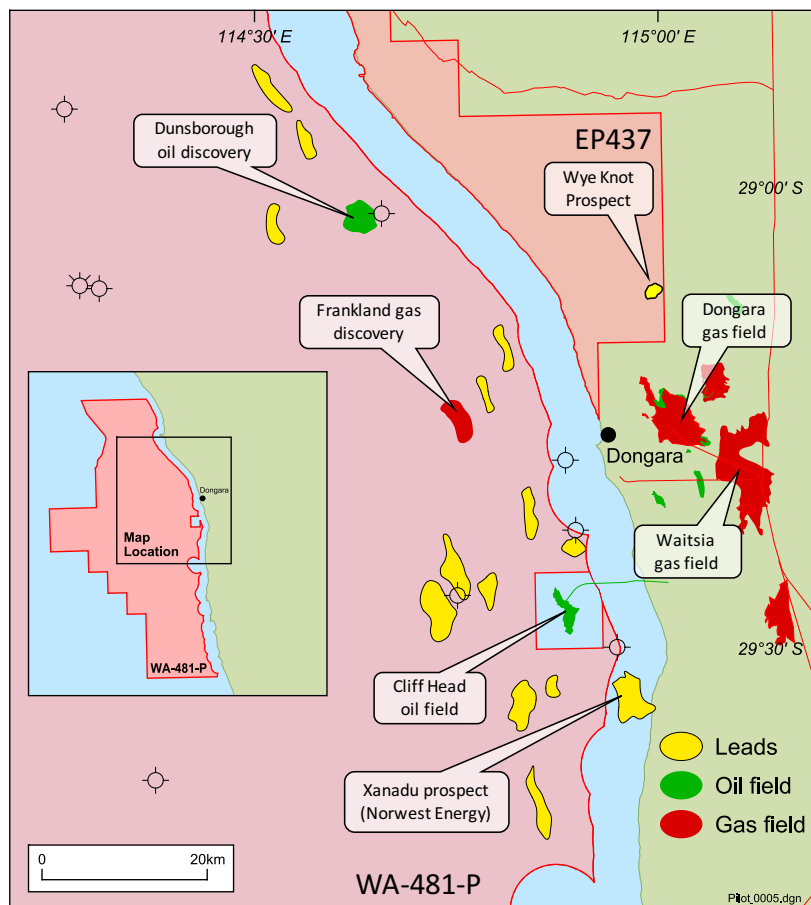
## WA-481-P Prospectivity Update

### Highlights

- Preliminary seismic interpretation confirms 14 structural prospects
- Variety of hydrocarbon plays, both oil and gas
- Three primary focus areas for future exploration
- Frankland and Cliff Head plays already de-risked by existing discoveries
- Leander Reef play offers huge upside
- Prospective resource assessment in progress

Pilot Energy Ltd (the **Company**, ASX: PGY) is pleased to provide the following prospectivity update and attached technical presentation for its WA-481-P exploration permit, further to recent completion of the preliminary seismic interpretation.

WA-481-P is jointly held with Key Petroleum Ltd (ASX: KEY), and located in shallow waters to the west of the onshore Dongara/Beharra Springs/Waitsia gasfields, and the Jingemial/Hovea/Cliff Head oilfields. Pilot and Key's onshore exploration permit EP437 lies approximately 10km to the east.



The permit is very large (17,475 km<sup>2</sup>) and covers a major portion of the offshore extension of the north Perth basin. The primary petroleum plays are for oil and/or gas within the Dongara Sandstone

and the Irwin River Coal Measures. Both oil and gas are proven within the permit, with the Frankland gas and the Dunsborough oil discoveries representing 2C contingent resources of 39 Bcf gas and 5.4 MMBbls oil respectively.

WA-481-P is well covered by both 3D and 2D seismic data, which confirms the presence of fourteen structural prospects across a variety of geological plays. Pilot Energy has commenced its internal assessment of prospective resources for the permit, however due to the large number of prospects this work will take longer to complete than originally anticipated. The prospective resources are therefore not expected to be announced until late January 2017.

The attached technical presentation provides a detailed overview of prospectivity, and three primary plays will be the focus for future exploration, as follows:

The Frankland gas play lies on trend with the Frankland-1 gas discovery, which has estimated 2C contingent resources of 39 Bcf gas. Three further structures are located to the northeast of Frankland-1, offering the potential to increase the resource base to above the minimum economic limit – estimated by Pilot Energy to be 60 Bcf gas at a gas sales price of A\$6.50 per mmbtu. Importantly this play has been largely de-risked by the Frankland-1 well, and the Company will consider conducting a seismic inversion study in order to further de-risk the prospects. In the event of future exploration success, commercialisation of two or more fields could occur as a hub, tied back to the onshore Dongara gas facility, located some 20km to the east.

The Cliff Head South play incorporates two structural prospects, both of which lie to the south and west of the Cliff Head oil field. These prospects are of a comparable size to Cliff Head itself (18 MMBbls) and are situated between Cliff Head and the hydrocarbon source kitchen to the west. The oil within Cliff Head would have migrated directly through this area, resulting in a high probability for oil charge in to the prospects. While the prospects are large, even a small discovery could likely be developed, by tying back to the Cliff Head offshore facility approximately 10km to the northeast.

Finally, the Leander Reef area offers potential for very large accumulations of oil. Three large structures exist to the west of Cliff Head, each of which is expected to offer potential in the region of 100 MMBbls oil. While the Leander Reef-1 well was drilled in the area in 1983, the structures remain untested. This is due to the fact that the well intersected a fault at a location where the Dongara reservoir target has been “faulted out” - i.e. reservoir was absent due to movement on the fault. However oil and gas shows were encountered by the well, and while currently higher risk than the Frankland and Cliff Head plays, the Leander Reef area warrants further study as a possible future drilling target due to the huge upside potential.

Full details of contingent resources for the Dunsborough and Frankland discoveries are below:

Discovery	Gross (100%) Bcf			Net to Pilot (60%) Bcf		
	1C	2C	3C	1C	2C	3C
Frankland	26	39	56	16	23	34

Discovery	Gross (100%) MMBbls			Net to Pilot (60%) MMBbls		
	1C	2C	3C	1C	2C	3C
Dunsborough	3.2	5.4	8.4	1.9	3.2	5.0

**Notes:**

1. Contingent Resources are the estimated quantities of petroleum that may be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies
2. The estimates of Contingent 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).
3. The Contingent Resources were estimated by mapping the extent of the prospect using seismic data and applying ranges of volumetric parameters based on regional data, including recovery efficiencies. The Contingent Resources were calculated probabilistically and the two reservoir targets were arithmetically summed in order to provide estimates for the prospect as a whole.
4. Gross Contingent Resources are 100% of the on-block volumes estimated to be recoverable from the prospect in the event that a discovery is made and subsequently developed.

The Company is pleased to present the attached technical presentation, and looks forward to announcing its estimate of prospective resources for WA-481-P in January 2017.

