

Announcement to ASX

26 October, 2018

SEPTEMBER 2018 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

WA-481-P (Operator, 60%)

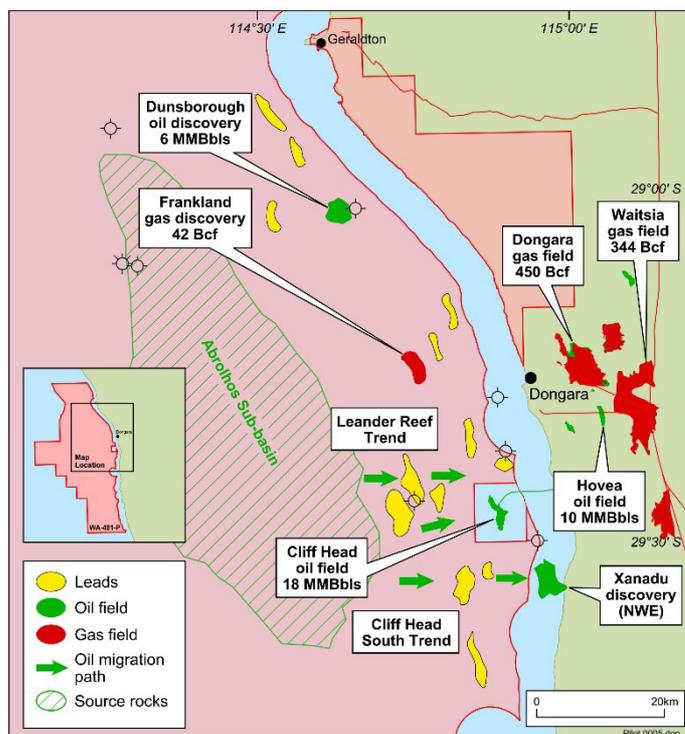
On 31 August 2018, Pilot announced that it completed Stage 1 of an internal resource assessment of the Permit. The resource assessment is the first completed across the entire Permit which considers recent industry learnings in the Perth Basin. The Waitsia and Xanadu oil discoveries coupled with the resource extensions recently announced by Triangle Energy (Global) Ltd (ASX:TEG) in the vicinity of the Cliff Head Oil Field have been incorporated in the assessment.

The review also identified significant potential in the Early Permian High Cliff Sandstone which directly underlies the Irwin River Coal Measures. This sandstone has exhibited excellent reservoir qualities where intersected but, to date, has not yielded significant hydrocarbons because wells drilled to this depth in the Permit have been outside mapped closure.

Stage 2, which comprises preparing geological mapping to incorporate results of the 2D and 3D seismic reprocessing has now commenced. This stage will allow more accurate quantification of the assessed resources and independent resource assessment and certification. The re-processing is progressing well and based on the current schedule is expected to be completed before year end.

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.

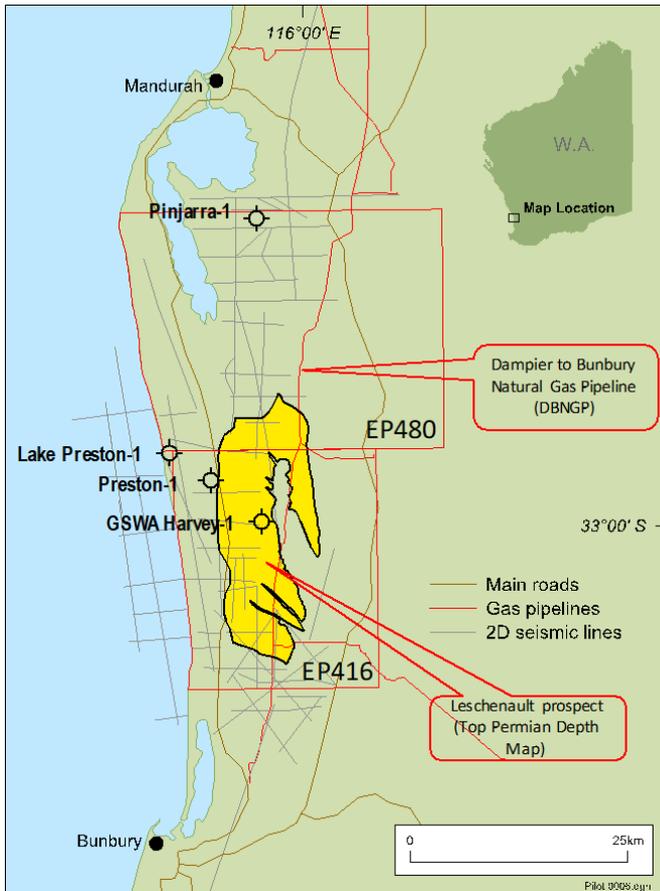


Additional information regarding the proceptivity of WA-481-P is included in a Permit Datasheet attached to the 31 August announcement.

EP416 & EP480 Exploration Permits (Operator, 60%)

Earlier this year, Pilot Energy commenced engagement of land owners to conduct a geochemical survey over the Leschenault conventional gas prospect. Difficulty with land access prevented this activity over key areas of the prospect from progressing and was further impacted by public sentiment associated with 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.

A 24-month suspension and extension granted to both permits to allow for resolution of the land access issues has allowed Pilot to commence an evaluation of other exploration methods which will allow the JV to progress exploration in the permits.



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.

