

Announcement to ASX

29 April, 2019

MARCH 2019 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

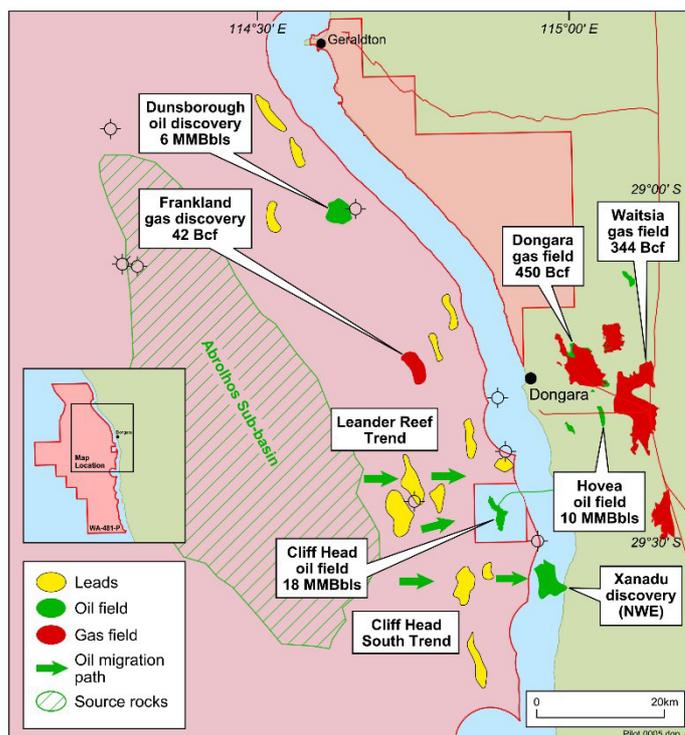
WA-481-P (Operator, 60%)

During the quarter, the 2D seismic reprocessing in the block was received and interpretation and mapping of the 2D and 3D seismic reprocessing continued. This work will allow more accurate quantification of the assessed resources and independent resource assessment and certification. Completion of this work is expected in 2Q 2019. Further de-risking of identified prospects and leads will be pursued via seismic inversion work, anticipated for 3Q/4Q 2019, allowing the Joint Venture to decide on the next phase of exploration activity and prepare for Permit renewal.

Due to delays in completion of the reprocessing work, primarily due to problems securing the seismic data, the JV has submitted an application to suspend and extend the permit work program. If granted, the additional time will enable the JV to complete the year 6 work program and prepare the necessary work plans and applications for permit renewal.

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.



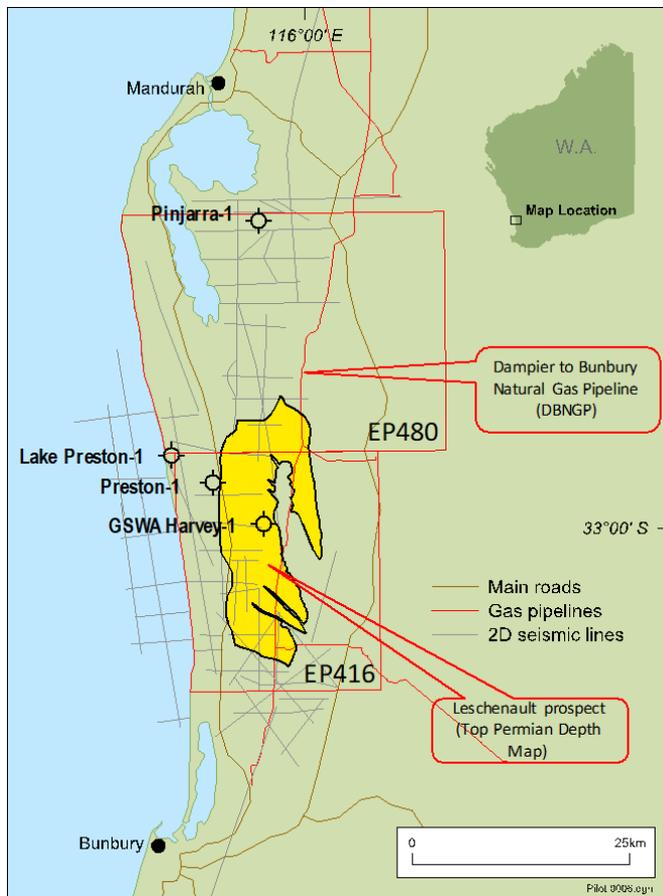
Additional information regarding the proceptivity of WA-481-P is included in a Permit Datasheet attached to the 31 August announcement.

EP416 & EP480 Exploration Permits (Operator, 60%)

Early in 2018, Pilot Energy attempted to commence a geochemical survey over the Leschenault conventional gas prospect, however difficulty with land access prevented this activity over key areas of the prospect. 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 contributing to this further delay.

