

Announcement to ASX

27 April, 2018

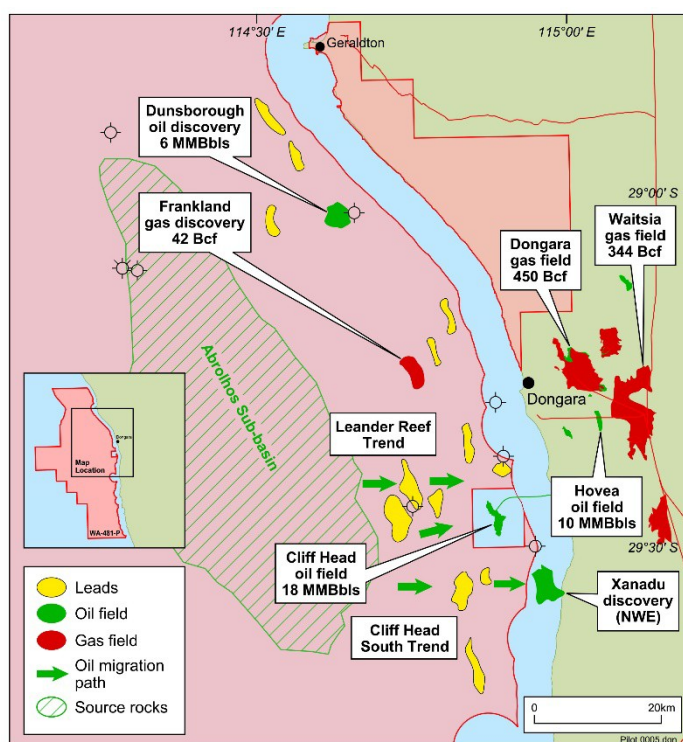
## MARCH 2018 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

### WA-481-P (Operator, 60%)

The Company noted with great interest the recovery of oil from reservoir quality sands of the Irwin River Coal Measures (IRCM) by the Xanadu-1 well in TP/15, as announced by Norwest Energy NL on 25 September.

The recovery of oil is significant for Pilot Energy Limited and Key Petroleum Limited as it appears to validate the interpreted oil migration pathways from the known oil sources of the Kockatea Shale and the IRCM in the Abrolhos Sub-Basin in the central portion of WA-481-P. Oil from the source kitchen is interpreted to have migrated up-dip through the southern portion of WA-481-P into the Cliff Head and Xanadu structures located in the adjacent permit to the east.

The Xanadu-1 technical success has reduced a key risk of migration for both the Cliff Head South and the Leander Reef oil trends. Together the Cliff Head South and Leander Reef Trends comprise over 80% of the currently assessed 247.8 MMbbl best case (148.7 MMbbl net Pilot Energy, 99.1 MMbbl net Key Petroleum) prospective resources for the permit.



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.

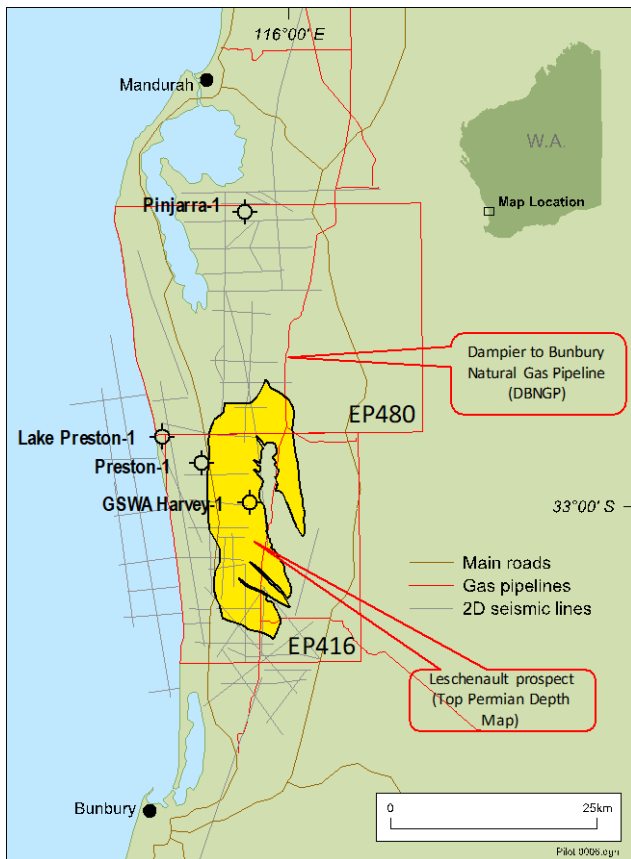
The seismic reprocessing, which includes pre-stack depth migration (PSDM) of the existing data, commenced in January and is likely to take 6 months to complete. The Joint Venture is working cooperatively to ensure high-quality reprocessing and interpretation are undertaken in a timely fashion to support additional joint venture participation and drilling activities as soon as is practicable.

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 km<sup>2</sup> 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.

### EP416 & EP480 Exploration Permits (Operator, 60%)

During the Quarter, Pilot Energy continued to make preparations to conduct a geochemical survey over the Leschenault conventional gas prospect, however is facing delays due to difficulty with finalising land access negotiations. 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 somewhat, further delaying the commencement of field work.



