

Announcement to ASX

30 July, 2018

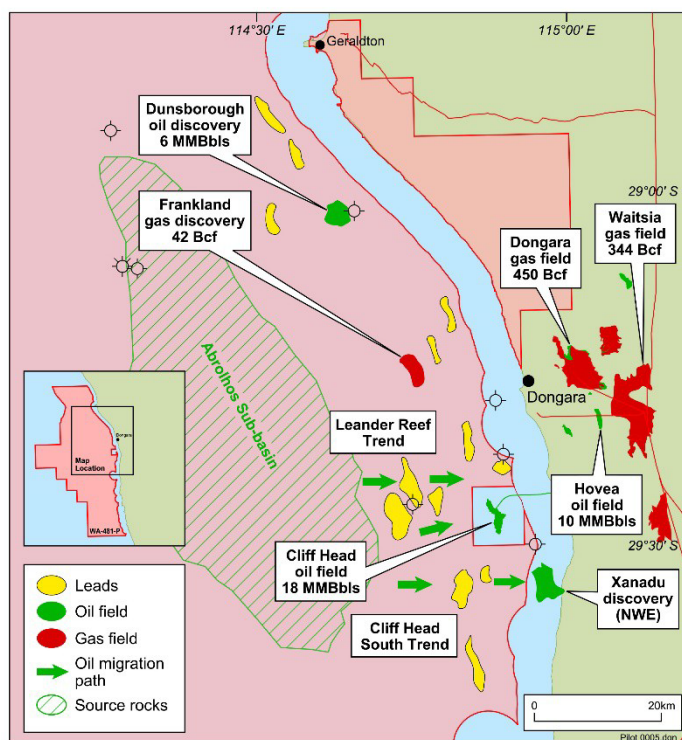
JUNE 2018 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

WA-481-P (Operator, 60%)

The current exploration permit commitments for WA-481-P comprise seismic data reprocessing and geological/geophysical studies. As announced on 3 July 2017, these studies are designed to address the primary geological risks associated with each of the various prospects and leads, such that a prioritised inventory of drill-ready prospects can be finalised to facilitate joint venture participation in a drilling program.

During the quarter company activities were primarily focused on the seismic reprocessing, which includes pre-stack depth migration (PSDM) of the existing 3D and 2D seismic data. The Joint Venture is working cooperatively to ensure high-quality reprocessing and interpretation are undertaken in a timely fashion to support additional joint venture participation and drilling activities as soon as is practicable. The re-processing is progressing well and based on the current schedule is expected to be completed early in the fourth quarter.

WA-481-P is located adjacent to existing oil and gas infrastructure, within shallow waters to the west of numerous oil and gas fields, including the offshore Cliff Head oil field and the onshore Waitsia gas discovery. The 17,475 km² permit 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 (IRCM). Both oil and gas are proven within the permit, with the Frankland gas and the Dunsborough oil discoveries representing contingent resources of up to 59 Bcf gas and 9.8 MMbbls oil, respectively.



The permit is extensively covered by 2D and 3D seismic data, which confirms the presence of thirteen structural prospects in four distinct areas. Individual prospects offer potential for up to 78 MMbbls of oil, and three of the areas are substantially de-risked by prior discoveries on-block at Cliff Head, Dunsborough and Frankland.

