

Announcement to ASX

2 September, 2015

PERTH BASIN ACQUISITION

HIGHLIGHTS

- **Pilot Energy to earn 60% interest and operatorship of EP416 and EP480**
- **Low cost entry to onshore Perth Basin gas exploration**
- **Permits are very close to existing gas infrastructure and markets**
- **Large structural prospect mapped on existing seismic data**
- **Significant prospective resources identified at two reservoir levels**

Pilot Energy Ltd (ASX: PGY) is pleased to announce that the Company has executed an agreement with Empire Oil & Gas NL ("Empire") to farm in to Empire's EP416 and EP480 exploration permits, situated within the Perth Basin.

Under the terms of the agreement, Pilot Energy will pay the cost of Empire's recently completed airborne geophysical survey of the permits, by paying an initial \$150,000 to Empire. A further \$300,000 will be payable upon the parties satisfactorily negotiating amendments to the permit terms with the regulatory authority (in order to optimise the exploration program for the permits, and anticipated to occur early second quarter of 2016). At that point Pilot Energy will earn a 60% interest in EP416 and EP480, and assume operatorship of both permits. Pilot Energy will also fund Empire's share of permit-related costs (excluding seismic and drilling costs) for a period of 24 months.

Pilot Energy Chairman, **Gavin Harper commented on the transaction as follows:** *"This transaction represents Pilot Energy's third acquisition in the space of only ten months, with EP416 and EP480 providing a substantial footprint within an exciting and emerging hydrocarbon province, under favorable commercial terms. We look forward to working with the Empire team in order to further evaluate and explore the permits."*

Strategic Fit

EP416 and EP480 offer the opportunity for low cost onshore gas exploration, with significant prospective resources already identified. The permits host existing gas infrastructure and are near to an area of high demand for domestic gas by industrial users. The new permits compliment Pilot Energy's other exploration assets within Western Australia, creating a balanced portfolio of conventional exploration assets offering the full range from low cost onshore gas exploration, through shallow water oil exploration (WA-503-P) to very high potential deepwater gas and oil exploration (WA-507-P).

Consistent with Company strategy, Pilot Energy has secured a material interest in EP416 and EP480 as Operator and with a low cost of entry.

Perth Basin

The onshore Perth Basin is a proven hydrocarbon province that has been the subject of significant industry interest since the recent Waitisia gas/condensate discovery by AWE Limited. 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 directly across EP416 and EP480).

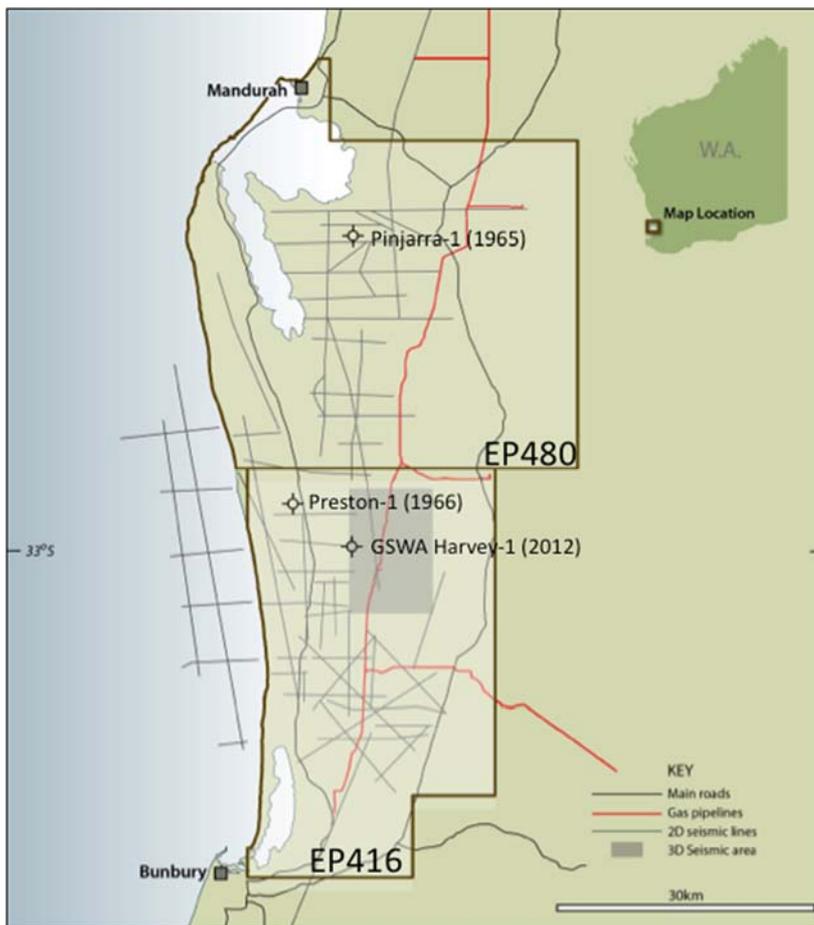
Exploration of the basin to date has been primarily focused to the north, with the southern portion having only been lightly explored. However, the limited drilling that has occurred in this part of the basin does confirm the presence of geological formations that comprise the hydrocarbon play to the north, with mature gas-prone source rocks underlying clastic reservoir formations.

Importantly for Pilot Energy and Empire there is high demand for new sources of domestic gas within the area of EP416 and EP480, with industries such as minerals extraction and refining operating nearby.

EP416 and EP480

EP416 and EP480 are contiguous permits located in the southern part of the onshore Perth Basin, on the coast of Western Australia between the towns of Mandurah and Bunbury. The permits cover a combined area of 2,310 km², and have been only lightly explored. Only three wells have been drilled within the permits, two of which were drilled in the 1960's. A more recent well, drilled in 2012 as part of a carbon geosequestration study program, confirms the presence of good quality sandstone reservoir intervals.

The primary reservoir target is the Permian Sue Sandstone, with a secondary target in the overlying Lesueur Sandstones. It is expected that these reservoirs will be sourced by gas generated from coal measures within the Sue Formation. Existing 2D seismic data confirms the presence of a large structure across the permits, with over 200km² of closure mapped at the Sue Sandstone reservoir level. Pilot Energy estimates significant prospective gas resources for this structure at the Sue Sandstone and Lesueur Sandstone levels, as follows:



Target	Low Case (Bcf)	Best Case (Bcf)	High Case (Bcf)
Sue Sandstone	30	130	300
Lesueur Sandstone	60	140	300

Both the Sue and Lesueur reservoir targets could be drilled at the prospect location by a single well.

The immediate work program on EP416 and EP480 is comprised of interpretation of the airborne geophysical survey data as recently acquired by Empire, the results of which will influence the Joint Venture's strategy for future exploration of the permits. Pilot Energy anticipates that the Company will commission an independent expert to confirm its estimate of prospective resources within the permits, in due course.

Enquiries

Iain Smith, Managing Director, Tel: +61 412 638019, email: ismith@pilotenergy.com.au

Prospective Resource Statement: Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project relates to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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 30 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 a Non-executive Director of Pilot Energy Ltd. Mr Todd has consented to the inclusion of this information in the form and context to which it appears.