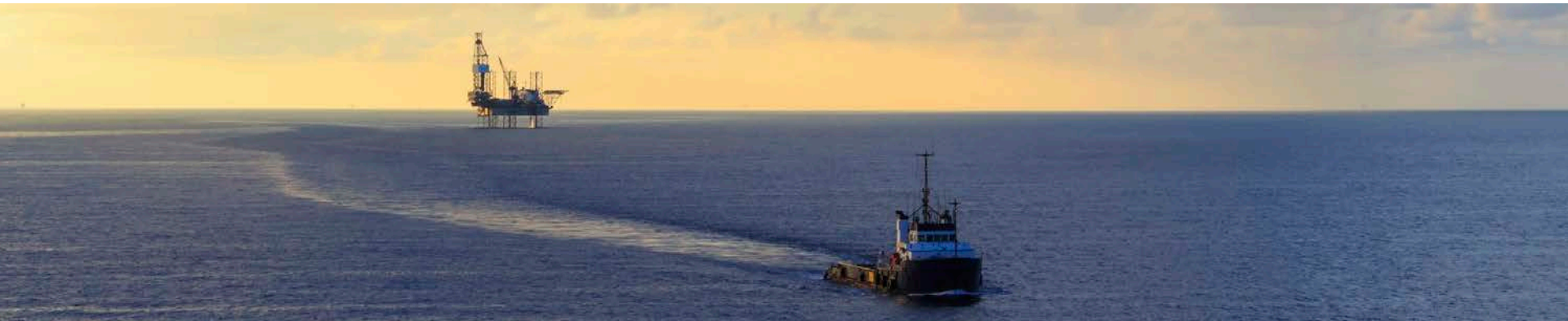
**Competent Person Statement:** This announcement contains information on conventional petroleum resources which is based on and fairly represents information and supporting documentation reviewed by Mr Conrad Todd, a Petroleum Geologist with over 35 years experience and a BSc in Geology from the University of London and a MSc in Stratigraphy from the University of London. Mr Todd is a member of the AAPG, PESA, SEAPEX, PESGB, and is qualified in accordance with ASX listing rule 5.1. He is an Advisor to the Board of Pilot Energy Ltd, and has consented to the inclusion of this information in the form and context to which it appears.

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## 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.



# WA-481-P Prospectivity Update

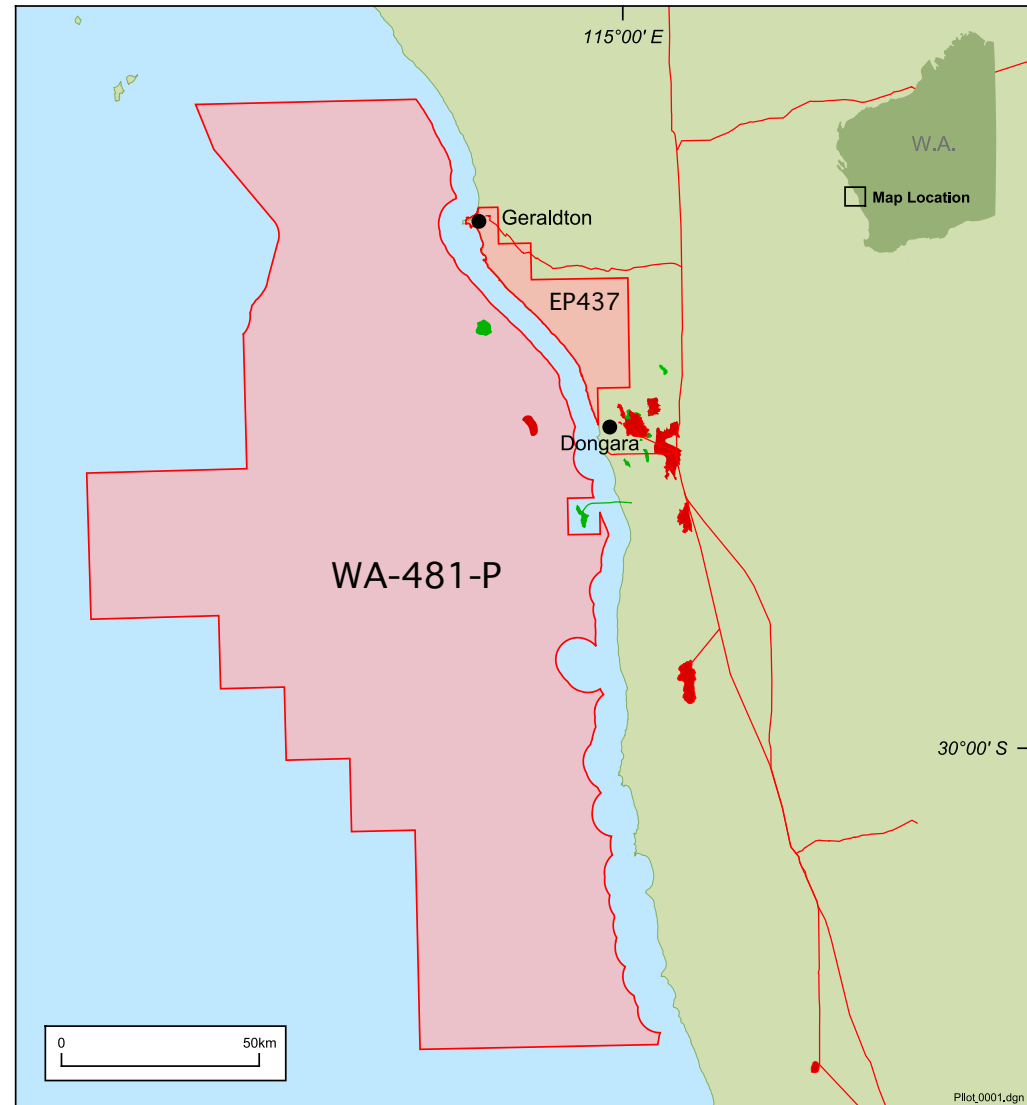
This presentation may contain certain statements and projections provided by or on behalf of Pilot Energy Ltd (PGY) with respect to anticipated future undertakings. These forward-looking statements reflect various assumptions by or on behalf of PGY. Accordingly, these statements are subject to significant business, economic and competitive uncertainties and contingencies associated with exploration and/or mining which may be beyond the control of PGY which could cause actual results or trends to differ materially, including but not limited to price fluctuations, exploration results, ore reserve and resource estimation, environmental risks, physical risks, legislative and regulatory changes, political risks, project delay or advancement, ability to meet additional funding requirements, factors relating to title to properties, native title and aboriginal heritage issues, dependence on key personnel, share price volatility, approvals and cost estimates. Consequently, there can be no assurance that such statements and projections will be realised. Neither PGY, or any of its affiliates, advisers, consultants, agents or any of their respective officers or employees (**Relevant Parties**) make any representations as to the accuracy or completeness of any such statement of projections or that any forecasts will be achieved.

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Contingent Resources are the estimated quantities of petroleum that may be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.

