

Announcement to ASX

28 April, 2017

MARCH 2017 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

QUARTERLY HIGHLIGHTS

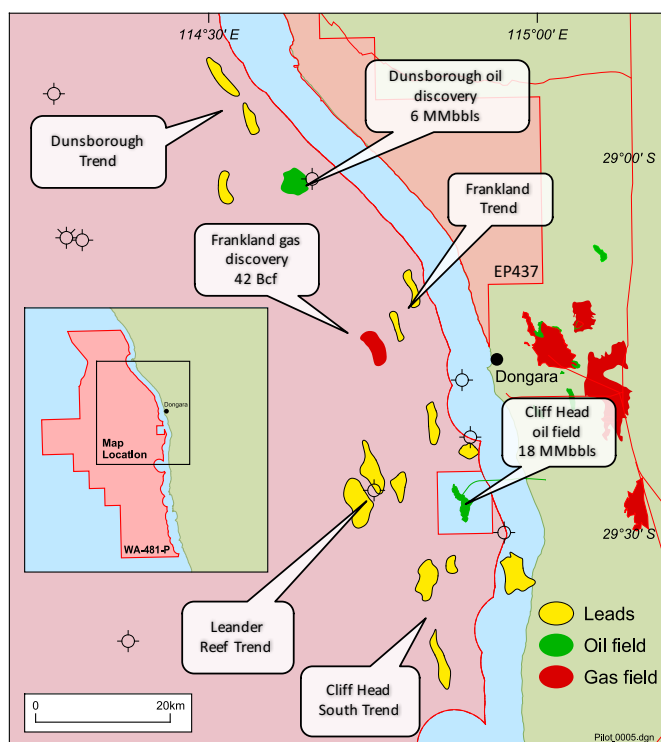
- \$720,000 share placement at 0.3 cents per share
- Prospective resources of up to 436 MMBOE confirmed in WA-481-P
- Receipt of \$708,846 R&D tax incentive
- Selected well location for Wye Knot-1 exploration prospect
- Less than marketable parcel share sale facility

WA-481-P (Operator, 60%)

As announced on 30 January 2017, the Company has completed its assessment of prospective resources for the WA-481-P exploration permit.

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 oil, and three of the areas are substantially de-risked by prior discoveries (at Cliff Head, Dunsborough and Frankland respectively).



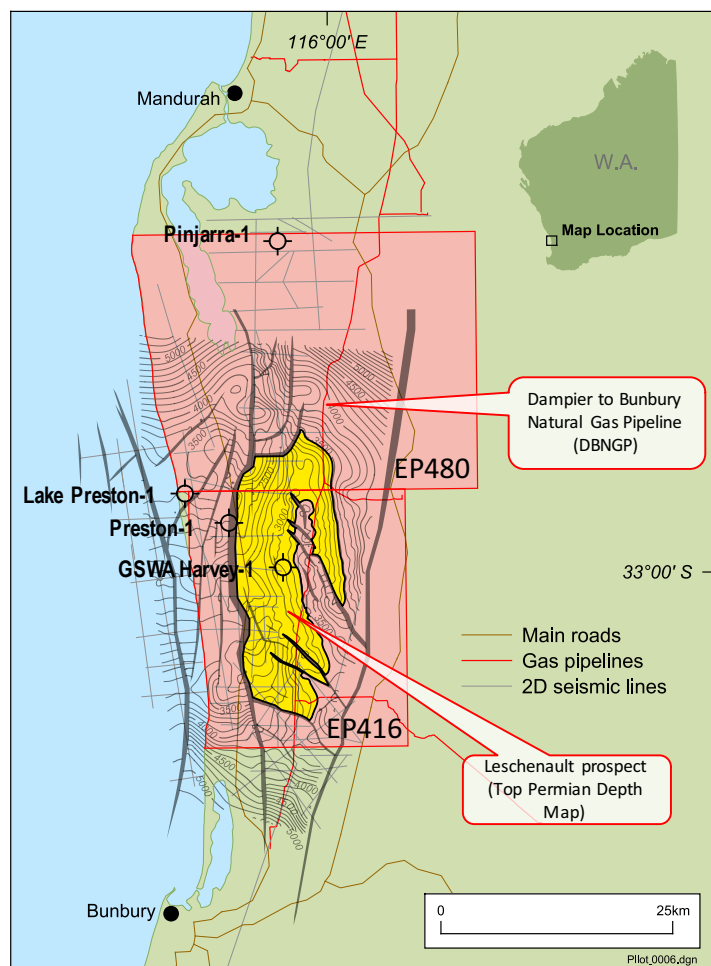
Pilot Energy's assessment of the total prospective resources (per area) for WA-481-P is as follows:

