

Announcement to ASX

30 April, 2020

MARCH 2020 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

WA-481-P (Operator, 60%)

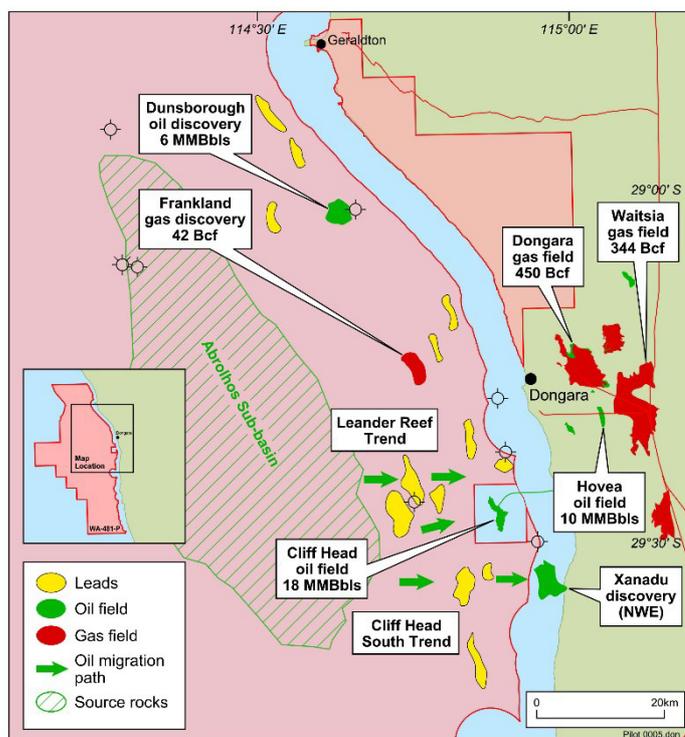
During the previous quarter the Joint Venture executed an option agreement with Red Emperor Resources NL (“RMP”) in return for funding of the Year 6 work program to a capped \$150,000 amount covering seismic inversion and geoscientific studies. Under the agreement RMP will have the right to acquire a 70% working interest and the right to operate by paying Pilot Energy Limited and Key collectively \$500,000.

This quarter saw the Joint Venture completing the Year 6 work program of seismic inversion and geoscientific studies and this, in conjunction with ongoing interpretation and mapping of the Year 5 2D and 3D seismic reprocessing, allowed further de-risking of identified prospects and leads. This work allowed the Joint Venture and RMP to work collaboratively to agree on the work program for the next term of WA-481-P.

A renewal application for WA-481-P was lodged with the federal regulator NOPTA on 14 February 2020, prior to expiry of the now previous 6 Year term on 19 February 2020. At the end of the reporting period the Joint Venture was awaiting the outcome of the renewal application.

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 field and the recent West Erregulla 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 prospectivity of WA-481-P is included in a Permit Datasheet attached to the 31 August 2018 ASX announcement.

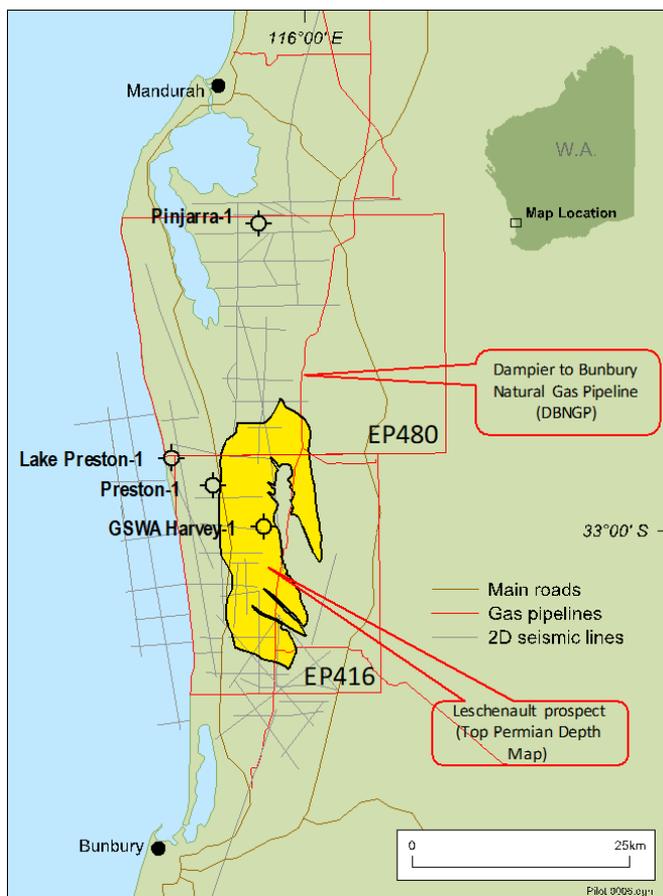
EP416 & EP480 Exploration Permits (Operator, 60%)

