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Announcement to ASX

31 August 2018

PILOT COMPLETES STAGE 1 OF WA-481-P INTERNAL RESOURCE ASSESSMENT

- Assessment focussed on Waitsia Gas Field analogues, oil prospects close to Cliff Head and Xanadu Oil Fields
- Also identified significant opportunities across the Permit in the Dongara, Wagina & High Cliff Sandstones
- Precursor to receipt of reprocessed 2D and 3D seismic
- Significant increase in prospective resources will be quantified based on reprocessed seismic

Pilot Energy Limited (ASX: PGY) ("**Pilot Energy**", or the "**Company**") wishes to announce that it has completed stage 1 of an internal resource assessment of offshore exploration permit WA-481-P (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.

Additional information is included in the attached Permit Datasheet.

Spokesman and CEO for Pilot Energy, Robert Gard, commented on the announcement:

"We continue to be excited by the prospectivity of WA-481-P. Translating the Waitsia play into the Permit is a game changer which has the potential to generate sizeable prospectivity in shallow water close to shore. In addition to this, existing discoveries, which on a standalone basis have previously been assessed as sub-economic, have the potential to combine both with nearby equivalent accumulations and deeper, High Cliff Sandstone prospects to justify cluster developments. Incorporating the reprocessed seismic into this assessment to quantify the discovered and prospective resources will now be our key focus in order to unlock the value of the Permit. "

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-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 Offshore Perth Basin

Pilot Energy Operator - 60%

August 2018



Single largest Australian offshore exploration permit

Shallow water close to pipeline infrastructure and markets

Close proximity to Waitsia (788Bcf) and Xanadu (160 mmbbl) discoveries

Considerable existing seismic dataset conducive to significant quality improvement via re-processing

OVERVIEW

WA-481-P is located in the Northern Perth Basin, offshore Western Australia. With an area of 17,457 km² it is the single largest Australian offshore exploration permit.

The area has undergone three distinct major drilling campaigns:

Phase 1 (1975-1983): early unsuccessful drilling based on poor quality 2D & generally poor geological understanding of the offshore Perth Basin at that time. No discoveries were made in this drilling phase however oil and gas shows were recorded in Leander Reef-1 well (1983).

Phase 2 (2003-2008): followup to the significant commercial oil discovery at Cliff Head-1 (2001). Numerous subcommercial discoveries (Dunsborough, Frankland, Perseverance) were made by wells drilled on variable quality 2D seismic. 2008 Diana 3D Seismic Survey (currently being reprocessed) was acquired and processed after drilling was completed.

Phase 3 (2015): unsuccessful three well program, drilled on poor quality 3D seismic, chasing single play type on Turtle Dove Ridge in relatively deeper waters (~ 60m).

More recent regional Perth Basin success has re-invigorated the prospectivity of the Basin. The 2015 Waitsia (788 Bcf) discovery has pointed to an alternative exploration play which is yet to be extended across the basin and the 2017 Xanadu (160mmbbl) discovery further extends the regional potential of the Cliff Head / Dunsborough play type..

The application of these plays to proven hydrocarbon systems in the Permit together with modern reprocessing of existing seismic data has the potential to unlock significant value.

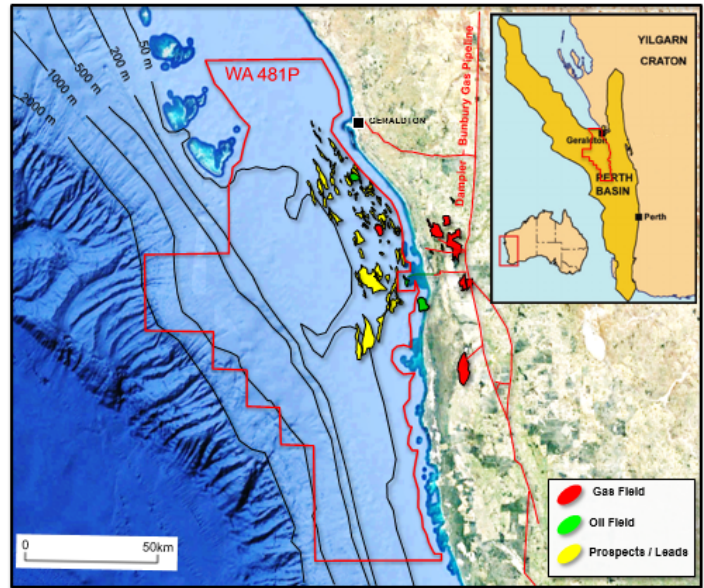


Figure 1. Location map with bathymetry, fields and prospects and Perth basin outline (inset).