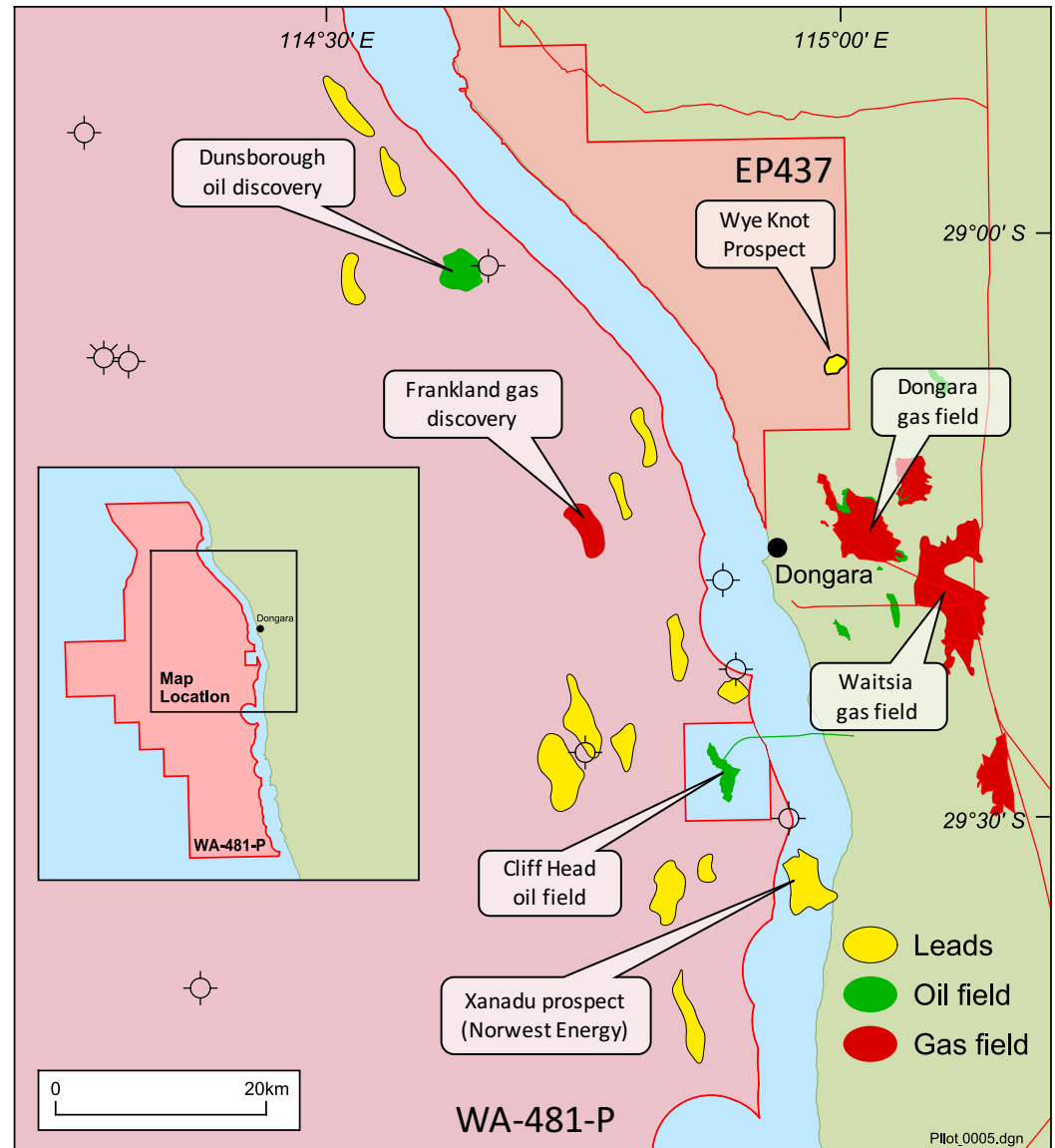
# Introduction: WA-481-P

- Very large permit (17,745 km<sup>2</sup>)
- Located over offshore extension of north Perth Basin
- Shallow waters
- Proven petroleum system
- Adjacent to Cliff Head oil field
- Highly prospective for both oil and gas
- Two discoveries within permit represent contingent resources
- Numerous prospects and leads identified on existing seismic data
- Oil & gas facilities nearby, with spare capacity



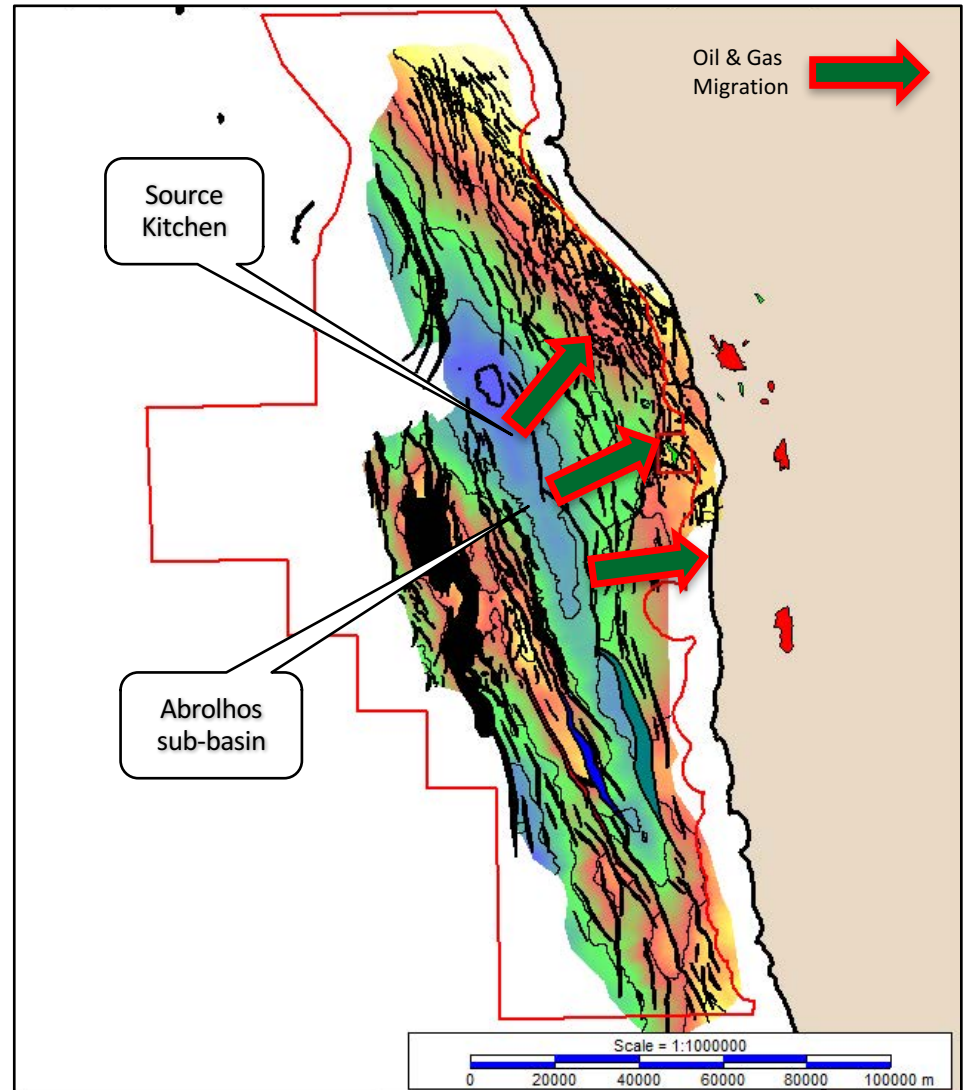
# A Proven Petroleum System

- In vicinity of numerous oil and gas fields
- Permit surrounds Cliff Head offshore oil field
- Dunsborough oil discovery has 2C contingent resources of 5.4 MMBbls
  - Potential future tieback to future discovery
- Frankland gas discovery has 2C contingent resources of 39 Bcf
  - Additional potential on-trend