Trend	No. of Prospects	Gross (100%) MMBOE		
		Low	Best	High
Cliff Head South Oil	4	59.1	106.8	186.4
Dunsborough Oil	4	18.6	35.3	69.8
Frankland Gas	2	4.8	7.6	11.7
Leander Reef Oil	3	55.9	98.1	168
Total	13	138.4	247.8	435.9

In addition to the established Dongara/IRCM play, the Company is in the process of studying a Permian gas play within WA-481-P; a play which has been very successful at the large Waitsia gas discovery some 20km to the east of the permit. More detail will be provided once this work is complete.

EP416 & EP480 Exploration Permits (Operator, 60%)

During the Quarter, Pilot Energy has made good progress with preparations to conduct a geochemical survey over the Leschenault conventional gas prospect. 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 will be conducted over the coming months, with results expected in Q3 2017. 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.

Activities during the quarter include signing of a heritage protection agreement with the South West Aboriginal Land & Sea Council, completion of a desktop flora and fauna study, land access approvals and submission of an Environmental Plan (EP) application to the West Australian Dept. of Mines and Petroleum (WADMP). The EP

application remains under consideration at the time of writing, and subject to approval it is anticipated that surveying work can commence shortly.

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%)

The EP437 Joint Venture Operator (Key Petroleum) is currently preparing to drill the Wye Knot-1 exploration well in Q3 2017. 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 possibly 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 has successfully applied for a \$200,000 Exploration Incentive Scheme grant from the WADMP, and the net cost to drill Wye Knot-1 (after allowing for the grant) is estimated at up to A\$1.7 million. The well location has been agreed by the Joint Venture, and the Operator is in the process of negotiating land access and identifying a suitable drilling rig.

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.

