

Pilot Energy Limited

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**Announcement to ASX****24 February 2020****KINGIA AND HIGH CLIFF FAIRWAY UPGRADED IN OFFSHORE PERTH BASIN**

Pilot Energy Limited (ASX: PGY) (**Pilot Energy**, or the **Company**) notes today's announcement by Key Petroleum Limited (ASX:KEY) regarding preliminary results from seismic inversion work on the Diana 3D in WA-481-P, offshore Perth Basin. Pilot Energy currently holds a 60% working interest in WA-481-P. Attached is a copy of Key Petroleum Limited's announcement.

Pilot Energy has not commenced its own review of the Seismic inversion work and will update the market in due course once it has completed an internal assessment of the results.

This announcement has been authorised by the CEO and a Non-Executive Director.

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-507-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.

ASX Announcement

24 February 2020

KINGIA AND HIGH CLIFF FAIRWAY UPGRADED IN OFFSHORE PERTH BASIN

Key Petroleum Limited ("Key" or "Company"), as manager of the Year 6 work program in WA-481-P, is pleased to announce it has incorporated some of the earliest preliminary findings since receiving the seismic inversion results conducted by Qeye Labs on the recently reprocessed (2018) Diana 3D located in WA-481-P, offshore northern Perth Basin.

Results from the seismic inversion indicate close lithology ties to the existing wells, giving higher confidence in determining the distribution of the known sandstone reservoirs, including the deeper Permian High Cliff and Kingia reservoirs where large gas discoveries have been made in the nearby onshore region of the basin. The fluid discrimination results have been given a conservative outcome due to the limitations within the available dataset and complexities associated with overburden characteristics. Nevertheless, there are some interesting and exciting anomalies, including potential direct hydrocarbon indicators ("DHI's") observed from the first glance of the data and a new prospect called Dunsborough Southwest has been identified from this dataset:

- Seismic inversion hydrocarbon prediction volumes have helped to illuminate existing and new traps. Geological reassessment in the northern part of the Diana 3D determines early structural timing on older SW-NE Permian fault trend, which are key to oil migration focus and trap preservation;
- Dunsborough SW has low side fault rollover with similar characteristics to the onshore Waitsia gas discovery and is in close (tieback) proximity (2.5 kilometres) from the existing Dunsborough oil discovery, presenting a new low risk step out target to determine field commerciality in this part of the basin;
- The Prospective Resource Estimates determined at Dunsborough SW are from only three levels from multiple targets identified. Combined distribution is determined as 3.95 mm bbls (1U and low case), 11.58 mm bbls (2U and base case) and 22.03 mm bbls (3U and high case)¹. The Geological chance of success is calculated as between 24 and 36%.
- ¹Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
- Contingent resources for the Dunsborough oil discovery were previously reported by Pilot Energy Limited, the operator of WA-481-P, as 3.3 mm bbls (1C and low case), 6.0 mm bbls (2C and base case) and 9.8 mm bbls (3C and high case)²;
- ²Contingent Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to discovered accumulations. Further appraisal and evaluation is required to determine the existence of a commercial quantity of moveable hydrocarbons.