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
<b>Total</b>	<b>270</b>	<b>725</b>	<b>1,595</b>

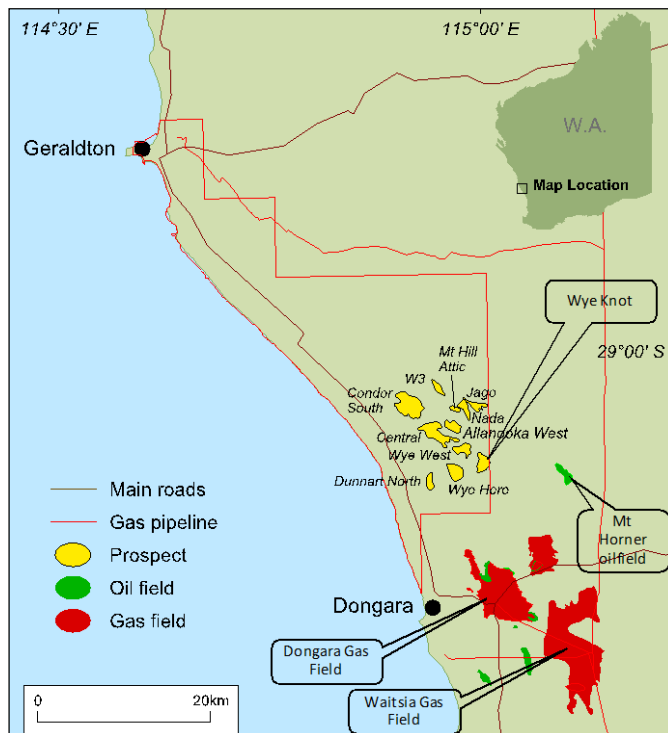
### EP437 Exploration Permit (13.058%)

Preparations to drill the Wye Knot-1 exploration well in EP437 (Operator: Key Petroleum) have continued including the purchase and design of long lead wellhead equipment and assessment of options by the Operator to have compensation determined for land access by a legal process. The preferred drilling location for Wye Knot-1 has not changed and the Operator has advised that it will advise the Joint Venture of the outcome of land compensation in the next quarter. 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 21 February 2018, Pilot Energy executed a binding agreement for the sale of its beneficial interest in offshore exploration permit WA-507-P to Black Swan Resources Pty Ltd (**Black Swan**).

Under the terms of the agreement, Pilot Energy will receive a 7.5% share of any net profit interest derived from the Permit in each calendar quarter, in return for Black Swan covering all costs associated with activities and management of the Permit. Pilot Energy will remain on title after completion of the transaction in respect of its 80% legal interest in the Permit, but Black Swan will assume the beneficial interest and all risks and liabilities in respect of the Permit.

The agreement with Black Swan is consistent with Pilot Energy’s strategy of minimizing project costs. It enables the company to reduce its risk exposure and expenditure on the Permit to essentially zero while retaining a portion of the profits which may result from Black Swan’s exploration efforts should they be successful.

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

As announced on 16 June 2017, NOPTA has approved an extension of the primary term of exploration permit WA-503-P, with a suspension of the associated work commitments until 12 May 2018.

An 80km<sup>2</sup> 3D broadband seismic survey was required to be completed before 12 May 2017, however this has not been possible due to the absence of a suitable seismic vessel within Australian waters. While Pilot Energy has a low-cost contract in place to complete the survey on a multi-client basis, the survey's small size does not justify mobilising a vessel from overseas.

Pilot Energy considered 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. The seismic contractor has advised that the NOPSEMA permit application process is ongoing and that acquisition in H1 2018 prior to the next whale migration season remains possible. On the basis of vessel availability NOPTA has granted the twelve-month extension to the permit's primary term, but a further extension may be required.

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 3<sup>rd</sup> April 2018, the Board has appointed Robert Gard as Chief Executive Officer of the Company.

Robert Gard is an experienced Petroleum Industry professional with more than 30 years' experience in all aspects of the industry. His experience includes 23 years with ExxonMobil where he worked across the whole value chain including exploration, drilling, workovers, project design, corporate affairs, tax and commercial. He also spent 8 years with ASX listed small cap "MEO Australia Limited" (now Melbana) where he was responsible for a number of high value farm-out deals with industry majors such as Petrobras, ENI and Origin Energy and was instrumental in securing exploration acreage in Australia, Indonesia, Thailand and Cuba. After this Robert worked as AGL Energy's Manager of Upstream Commercial where he was responsible for all commercial aspects of AGL's Upstream assets and for the site selection for AGL's Proposed LNG Import terminal. Most recently Robert has been providing advisory assistance to a number of small upstream oil and gas exploration and development companies and has assisted with acquisition and due diligence of a number of upstream assets.

## **Financial**

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 Jan 2018 to 31 March 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%	80%*
EP416 & EP480 Western Australia	60%	60%
EP437 Western Australia	13.058%	13.058%

\* Beneficial interest sold, Pilot remains on title and will receive a 7.5% share of any net profit interest derived from the Permit (refer to ASX release 21 February 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.

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#### Enquiries

Pilot Energy Limited: Lisa Dadswell, Company Secretary, email:

[lisa.dadswell@boardroomlimited.com.au](mailto: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")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	720	720
1.2 Payments for		
(a) exploration & evaluation	(47)	(116)
(b) development	-	-
(c) production	-	-
(d) staff costs	(149)	(343)
(e) administration and corporate costs	(23)	(83)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	75	75
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>576</b>	<b>253</b>

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>3. Cash flows from financing activities</b>			
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1	Cash and cash equivalents at beginning of period	313	636
4.2	Net cash from / (used in) operating activities (item 1.9 above)	576	253
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	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>889</b>	<b>889</b>

5. <b>Reconciliation of cash and cash equivalents</b> 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	889	313
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>889</b>	<b>313</b>

**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**

101

-

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**

-

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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	235
9.2 Development	-
9.3 Production	-
9.4 Staff costs	90
9.5 Administration and corporate costs	54
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>379</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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: 27 April 2018 .....

(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.