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 less intrusive exploration methods which will allow the JV to progress exploration in the permits. The possibility of drilling the Leschenault prospect without further de-risking is also under consideration.

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 |
| Total | 270 | 725 | 1,595 |

EP437 Exploration Permit (13.058%)

Preparations to drill the Wye Knot-1 exploration well in EP437 (Operator: Key Petroleum) have continued this quarter with the focus on agreement with the land owner to access the drilling site. Compensation terms have been agreed in principle with the landholder. Following delays securing access to the preferred drilling location the operator applied for a 12 month suspension and extension of the work program obligations which was granted during the quarter. The drilling of Wye Knot-1 commitment well is now required by 27 November 2019. The preferred location has not changed and the Operator has advised that in principal terms have been agreed to access the this location.

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:

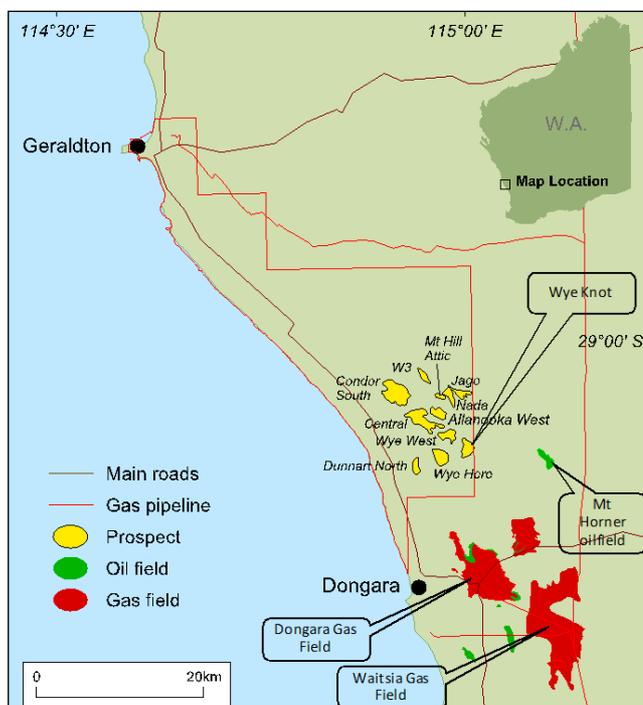
| Reservoir | Gross (100%) MMbbls | | | Net to Pilot (13%) MMbbls | | |
|------------------------------|---------------------|------|------|---------------------------|------|------|
| | Low | Best | High | Low | Best | High |
| Triassic (Bookara & Arranoo) | 0.2 | 1.4 | 6.1 | 0.03 | 0.18 | 0.79 |

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. During the quarter the Operator identified a new fault independent closure, the Parce prospect. Parce is a Wye Knot lookalike which offers the joint venture a comparably attractive resource as either follow-up or an alternative to the Wye Knot opportunity.

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

Since termination of the sale agreement with Black Swan on 18 December 2018, Pilot has continued to work with Black Swan as joint venture partners in the Permit.

During the quarter the JV lodged an application for suspension and extension of the Permit to allow additional time to satisfy the minimum work program obligation for the Permit year.



Corporate

Issue of Convertible Note

Subsequent to the end of the quarter and as announced on 29 April 2019, the company issued a convertible note to Orient (Surat Basin) Pty Ltd. The principle terms of the Convertible Note are:

- Election: The Company may elect to repay the Convertible Note in either cash or by way of the issue of fully paid ordinary shares.
- Shareholder approval: Conversion to shares is subject to shareholder approval.
- Maturity Date: 12 months from the Issue Date.
- Face Value: \$300,000
- Interest: 3% per annum
- Conversion Price: is to be calculated based on the five-day VWAP on the five (5) trading days prior to the Conversion Date.

The Noteholder is a significant shareholder and a related party of a former Director of the Company. The Company therefore intends to seek relevant shareholder approvals at the Company's next Annual General Meeting to convert the loan to shares, pursuant to the above terms

The funds raised will enable the Company to fund working capital and exploration activities to support future drilling in the its permits.

Financial

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 January 2019 to 31 March 2019.

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% |

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")

31 March 2019

| 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 | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (136) | (379) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (30) | (75) |
| (e) administration and corporate costs | (42) | (52) |
| 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 | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (208) | (505) |

| | | |
|--|---|---|
| 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 | - | - |
| 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 | - | - |

| | | | |
|------------|--|-----------|-----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 305 | 602 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (208) | (505) |
| 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 | - | - |
| 4.6 | Cash and cash equivalents at end of period | 97 | 97 |

| 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 | 97 | 305 |
| 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) | 97 | 305 |

| 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 | 35 |
| 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 | |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | 92 |
| 9.5 Administration and corporate costs | 65 |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | 157 |

| 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: 29 April 2019

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.