# Structural Setting

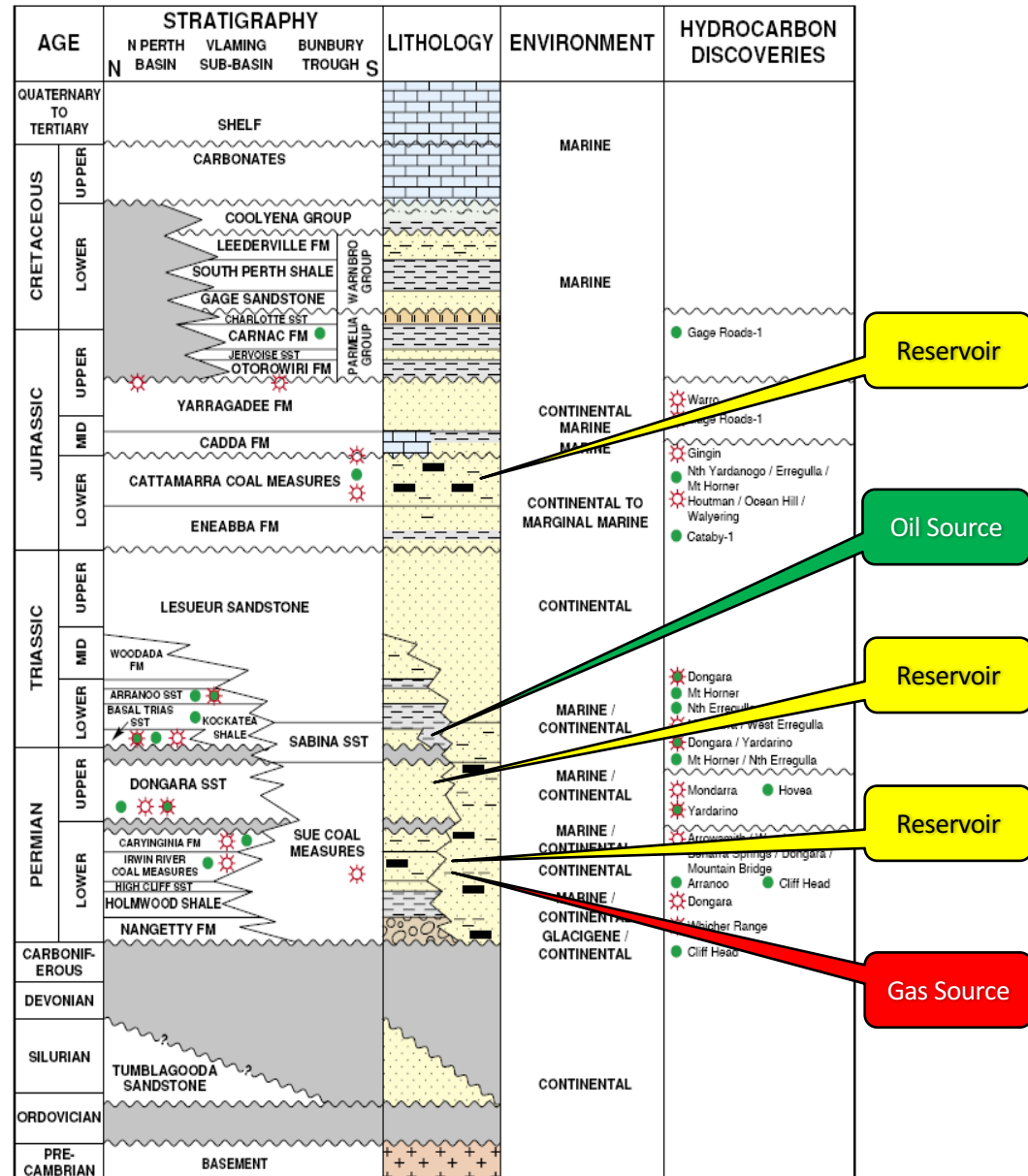
- Arolhos sub-basin runs north-south through the permit
- Structural highs flank the sub-basin to east and west
- Major oil & gas source kitchen
- Basin is thermally mature and generative
- Migration of hydrocarbons from depocentre, eastwards up to structural high
- Faulting along structural high has created numerous structural closures for entrapment of hydrocarbons





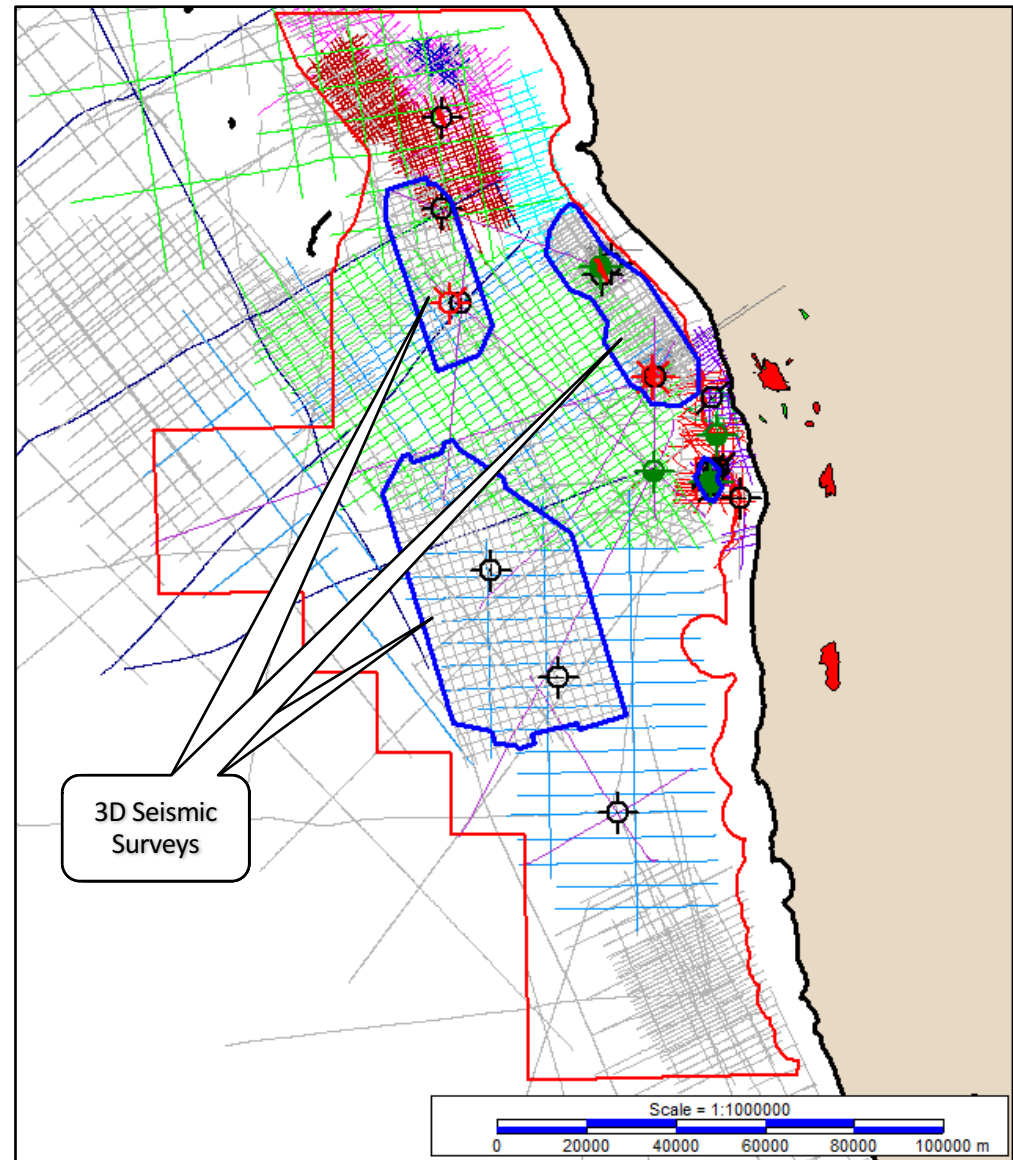
# Stratigraphy

- Good quality clastic reservoirs in Dongara Sandstone and Irwin River Coal Measures (e.g. Cliff Head)
- High quality source rocks in Irwin River Coal Measures (gas and some oil) and the Kockatea Shale (oil)