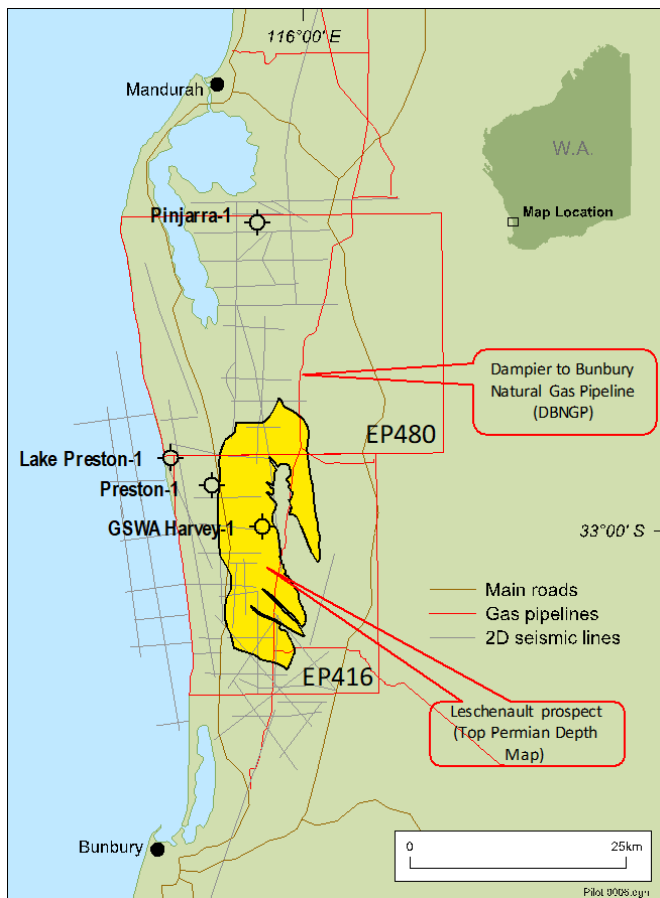
The company noted the announcement after the end of the quarter by Triangle Energy (Global) Ltd (ASX:TEG), that static modelling of the Cliff Head Oil Field indicated a significant increase in the field reserves and “near field exploration potential that could lead to a multi-phased field development program, potentially recovering a further 10.2 million barrels (unrisked, best estimate)”. This is of particular interest to Pilot Energy as it is consistent with the Company’s view that significant undiscovered potential exists in this region of the permit.

EP416 & EP480 Exploration Permits (Operator, 60%)

During the Quarter, Pilot Energy attempted to commence a geochemical survey over the Leschenault conventional gas prospect, however difficulty with land access prevented this activity over key areas of the prospect. The State government's announcement in September last year of a ban on fracking in the region and the placing of a moratorium on the use of fracking throughout the rest of WA has impacted land owner sentiment contributing to this further delay.

Following application to the Department of Mines, Industry Regulation and Safety during the quarter, a 24-month suspension and extension was granted to both permits to allow for resolution of the land access issues.

Leschenault is a "three-way dip" feature that relies on closure to the west by a bounding fault. The well-defined structure has two structural culminations, either of which is a potential drilling location for a vertical well to test the two conventional reservoir targets, being the Permian Sue Sandstone and the Triassic Lesueur Sandstone.



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. To address this risk a non-invasive geochemical survey is planned over the coming months, with results expected in this year. The aim of the survey is to identify anomalies due to micro-seepage of hydrocarbon gas components from depth, that are broadly conformable to the prospect's area of structural closure. This would suggest that either or both reservoir targets are gas-bearing, de-risking the prospect for future drilling.

As announced on 7 November 2016, RISC completed an independent assessment of prospective resources for the two main reservoir target intervals at Leschenault, confirming the potential for very significant volumes of gas, as follows:

Reservoir	Gross (100%) Bcf		
	Low	Best	High
Lesueur Sandstone	150	435	970
Sue Sandstone	120	290	625
Total	270	725	1,595