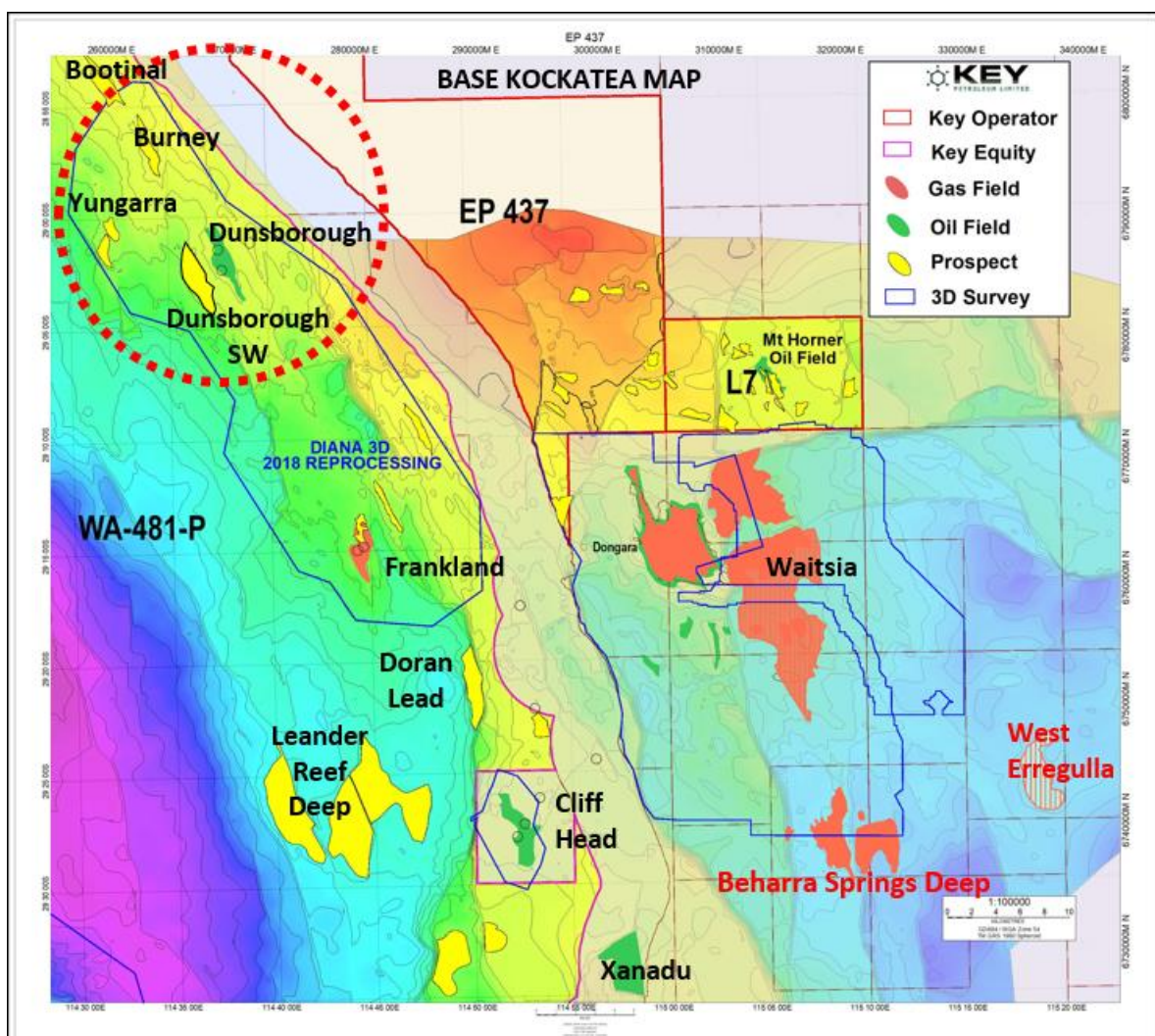
¹ See further in notes

² As reported to the ASX as at the evaluation date on 30 January 2017

As well as the identification of this new prospect, the Burney and Yungarra prospects lie in close proximity to the Dunsborough discovery, and were previously highlighted by Key as part of its reassessment of prospectivity in WA-481-P. These prospects are also situated on an old (Early) Permian horst trend, presenting shallow targets for the Kingia and High Cliff reservoirs. Detailed mapping incorporating all seismic products is ongoing, particularly on account of the structural complexity, and combination of amplitude distributions and DHI's being assessed to further de-risk these prospects. The reassessment of prospects with the new seismic inversion results is expected to realise potential at multiple levels including the deeper Permian, resulting in an expected upgrade in the prospective resource determinations along the proven inboard hydrocarbon trend which will be announced in due course.