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%)

Activities to clear a path to allow the drilling of 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 JV is considering an application to DMIRS to have the permit works suspended and extended by 12 months to allow the operator to secure access to the drilling location.

The Wye Knot Prospect exploration well is positioned at a step out distance sufficient to investigate the potential for an oil leg below the gas pay encountered in Wye-1 in the Triassic Bookara and Arranoo Sands. The well is also planned to test deeper Permian sequences, which were not fully intersected at Wye-1.

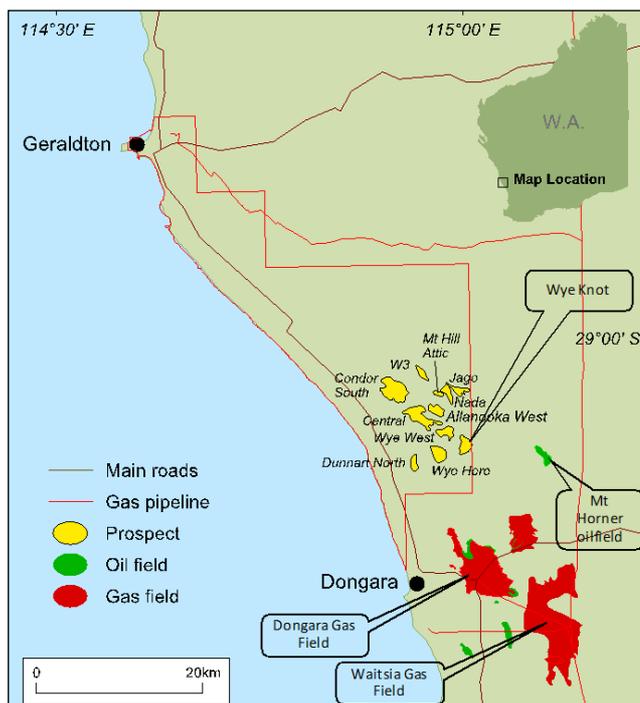
The Operator's assessment of the prospective resources targeted by Wye Knot-1 is as follows:

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.

The Operator has also advised that material conventional oil exploration potential is now complimented by the Production Licence adjacent to the east. This includes prospects updip Waitsia/Senecio/Dongara oil and gas development areas within the same Permian sequences that contain the Waitsia Field.

Historical surface geochemical data has been integrated into the regional North Perth Basin model which shows a baseline anomaly over Mt Horner Oil Field. Similar anomalies have been observed over the Wye Knot and Becos prospects.



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

On 27 July 2018, Pilot Energy announced that it had executed a binding agreement for the sale of its beneficial interest in WA-503-P to Black Swan Resources Pty Ltd (**Black Swan**)

Under the terms of the agreement, Pilot Energy will receive a share of any net profit interest derived from the Permit in return for Black Swan becoming Operator and covering all costs associated with activities and management of the Permit. Pilot Energy will withdraw from the title after completion of the transaction and Black Swan will assume all risks and liabilities in respect of the Permit.

The process of completing the registration of the agreement and transfer of the permit interest was still underway at the end of the quarter.

Corporate

Strategic Placement of Shares And Appointment of Non-Executive Director

As announced on 20 September 2018, the company agreed to a placement of new ordinary shares at an issue price of \$0.03 per share, 48% higher than the Company's prevailing share price. The placement injected almost \$477,000 into the Company, enabling it to fund working capital and exploration activities to support future drilling in the permits operated by the Company.

At the same time Company announced that Dr. Walker Li has been appointed as a Non-Executive Director of the Company. Dr. Walker Li has been nominated by Walkerindo Nusatama Mandiri, PT.

Dr Li has more than 11 years of overseas work experience and is currently Chief Representative of the China Resource Fund in Indonesia. He is a senior-level executive with extensive experience in administration, management and operations. He was previously a Joint-Venture Oilfield Project Manager of CNOOC Oil Base-Oilfield Technology Services Co. and is Project Supervisor of PT Kamundan Energy and PT Wiriagar Energy at Mirach Energy Limited (SGX Listed Code: C68). Dr. Li is a graduate of Huazhong University of Science & Technology, China in Materials Physics and Chemistry and obtained a Ph.D in 2008.

On 2 October following receipt of the funds, 15,894,128 Ordinary shares in PGY were issued to Walkerindo Nusatama Mandiri, PT.

Financial

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 July 2018 to 30 September 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%*
EP416 & EP480 Western Australia	60%	60%
EP437 Western Australia	13.058%	13.058%

* on 27 July Pilot announced it had executed a binding agreement for the sale of its beneficial interest in WA-503-P to Black Swan. After completion of registration of the transfer Pilots interest will reduce to 0%

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 September 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	(110)	(470)
(b) development	-	-
(c) production	-	-
(d) staff costs	(42)	(446)
(e) administration and corporate costs	(132)	(401)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	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	(284)	(521)

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	-	-

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	477	477
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	477	477

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	402	636
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(284)	(521)
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)	477	477
4.5	Effect of movement in exchange rates on cash held	1	4
4.6	Cash and cash equivalents at end of period	596	596

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	596	402
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)	596	402

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	76
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	

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	Current quarter \$A'000
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	

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	160
9.2 Development	-
9.3 Production	-
9.4 Staff costs	90
9.5 Administration and corporate costs	46
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	296

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:



(Director/Company secretary)

Date:26 October 2018.....

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.