Pilot, as Operator and on behalf of the JV, applied to DMIRS for a suspension and extension of the permits such that work commitments could be met. In particular, the geochemical survey over the Leschenault conventional gas prospect, representing Year 1 and Year 3 commitments in EP 416 and EP 480 respectively, has been delayed due to the force majeure impacts of Covid-19 as well as difficulty with land access preventing this activity over key areas of the prospect. The State government's current ban on fracking in the region has also impacted landholder sentiment contributing to this delay.

A revised, redesigned geochemical survey proposal now predominantly on public lands has now been completed to significantly minimize impacts on landholders whilst still meeting technical objectives of the survey. If the suspension and extension application is approved, survey acquisition would be re-scheduled to take place as soon as practicable.

Whilst seeking resolution of the land access issues for the geochemical survey, the JV looked at other less intrusive exploration methods which will allow the JV to progress exploration in the permits.

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%)

Application was made to the regulator on 15 November 2019 requesting a suspension/extension to the permit to allow completion of Year 3 work commitments, including the drilling of the Wye Knot-1 well. The suspension/extension was granted on 23 December 2019 with permit Year 3 end date suspended to 27 May 2020 and a 6 month extension of permit term to 27 May 2022.

Preparations to drill the Wye Knot-1 exploration well in EP437 (Operator: Key Petroleum) are progressing with the Joint Venture awaiting approval of revisions to regulatory documentation prior to a rig being mobilized. It is noted that the executed landholder agreement to drill Wye Knot-1 also covers the Becos, Parce and Becos South Prospects which, like Wye Knot-1, are considered multi-level objectives, including at the Kingia and High Cliff level.

With the emergence of Covid-19 and associated social distancing and restrictions on travel, application was lodged with the Regulator on 23 March 2020 with a decision still pending at the end of the Quarter.

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.

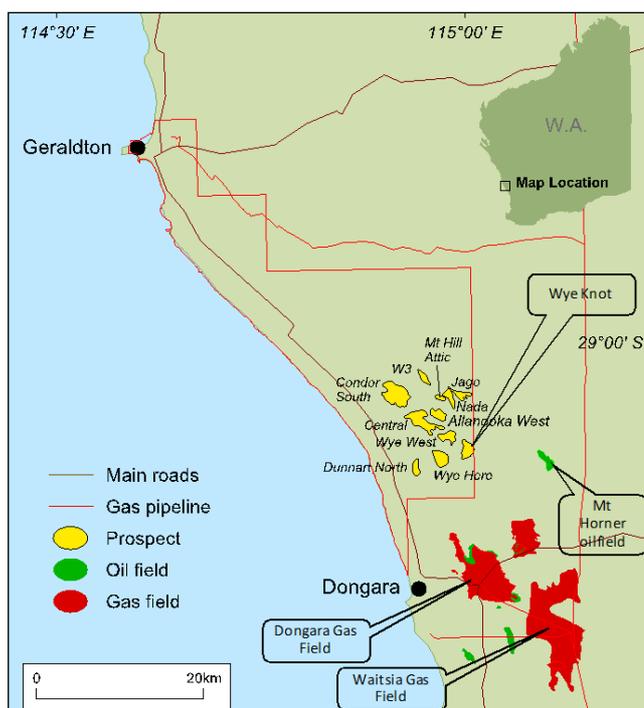
Wye-1 tested gas at commercial rates from two good quality reservoirs, with the Bookara and the Arranoo sandstone reservoirs flowing 4.4MMscf per day and 2.5 MMscf per day respectively. Neither of the reservoirs exhibited a water leg, and both exhibited live oil shows during drilling.