The renewal application for WA-481-P has been submitted to NOPTA by Operator Pilot Energy Limited ("Pilot"), with a renewal program focussed on seismic reprocessing and new seismic acquisition within the primary renewal term (R1). A collaborative approach was taken in the renewal process by the Joint Venture with Red Emperor Resources NL ("RMP") who have executed an option agreement to earn 70% in WA-481-P. The RMP option can be exercised within two weeks of permit renewal and payment of AU\$500,000 to Pilot and Key pro rata. Key's equity in WA-481-P will reduced to 12% if the option is exercised.

Key will keep the market fully informed as to the relevance of other Operator's activities in the Perth Basin together with its own activities in due course.

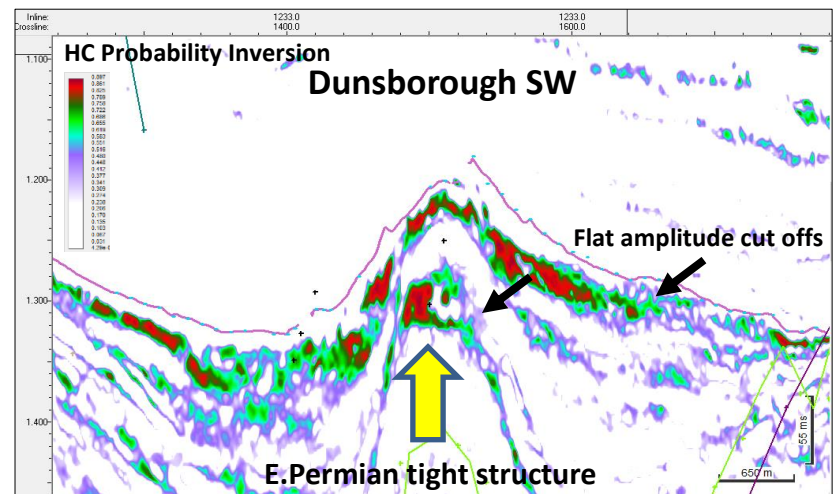
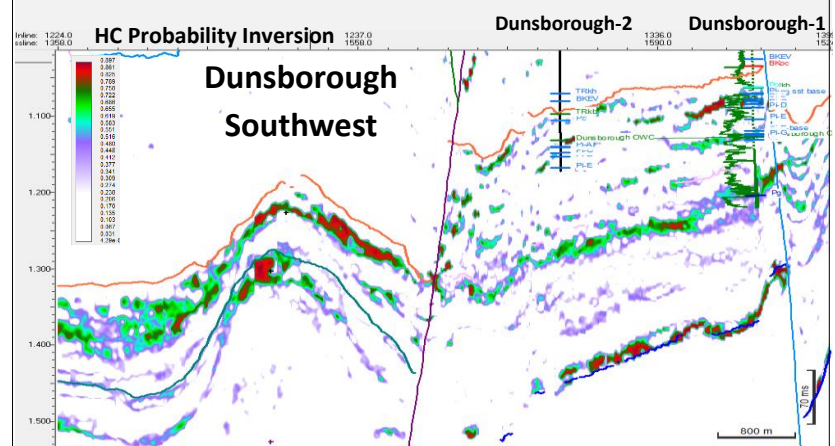
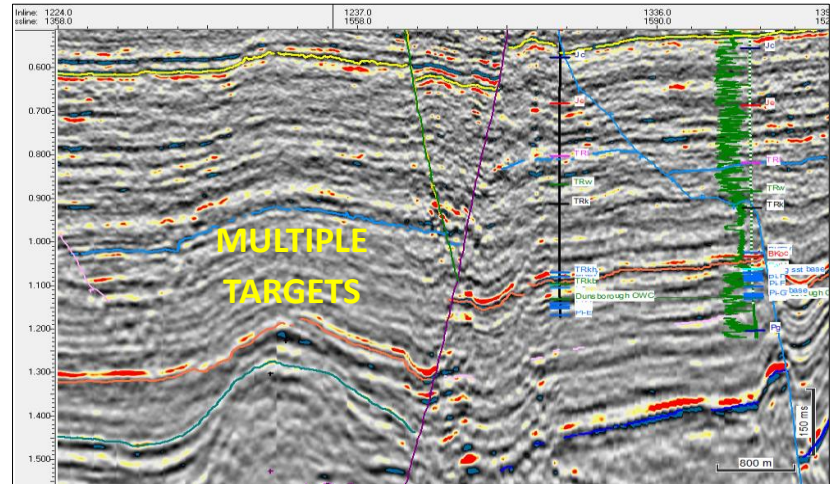
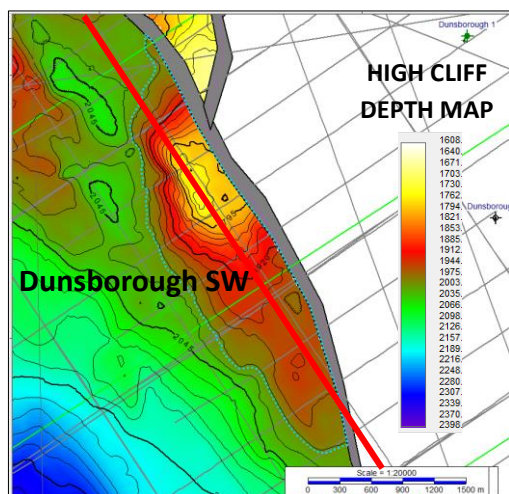
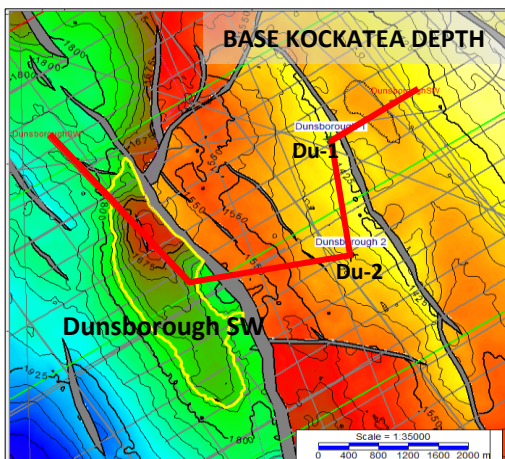