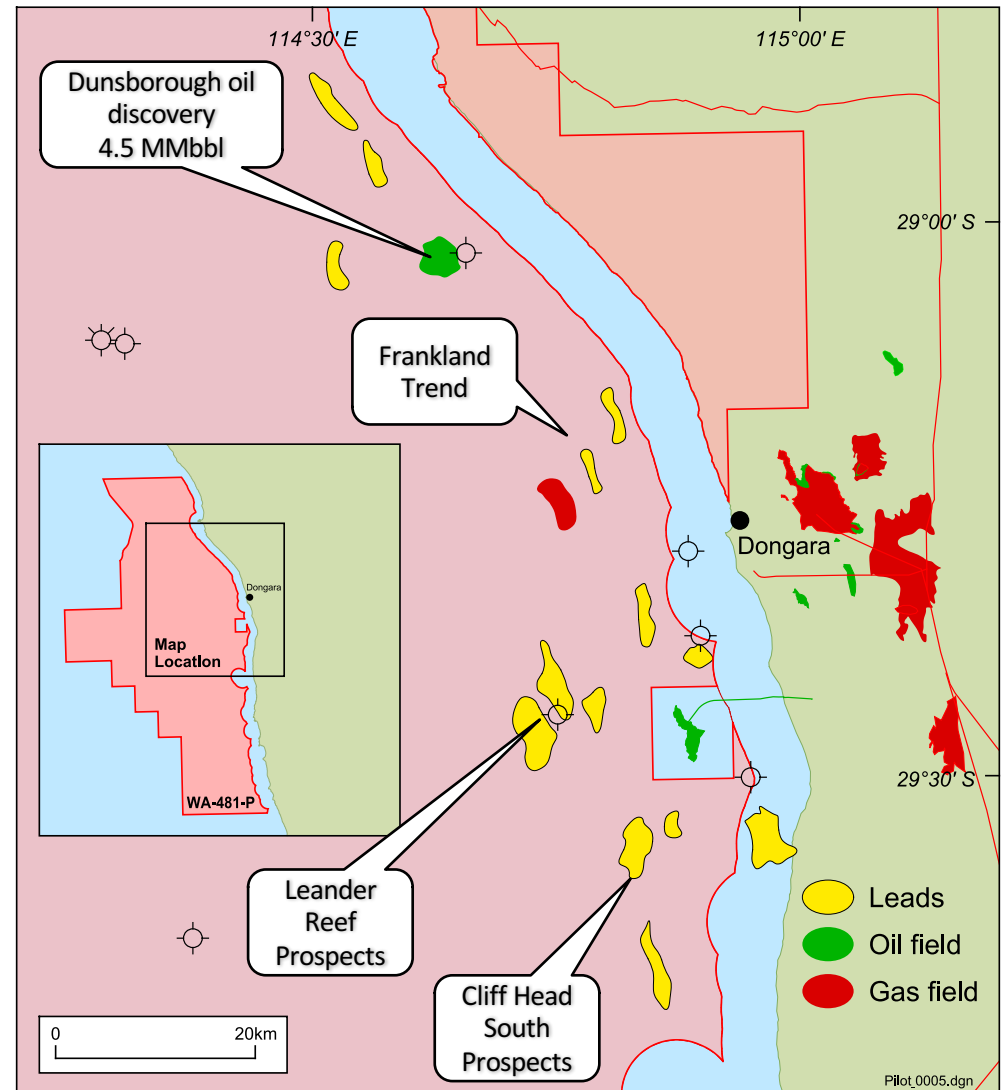
# Available Data

- Large inventory of 2D and 3D seismic data



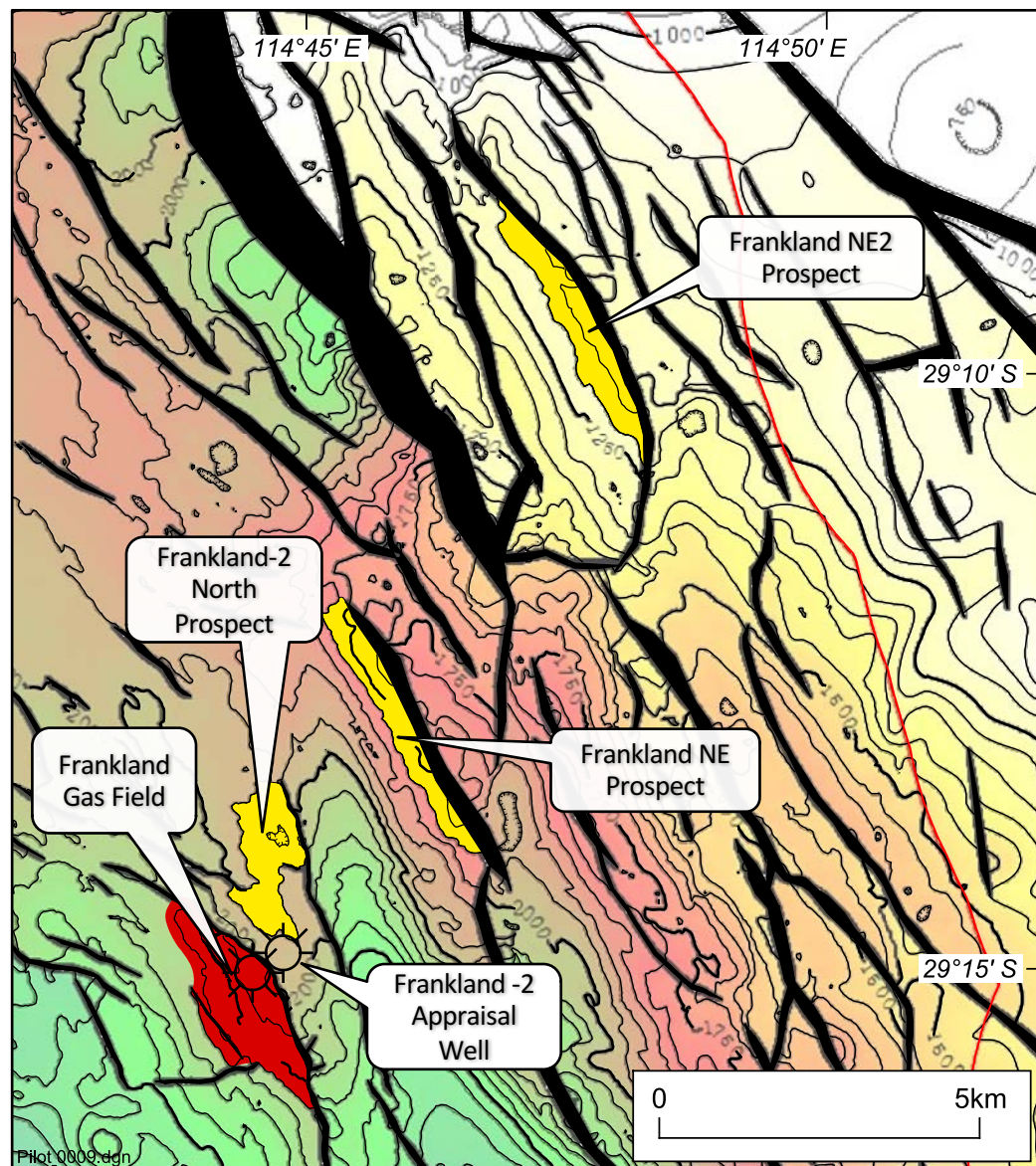
# Prospects & Leads

- Preliminary seismic interpretation complete
- 14 structural prospects identified
- Three main priority areas
  - Frankland Trend gas prospects
  - Cliff Head South oil prospects
  - Leander Reef oil prospects