SEISMIC COVERAGE AND REPROCESSING

A large inventory of legacy 3D and 2D seismic data covers the prospective portions of WA-481-P. The majority of the seismic dataset was acquired in the 1980s, 1990s and 2000s and responds well to modern processing techniques, especially in relation to multiple and random noise removal as well as fault imaging. The Joint Venture is currently reprocessing approximately 550 km² of data from the 2008 Diana Seismic Survey and over 800 kms of various vintage 2D data over previously mapped prospects and leads. Preliminary results from the reprocessing are very promising with a clear uplift in data quality compared to previous processing with improved imaging and signal-to-noise evident even at this interim stage. Example from Diana 3D over the Dunsborough oil field area is shown below. Reprocessing is anticipated to be completed in Q4 2018.

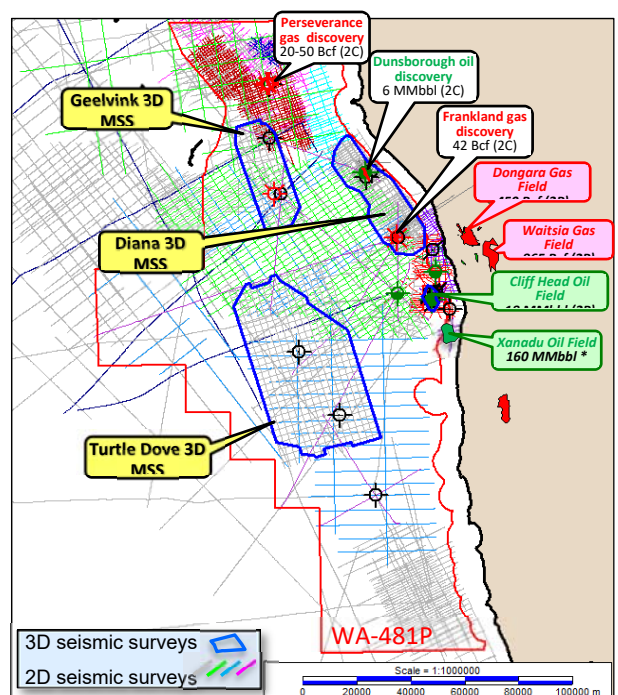


Figure 2. Seismic coverage and nearby fields.