Key's northern Perth Basin acreage holding

Dunsborough Southwest – Near Field Potential

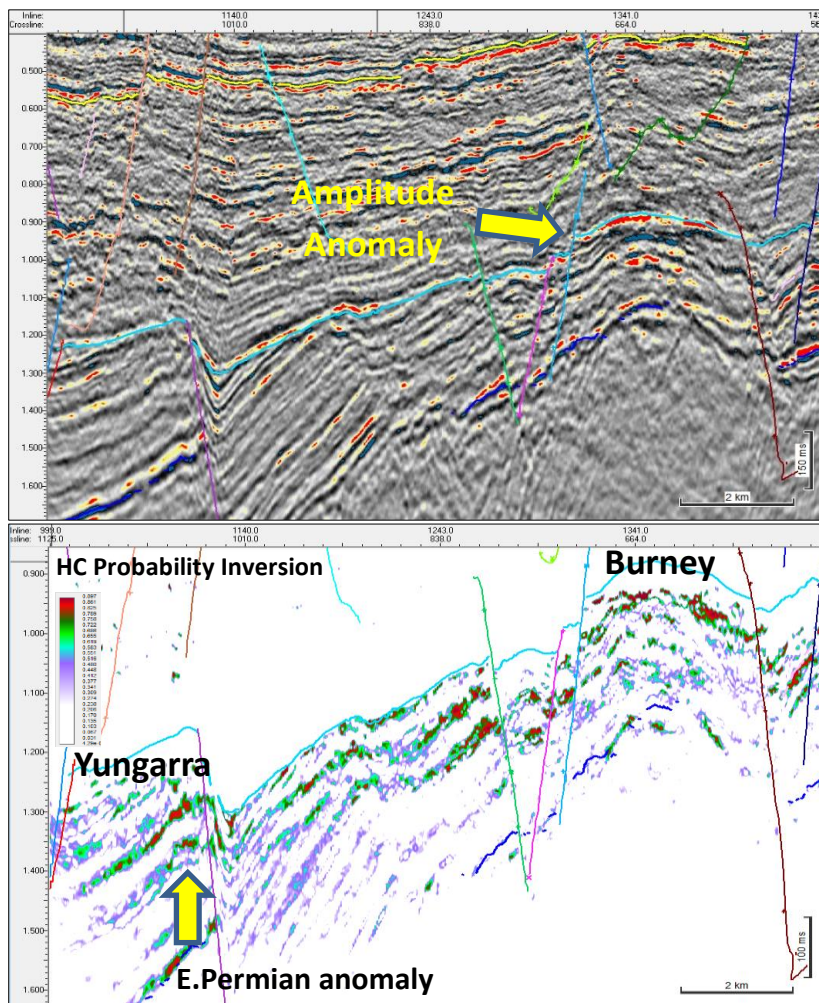
De-risking from seismic illumination

- ◆ Multiple targets
- ◆ Kingia and High Cliff offshore targets illuminated with seismic inversion volumes from reprocessed Diana 3D
- ◆ WA-481-P proven oil fairway - Red Emperor Resources has signed an option agreement to earn 70% by paying the current Year 6 work program up to \$150,000
- ◆ Permit renewal submitted

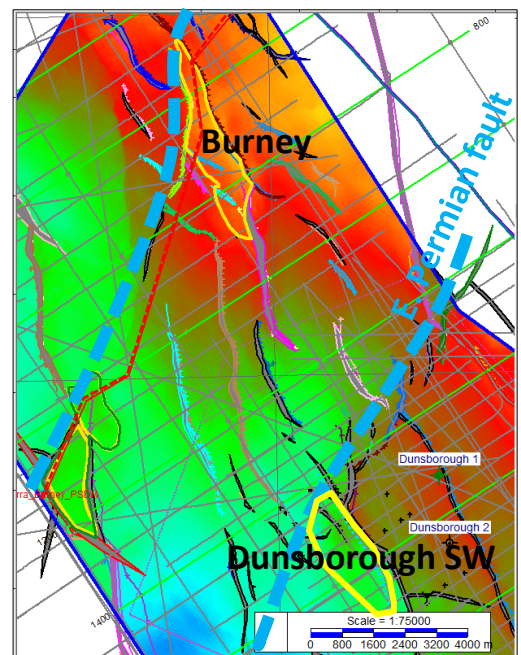


Dunsborough Southwest Prospect Summary

Yungarra and Burney – Near Field Potential



- ◆ Combination of seismic attributes used to further de-risk surrounding prospects and leads within the Diana 3D and greater prospective trend area
- ◆ Results and learnings will be fed into renewal work program, maturing drilling targets along the greater prospective trend



DHI's over the Yungarra and Burney prospects associated with this early Permian structural trend. Prospective Resources categories are to be provided to market in due course after completion of studies to include the deeper Kingia and High Cliff levels which were previously not included in categories of prospective resources