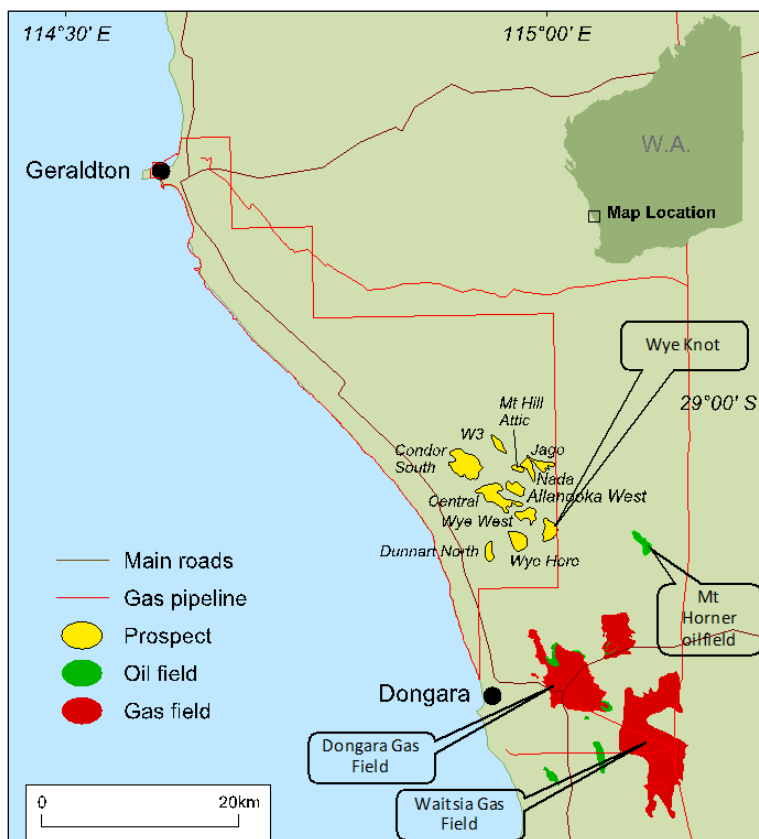
EP437 Exploration Permit (13.058%)

Preparations to drill the Wye Knot-1 exploration well in EP437 (Operator: Key Petroleum) have continued this quarter. The preferred drilling location for Wye Knot-1 has not changed and the Operator has advised that it is continuing the formal process to seek access approval to this location in a way that adheres to its HSE requirements. The drilling of Wye Knot-1 commitment well is currently by 27 November 2018.

The Wye Knot oil prospect is located down-dip from the Wye-1 gas discovery, drilled in 1996 at the crest of a four-way-dip-closed structure that benefits from additional closure via faulting to the northeast and northwest.

Wye-1 tested gas at commercial rates from two good quality reservoirs, with the Bookara and the Arranoo sandstone reservoirs flowing 4.4MMscf per day and 2.5 MMscf per day respectively. Neither of the reservoirs exhibited a water leg, and both exhibited live oil shows during drilling.

The presence of shows indicates that the reservoirs were originally oil-filled at the Wye- 1 location, with the oil likely being displaced to a down-dip oil rim by subsequent gas migration in to the crest of the structure. This dual-charge model is evident elsewhere within the north Perth Basin, including at the nearby Dongara gas field, where the Dongara-8 well produced at an initial rate of 800 barrels of oil per day from an oil rim.



The Operator’s assessment of the prospective resources targeted by Wye Knot-1 is as follows:

Reservoir	Gross (100%) MMbbls			Net to Pilot (13%) MMbbls		
	Low	Best	High	Low	Best	High
Triassic (Bookara & Arranoo)	0.2	1.4	6.1	0.03	0.18	0.79

An oil discovery at Wye Knot-1 could be commercialised rapidly, and at low cost. Pilot Energy estimates the Net Present Value of a commercial discovery at between US\$15 and US\$20 per barrel, at current oil prices and depending on the size of the discovered resource. Importantly, success at Wye Knot-1 will de-risk other prospects within EP437, including Becos, Updip Wattle Grove, and Ganay.

WA-507-P Exploration Permit (Operator, 80%)

As announced on 31 May 2018, Pilot Energy and Black Swan Resources Pty Ltd (**Black Swan**) agreed to jointly apply to the Titles Administrator to surrender the Permit.

Since the sale of its beneficial interest in the permit to Black Swan for a net profit interest in February this year, Black Swan completed a program of further seismic work, comprising seismic inversion and fluid substitution modelling, which was designed to de-risk a number of prospects identified in the Permit and to seek potential farminees.