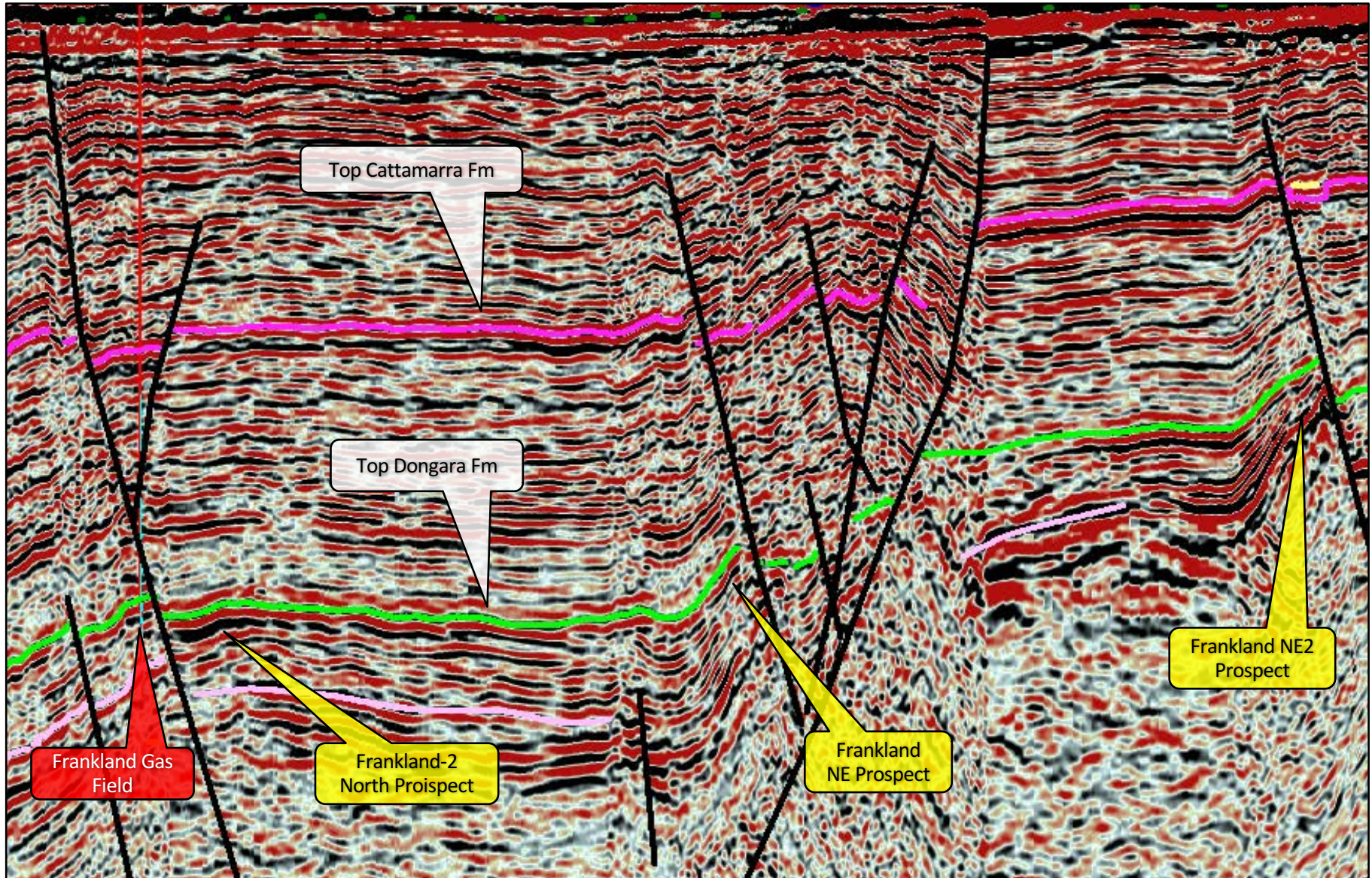


# Frankland Trend Prospects

- Frankland-1 gas discovery contains 2C contingent resources of 39 Bcf.
- Minimum economic field size estimated at 60 Bcf, assuming gas sales price of A\$6.50 per mmbtu
- Frankland-2 appraisal well was drilled in structurally low position
- Three additional structures mapped on trend
- Hydrocarbon play already de-risked by Frankland-1 well
- Discovery of additional gas resources would likely result in commercial development
- Dongara gas facilities located just 20km to east