WA-481-P		Prospective Oil			KEY NET (40%)		
Prospect Name	Levels	1U	2U	3U	1U	2U	3U
		mm bbls	mm bbls	mm bbls	mm bbls	mm bbls	mm bbls
Dunsborough SW	CCM	0.688	2.050	3.915	0.275	0.820	1.566
	Dongara	1.626	4.150	7.250	0.650	1.660	2.900
	Permian	1.635	5.380	10.860	0.654	2.152	4.344
Prospective Sum Total		3.95	11.58	22.03	1.58	4.63	8.81
WA-481-P		Contingent Oil			KEY NET (40%)		
Prospect Name	Levels	1C	2C	3C	1C	2C	3C
		mm bbls	mm bbls	mm bbls	mm bbls	mm bbls	mm bbls
Dunsborough	Dongara	2.400	4.200	6.800	0.960	1.680	2.720
Dunsborough	IRCM	0.900	1.800	3.000	0.360	0.720	1.200
Total Contingent		3.30	6.00	9.80	1.32	2.40	3.92

Competent Person's Statement

Except where otherwise noted, information in this release related to exploration and production results and petroleum resources is based on information completed by Mr JL Kane Marshall who is an employee of Key Petroleum Limited and is a qualified petroleum reserves and resources evaluator. Resources reported in this announcement are based on representative information and supporting documentation. Mr Marshall is a Practising Petroleum Engineer and Petroleum Geologist and holds a BSc (Geology), a BCom (Investment and Corporate Finance) and a Masters in Petroleum Engineering. He is a member of the Society of Petroleum Engineers (SPE), American Association of Petroleum Geologists (AAPG), The Geophysical Society of Houston (GSH), Petroleum Exploration Society of Great Britain (PESGB), Formation Evaluation Society of Australia (FESAus), Petroleum Exploration Society of Australia (PESA), South East Asia Petroleum Exploration Society (SEAPEX) and Society of Petrophysicists and Well Log Analysts (SPWLA) and has over 20 years of relevant experience. Mr Marshall consents to the inclusion of the information in this document.

Prospective Resources

Notes:

- Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons;
- The WA-481-P prospectivity includes a range of geological chances of success as previously announced and are largely based on the existing 2D and 3D seismic data coverage. This data is of sufficient enough quality, with high signal to noise ratio to give confidence in the structural closures and therefore the resulting defined prospects. The evaluation date for Dunsborough SW is 25 February 2021;
- The estimate of Prospective Resources included in the announcement have been prepared in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System ("PRMS") as revised in June 2018 by the Society of Petroleum Engineers. The PRMS defines prospective resources as those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations;
- Key has applied a range of volumetric parameters based on regional data including all wells in WA-481-P for the Dunsbrough SW prospect;
- Recovery efficiencies were estimated using generalised recovery factors which Key assessed as reasonable and benchmarked from production data from Dongara, Cliff Head and Hovea fields;
- The prospective resource parameters for the prospect were combined probabilistically and then the volumes for each prospect were summed arithmetically to give each category of prospective resource;
- Gross Prospective Resources are 100% of the on-block volumes that are estimated to be recoverable from the Prospects in the event that a discovery is made and subsequently developed; and
- The volumes reported are "Unrisked" in the sense that the Geological Chance of Success (GCoS) factor has not been applied to the designated volumes

Contingent Resources

Notes:

- Contingent Resources are the estimated quantities of petroleum that may be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. One of these contingencies is that the development of Dunsbrough is likely to be dependent on success at Dunsborough SW, Burrney or Yungurra or combination of success with these prospects;
- The estimates of Contingent Resources included in this announcement have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) as revised in June 2018 by the Society of Petroleum Engineers (SPE).
- The Contingent Resources were estimated analytically by mapping the extent of the structure or areal oil pool extent inside the Dunsborough Oil Field using seismic data and applying ranges of volumetric parameters based on regional data, including recovery efficiencies.
- The Contingent Resources were calculated probabilistically, and the reservoir targets were arithmetically summed in order to provide estimates for the category as a whole. Gross Contingent Resources are 100% of the on-block volumes with net volumes to Key reported in this announcement;
- Contingent resource estimates do not include barrel of oil equivalent for any prospective volumes involving oil volumes.