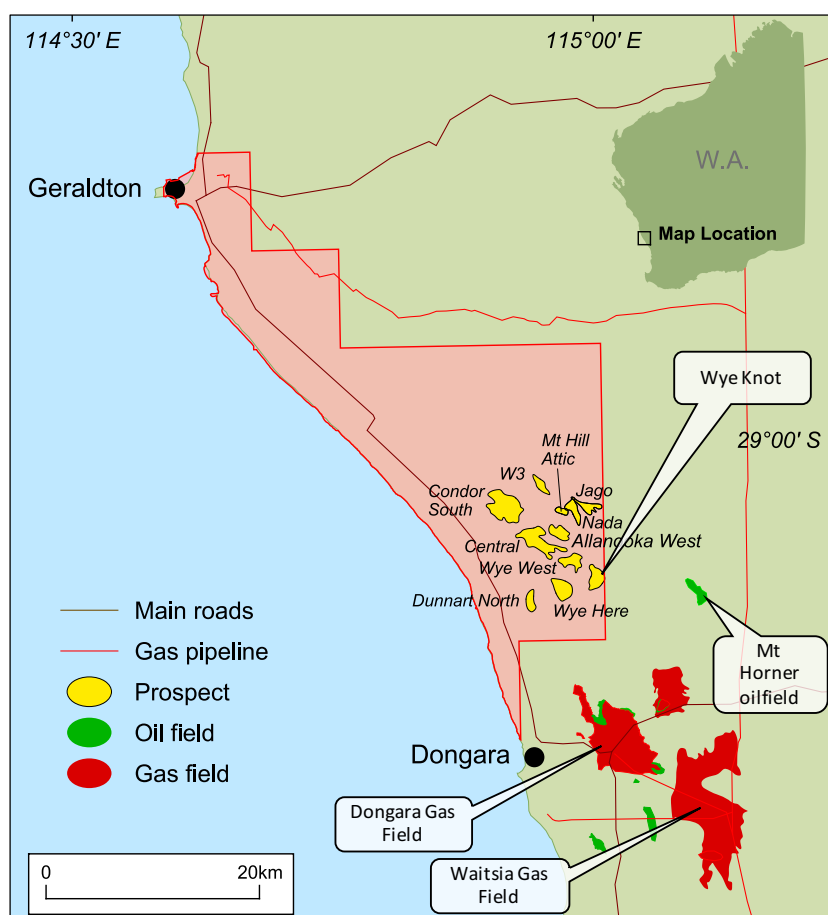


Figure: EP437 and Wye Knot Prospect Location Map

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

During the Quarter the Company received an R&D tax rebate totaling \$708,846, relating to its R&D project under the R&D Tax Incentive scheme. Pilot Energy expects to receive a further R&D refund in Q2 2018, of approximately A\$100,000, based on ongoing costs primarily associated with a seismic inversion study that forms the basis of the R&D project.

Block WA-507-P is located within the prolific Northern Carnarvon Basin, covering an area of 1,622 km² over the Exmouth Plateau. The block is covered by an existing, high quality 3D seismic dataset, which

reveals the presence of three very large structures, ranging from 27 km² to 121 km² in area.

These prospects have very significant prospective resources for gas and/or oil within the Triassic Mungaroo reservoir, which hosts much of the hydrocarbons discovered to date in the Northwest Shelf. The prospective resources (oil and/or gas) have been independently assessed by Gaffney Cline & Associates, as per the Company announcements of 25 February and 20 October, 2015. The permit is located in the outboard part of the Mungaroo delta system, where the reservoir is believed to be thick and areally extensive, and the hydrocarbon source formations are believed to have been deposited in a more marine environment. This provides the potential for a working oil system within the permit.

Licensing of the 6,368 km² “Gnaraloo/Cazadores” multi-client 3D seismic dataset data is the main work commitment associated with the three-year primary term of the permit, ending 16 November 2017. Pilot Energy has paid the Permit Award Fee associated with the seismic license agreement, and with a “drill-or-drop” decision not required until November 2019, the Company has fulfilled the main work commitments associated with the Primary Term.