Current reprocessing showing promising results

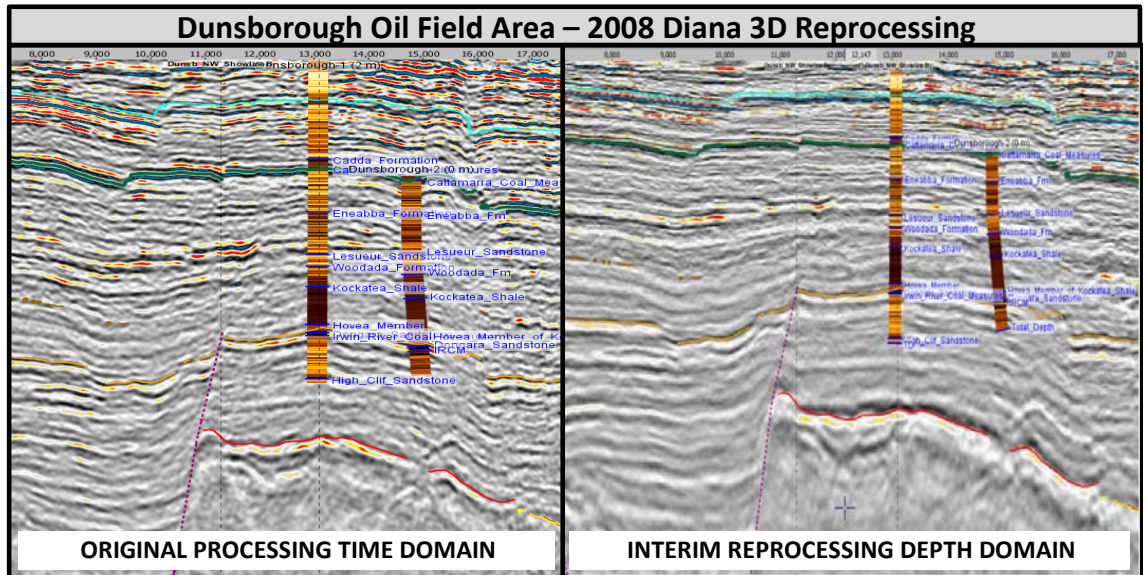


Figure 3. Section of 2008 Diana 3D marine seismic survey showing original time section and interim reprocessing results.

PROSPECTIVITY OVERVIEW

Hydrocarbon prospectivity in WA-481-P is considered to be excellent with working petroleum system elements in common with, or analogous to, both offshore and onshore Perth Basin discoveries (refer to schematic cross-section in Figure 4). The Early Triassic to Late Permian Kockatea Shale represents an oil generative source rock in the deeper portions of the Abrolhos Trough in the permit and the onshore Dandaragan Trough. The Early Permian Irwin River Coal Measure sequence is recognized as an oil and gas generative source rock in the deeper portions of the basin and is viewed as the source for gas in the Frankland, Dunsborough and Perseverance discoveries. Figure 4 also demonstrates that prospective high quality reservoir sequences in the Late Permian Dongara/Wagina Sandstones and Early Permian High Cliff Sandstones are laterally extensive across the offshore and onshore portions of the basin. The Kockatea Shale provides the regional top seal to the Dongara/Wagina Sandstones with The High Cliff relying on intraformational top seals.

Potentially large incremental prospects identified following nearby Waitisia discovery

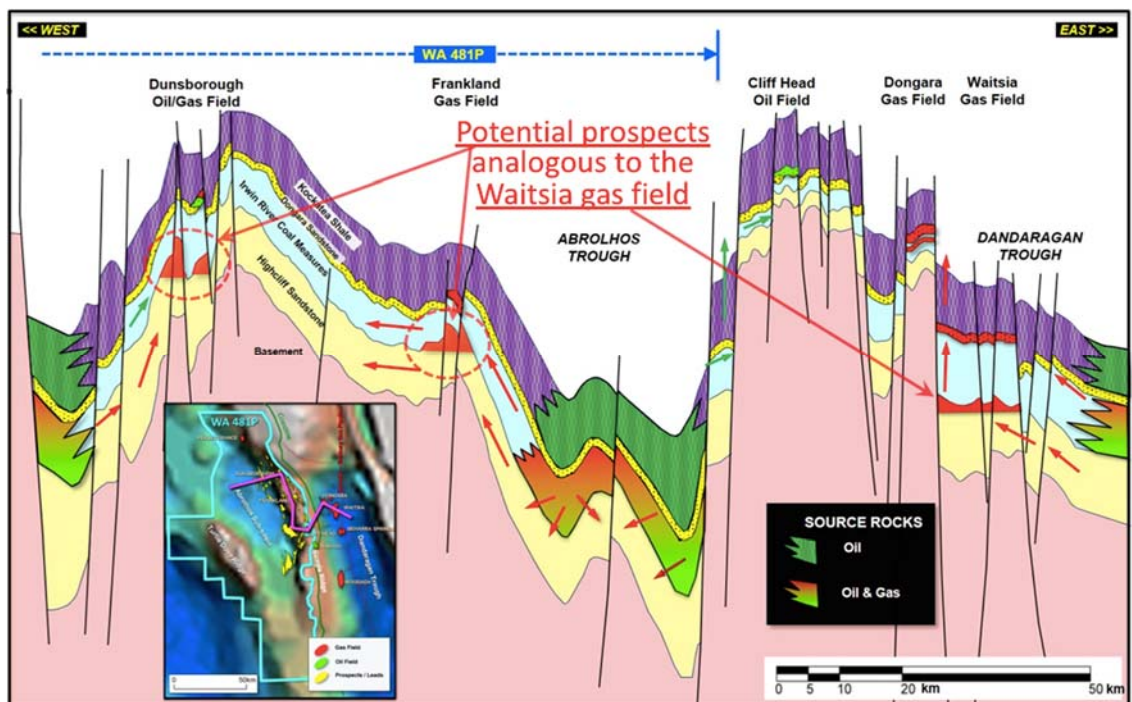


Figure 4. Schematic cross section through the Waitisia, Dongara, Cliff Head, Frankland and Dunsborough fields.