The program was unable to further lower the geological risk associated with the prospects and, in the current industry climate, Black Swan was unable to find a farminee or purchaser for the permit. The parties agreed to jointly apply to the Titles Administrator to surrender the Permit and this surrender was approved and registered on the 6th June 2018

WA-503-P Exploration Permit (Operator, 80%)

At the commencement of the quarter an 80km² 3D broadband seismic survey was required to be licensed before 12 May 2018. During the quarter following confirmation that it would not be possible due to the absence of a suitable seismic vessel within Australian waters Pilot Energy applied for a further extension of the primary term of exploration permit WA-503-P, with a suspension of the associated work commitments suspension. This action is consistent with the reporting last quarter that a further extension may be required.

Pilot Energy is continuing to investigate various alternative solutions, including acquiring the survey on a proprietary basis with other vessels that are currently located overseas, however the cost of mobilisation and demobilisation is prohibitive. During the month of June, NOPTA has granted a variation, suspension and extension of the permit. The current permit title instrument contains the following table:

Year	Start Date	End Date	Activity Description	Indicative Expenditure (A\$)
1-3	13/05/2014	12/05/2019	Licence 80 km ² Broadband 3D Seismic Data Geological and Geophysical Studies, including seismic interpretation, QI analysis and AVO studies Geological and Geophysical Studies, including prospect assessment	1,000,000 250,000 300,000
4	13/05/2019	12/05/2020	Geological Studies including – Reservoir analysis and semi regional correlation – Seismic sequence stratigraphic update – Structural geology review – Local source basin analysis update – Exploration portfolio ranking	300,000
5	13/05/2020	12/05/2021	Geological Studies including well planning	500,000
6	13/05/2021	12/05/2022	One exploration well	22,500,000

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.

Corporate

Management Update

As announced on 17th April 2018, the Company has signed a new consultancy agreement with Executive Director, Mr Benson Wong. Details of the agreement are provided in the ASX announcement of this date.

Financial

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 March 2018 to 30 June 2018.

ASX Listing Rule 5.3.3: Tenement Details

Tenement reference and location	Interest at beginning of quarter	Interest at end of quarter
WA-481-P Western Australia	60%	60%
WA-503-P Western Australia	80%	80%
WA-507-P Western Australia	80%	0%*
EP416 & EP480 Western Australia	60%	60%
EP437 Western Australia	13.058%	13.058%

* Pilot withdrew from Tenement (refer to ASX release 31 May 2018). Surrender was approved and registered on the 6th June 2018

Competent Person Statement: This announcement contains information on conventional petroleum resources which is based on and fairly represents information and supporting documentation reviewed by Dr Xingjin Wang, a Petroleum Engineer with over 30 years experience and a Master in petroleum engineering from the University of New South Wales and a PhD in applied Geology from the University of New South Wales. Dr Wang is an active member of the SPE and PESA, and is qualified in accordance with ASX listing rule 5.1. He is an Executive Director of Pilot Energy Ltd, and has consented to the inclusion of this information in the form and context to which it appears.

Enquiries

Pilot Energy Limited: Lisa Dadswell, Company Secretary, email:
lisa.dadswell@boardroomlimited.com.au

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

PILOT ENERGY LIMITED

ABN

86 115 229 984

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	720
1.2 Payments for		
(a) exploration & evaluation	(244)	(360)
(b) development	-	-
(c) production	-	-
(d) staff costs	(61)	(404)
(e) administration and corporate costs	(186)	(269)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	75
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(490)	(237)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	889	636
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(490)	(237)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	3	3
4.6 Cash and cash equivalents at end of period	402	402

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	402	889
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	402	889

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
89
-

6.1 – Includes salaries and consultancy fees paid to directors as well as superannuation paid on behalf of directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

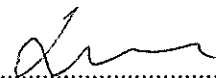
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	97
9.2 Development	-
9.3 Production	-
9.4 Staff costs	90
9.5 Administration and corporate costs	37
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	224

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	NA			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	NA			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 30/7/2018

(Director/Company secretary)

Print name: Lisa Dadswell

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.