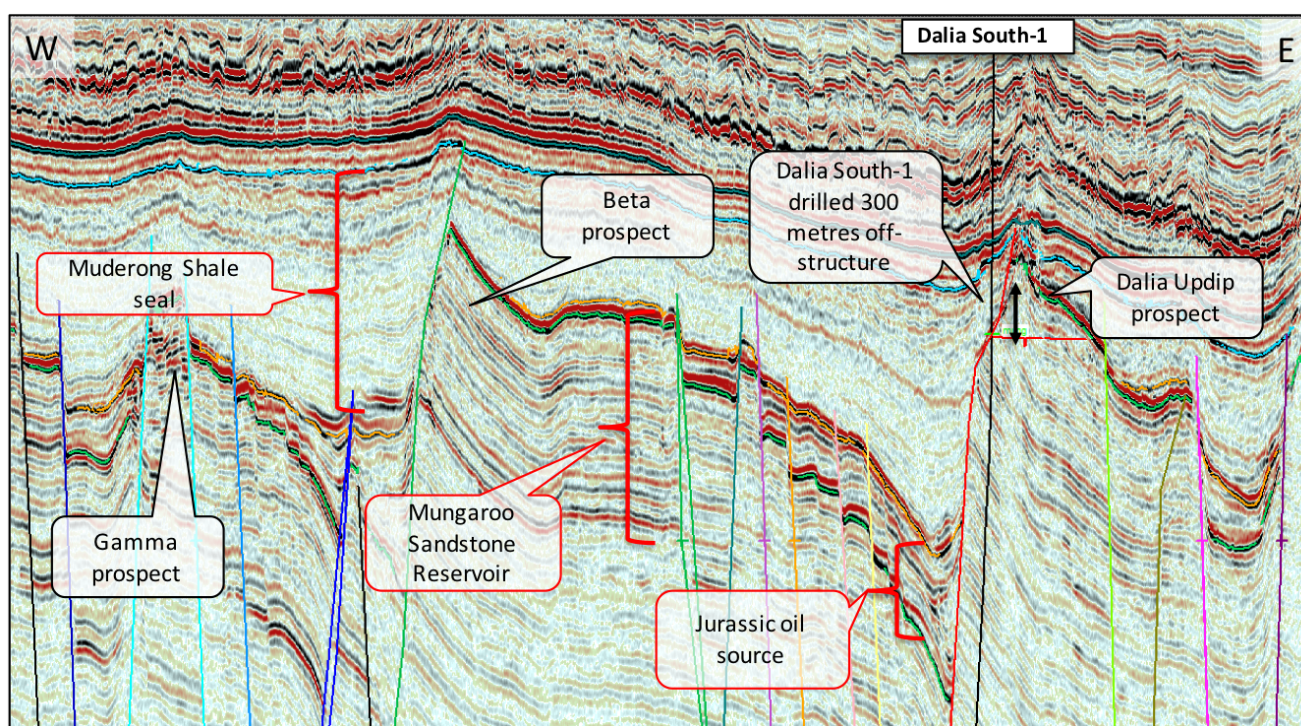


Figure: 3D Seismic Image Across Three Main WA-507-P Prospects (image shown courtesy of TGS Nopec)

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

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.

The current work commitment associated with the permit’s primary term is acquisition of 80km² of new “Broadband” 3D seismic and completion of various geological and geophysical studies. The new data will cover the permit and surrounding area, and will refine seismic imaging of the three prospects identified by Pilot Energy thus far, to help determine the leading prospect for drilling in the permit’s (discretionary) secondary term.

The Company has an agreement in place with a seismic contractor to acquire the new data, however completion of the survey has been delayed due to the lack of 3D seismic vessels within Australian waters. Pilot Energy has explored alternative options to acquire the data, and has kept NOPTA fully informed of the situation. Further to recent discussions with NOPTA, the Company has submitted an application to extend the primary term of WA-503-P in order to provide sufficient time for the remaining work commitments to be completed. The Company will provide an update to the market as soon as it

is notified of NOPTA's decision.

Corporate

As announced on 10 March 2017, the Company has established a share sale facility for holders of less than a marketable parcel of the Company's shares. Under the Listing Rules of the Australian Securities Exchange, any shareholding valued at less than \$500 is considered to be a "less than marketable parcel". The Record Date for the purpose of establishing holders of less than marketable parcels was 5pm (WST) on 9 March, 2017. The sale price is set at 0.2 cents, with the shares to be offered to third parties at that price.

Subsequent to the Quarter, and as announced on 24 April 2017, Pilot Energy has executed a Share Subscription Agreement with Giant Rainbow Investments Limited to raise \$720,000. The placement will comprise an issue of 240 million ordinary shares, at a price of 0.3 cents per share; a 67% premium to the 30 day VWAP of 0.18 cents per share.

The placement remains subject to shareholder approval, and a Notice of Meeting will be issued in due course for a meeting to be held in June 2017. The notice will include an Independent Expert's Report which will opine on whether the transaction is fair and reasonable to shareholders. The Company looks forward to providing updates regarding the Placement as the transaction progresses towards completion.

Financial

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 January 2017 to 31 March 2017.

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%

Enquiries

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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 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(35)	(154)
(b) development	-	-
(c) production	-	-
(d) staff costs	(147)	(334)
(e) administration and corporate costs	(222)	(394)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	709	807
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	306	(71)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(10)
(b) tenements (see item 10)	(23)	(188)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(23)	(198)

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	-	(8)
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	-	(8)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	784	1,335
4.2	Net cash from / (used in) operating activities (item 1.9 above)	306	(71)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(23)	(198)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(8)
4.5	Effect of movement in exchange rates on cash held	(9)	-
4.6	Cash and cash equivalents at end of period	1,058	1,058

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	1,058	784
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)	1,058	784

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**

114

-

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**

-

-

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.		

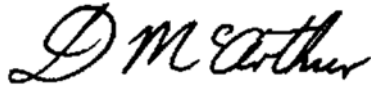
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	120
9.2 Development	-
9.3 Production	-
9.4 Staff costs	125
9.5 Administration and corporate costs	188
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	433

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:

Company secretary

Date: 28 April 2017

Print name: David M McArthur

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.