Secondary target reservoirs in the Irwin River Coal Measure sequence are also anticipated in the Permit relying on intraformational seals for the hydrocarbon trapping mechanism.

PROSPECTIVITY BREAKDOWN

Late Permian (Dongara / Wagina Sandstones)

A. Oil Prospects Close to Cliff Head and Xanadu fields

Several prospects have been identified along and on the flanks of the Beagle Ridge High, in close proximity to the significant Cliff Head and Xanadu Oil Fields.

It is noted that Xanadu and Cliff Head oils in the Dongara/Wagina Sandstones appear to be analogous, suggesting a major oil migration pathway exists in the area, increasing the likelihood that other structures proximal to Cliff Head and Xanadu may also be oil-filled.

Excellent reservoir quality encountered in the High Cliff Sandstone in the area provides substantial future exploration upside

B. Prospects in Vicinity of Frankland and Dunsborough Gas & Oil Discoveries & Leander Reef Gas & Oil Recovery

Numerous potential prospects are recognized in the vicinity of the Frankland and Dunsborough hydrocarbon discoveries. These prospects are significantly derisked by these discoveries and provide scope for either economic standalone hydrocarbon accumulations or cluster development scenarios.

Waitsia Analogues

Significant potential exists in WA-481-P for Waitsia-style analogue plays. Well developed reservoirs in the Early Permian, laterally equivalent to the highly productive gas-saturated Kingia Sandstone member of the High Cliff Sandstone at Waitsia, are likely to be developed within tilted, rotated half-grabens where thicker portions of Early Permian syn-rift sediments are preserved.

Early Permian (High Cliff Sandstone)

The few High Cliff Sandstone penetrations in WA-481-P to date have exhibited generally good reservoir characteristics. However, as a secondary target, the High Cliff Sandstone has usually been intersected well down-dip of its structural crest due to vertical drilling on tilted, rotated fault blocks. In light of this, significant exploration upside is therefore attached to the High Cliff which is regarded as highly unexplored in WA-481-P and the broader Perth Basin. Furthermore, future wells in WA-481-P should be deviated to intersect all targets optimally,

RESOURCES

Pilot commissioned RISC Operations Pty Ltd ("RISC") to prepare an Independent Technical Specialist Report (ITSR) of Pilot's interests in oil and gas in WA-481-P as at 18 May 2017 (refer to Pilot's Notice of Meeting announced to the ASX on 13 June 2017). This report used the previous prospect mapping which was based on a seismic dataset pre-reprocessing and did not take into account the incremental prospectivity of the Waitsia analogues and the High Cliff Sandstone discussed above.

Following completion of the current 2D and 3D seismic reprocessing, Pilot will re-map the highest value prospects in the Permit and, pending the results of this work, commission an update to the previous assessment. Given the increased prospectivity identified, it is expected that the independent assessment will quantify a larger resource base than the 2017 assessment.

REMAINING PERMIT WORK OBLIGATIONS - CURRENT TERM

	Permit Year	Permit Year Ends	Work Program	Estimated Expenditure (A\$ indicative)
Secondary Term	5	9/08/2018	515 km ² Reprocessing of the Diana 3D Seismic Survey	\$350,000
			830 line km 2D Reprocessing	\$150,000
	6	9/08/2019	3D Seismic Inversion and Fluid Modelling Studies	\$150,000
			Geological and Geophysical Studies	\$150,000

Towards the end of Permit Year 6 the participants may make renewal application for a 5 year extension including a proposed work program. The absence of an obligation well in the remaining period of the current term provides the JV the flexibility to manage future exploration plans

PERMIT FORWARD PLANS

Pilot is currently quality monitoring the seismic reprocessing project and preparing for the receipt of the new dataset in 4Q 2018. In parallel with this, discussions are continuing with interested parties evaluating potential farm in to the Permit. These discussions are ongoing and will be announced if, and when they are concluded.