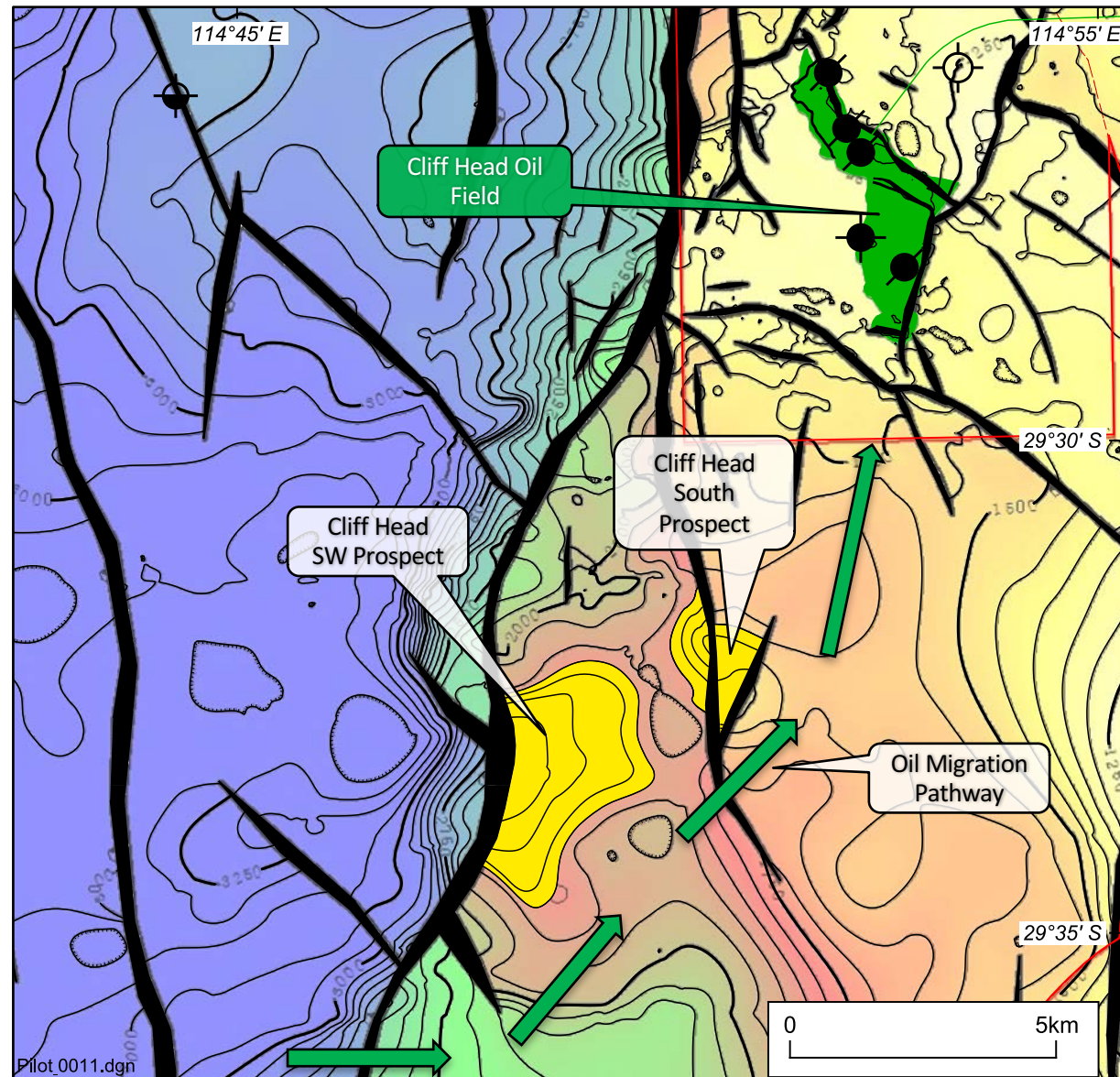


# Frankland Trend Seismic Example

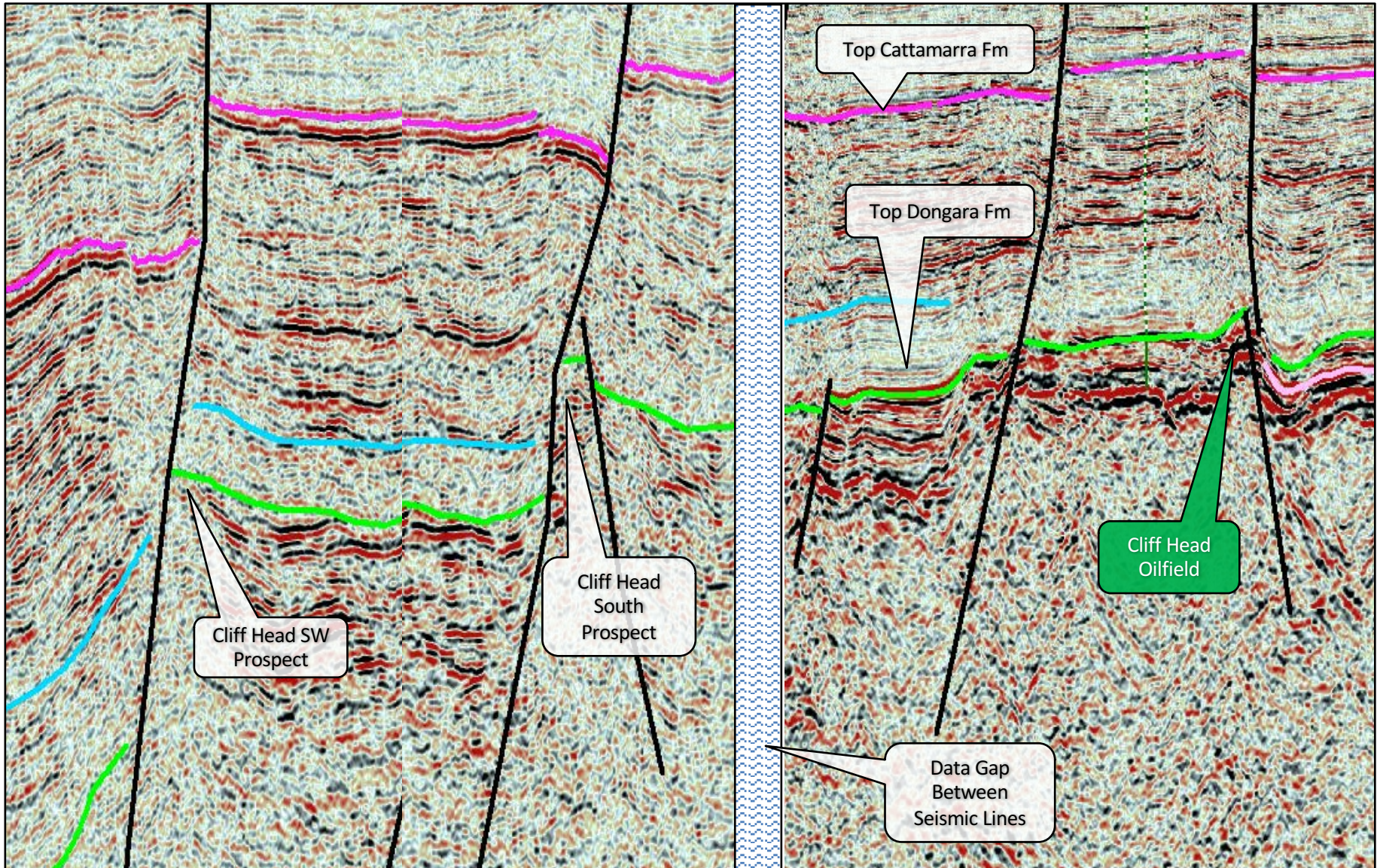


# Cliff Head South Prospects

- Two prospects located to south of Cliff Head oil field (18 MMbbls)
- Located directly on oil migration path from source kitchen to Cliff Head
- Good potential for large discoveries, comparable to Cliff Head in size
- Small discoveries of order of 5 MMBbbls could be commercialised via Cliff Head facilities, just 10km to the northeast



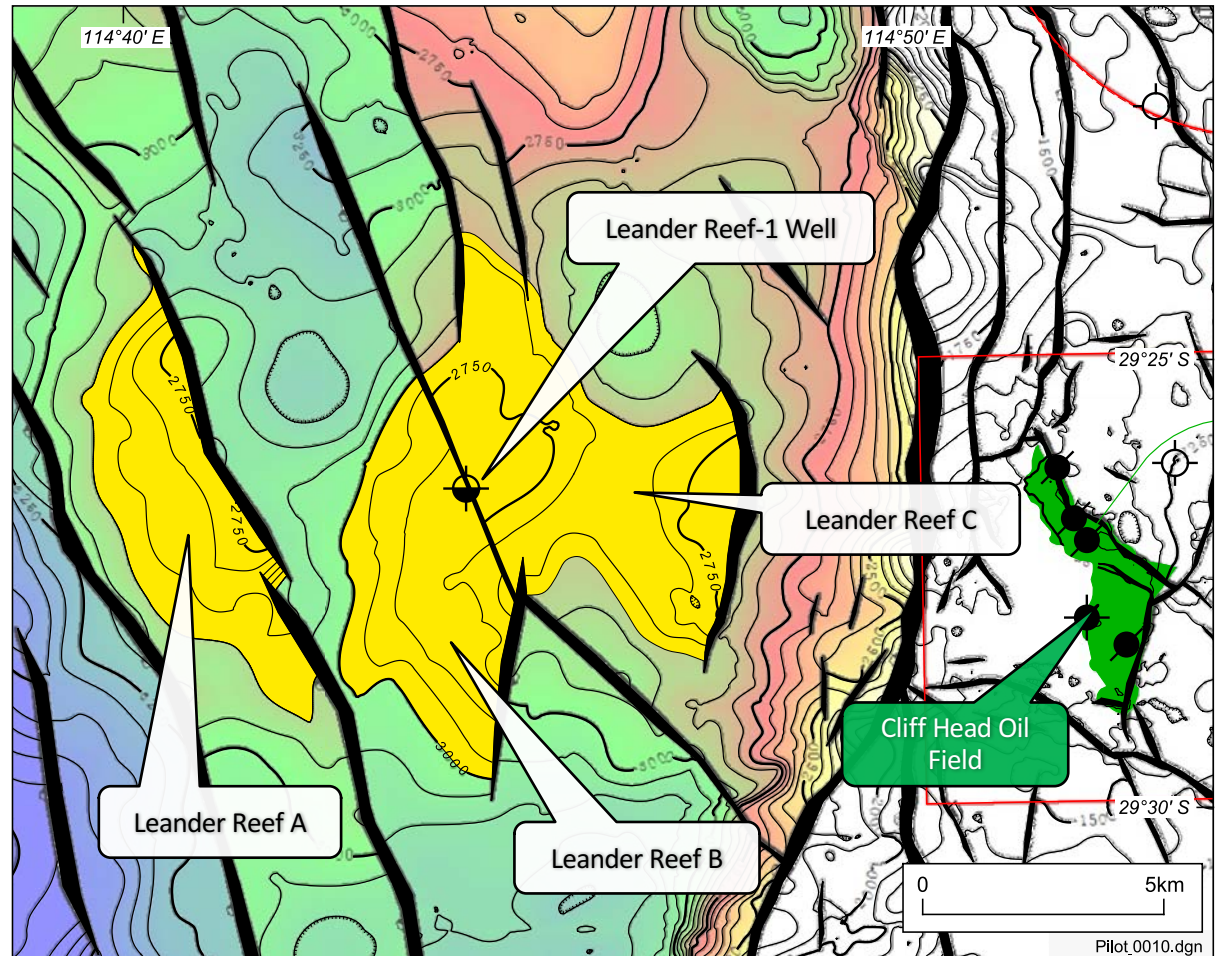
# Cliff Head South Seismic Example



Composite Seismic Line

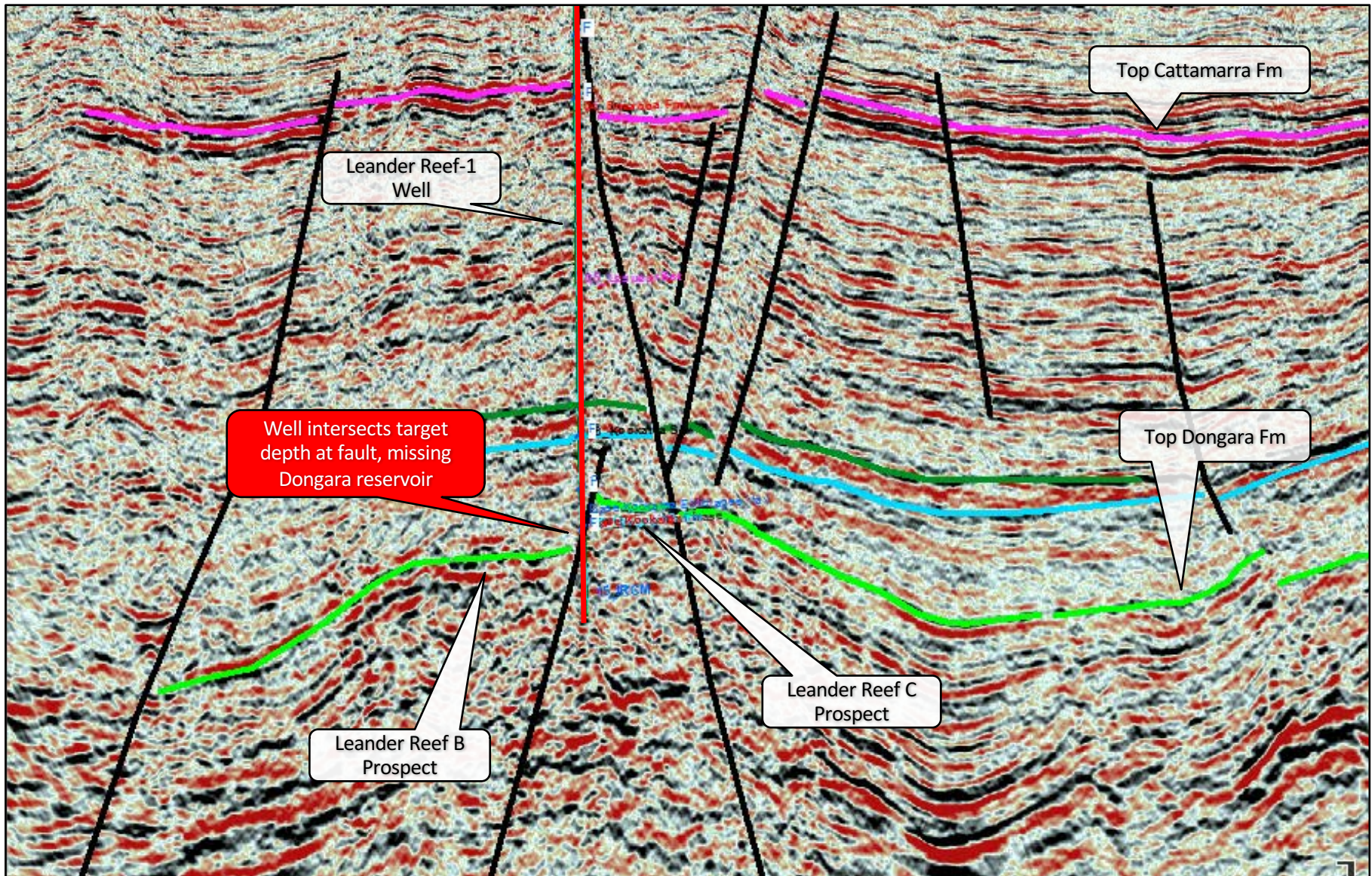
# Leander Reef Prospects

- Three very large, untested structures
- Each exhibits structural closure over an area of more than 20 km<sup>2</sup>
- Leander Reef-1 well was drilled in 1984
- Encountered oil & gas shows
- Drilled in to fault, missing the target reservoir horizon
- Prospects could each be of the order of 100 MMBbls
- Located between oil source kitchen and Cliff Head oilfield





# Leander Reef Seismic Example



# WA-481-P Summary

- Highly prospective permit with numerous oil & gas prospects
- Various petroleum plays, three of which have been de-risked by existing discoveries
- Contingent resources within permit
- Three main priority areas for further, detailed study
- Frankland gas discovery with nearby potential could lead to a gas production hub, via Dongara facilities
  - Play may be further de-risked by seismic inversion study
- Prospects to south of Cliff Head oilfield are significant, and lay directly on migration path to Cliff Head
  - Even a small discovery could be commercialised, via Cliff Head facilities
- Leander Reef prospects remain untested and offer huge potential upside
- Anticipate prospective resources to be announced by end January 2017