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. Importantly, success at Wye Knot-1 will de-risk other prospects within EP437, including Parce, Becos, Updip Wattle Grove, and Ganay. All prospects are located within close proximity to the Mount Horner Oil Field providing flexibility for development and importantly all have access for drilling and majority production, a major hurdle in monetising discoveries in the Perth Basin.



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

The JV submitted an application to the Regulator for transfer of the WA-503-P title to Black Swan in May 2019. On 11th November 2019 NOPTA advised that, in accordance with subsection 478(2)(b) of the Offshore Petroleum and Greenhouse Gas Storage Act 2006, it was refusing to approve the transfer. The Joint Venture is currently assessing its options regarding progressing the permit.

The JV met with NOPTA on 27 February 2020 for the regular 6 monthly meeting commitment and to discuss the future for the permit. NOPTA advised at this time that the only option available to the JV should it not wish to continue with WA-503-P was for the permit to be cancelled. No formal process has commenced with NOPTA and any decision regarding the future of the permit remains the subject of ongoing discussions.

Corporate

Appointment of financial and strategic advisor

As announced on 23 April 2020, the Company has appointed Brad Lingo as a financial and strategic advisor to conduct a review of the Company and its portfolio of exploration projects. A key objective of the review is to identify a growth strategy for the Company which maximises shareholder value. It will include a review of opportunities within the Company's existing portfolio of assets and acquisition opportunities as well as a review of the forward business strategy.

Issue of Convertible Note

As announced on 29 April 2019, the Company issued a convertible note with face value of \$300,000 to West Energy Pty Ltd. The funds raised by this Convertible Note Issue were received during 2Q19 and were used to enable the Company to fund working capital and exploration activities to support future drilling in its permits.

The Company sought and received shareholder approval to convert the Convertible Note to shares at its Annual General Meeting held in Sydney on 28 February 2020.

The Company may elect to convert the Convertible to Ordinary shares during the 20 business days after 29 April 2020.

As announced on 3rd December 2019, together with Key Petroleum Limited (ASX: KEY), the Group has entered into a binding Letter of Intent with Red Emperor Resources NL (ASX/AIM:RMP) in order to receive funding for the completion of an existing work programme to be undertaken within the final year of the current permit term, up to \$150,000. On completion of the work programme, and a favourable renewal decision from NOPTA, Red Emperor will have the exclusive option to acquire a 70% interest in, and the right to operate (subject to any requisite regulatory approval(s)), WA- 481-P, in return for paying the JV partners collectively \$500,000.

Financial

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 January 2020 to 31 March 2020.

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 a former 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 or oil and gas exploration entity quarterly cash flow report

Name of entity

PILOT ENERGY LIMITED

ABN

86 115 229 984

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(158)	(219)
(b) development	-	-
(c) production	-	-
(d) staff costs	(9)	(20)
(e) administration and corporate costs	(39)	(105)
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 Government grants and tax incentives	-	-
1.8 Other (Joint Venture receipts received for prior exploration payments.)	150	271
1.9 Net cash from / (used in) operating activities	(56)	(73)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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 equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	50	50
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	50	50

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	72	89
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(56)	(73)
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)	50	50

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	66	66

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	66	72
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)	66	72

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
9
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(56)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(56)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	66
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	66
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes Due to restricted operations during the COVID -19 pandemic the Company forecasts limited exploration activities for the time being. As such quarterly expenditure is forecast at approximately \$50,000 for the coming quarter

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes – The Company has had discussions with existing shareholders and new prospective investors regarding support for providing additional equity funding for the Company. These discussions have indicated sufficient interest in providing the Company with additional equity funding support. Following completion of the announced strategic review, the Company anticipates undertaking an equity capital raise which would likely be comprised of placement to sophisticated investors and underwritten rights issue or share purchase plan. The Company expects to receive cash call payments from its joint venture partners during the coming quarter.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes – The Company anticipates that it will be able to continue its operations and to meet its business objectives on the basis of (1) undertaking additional capital raising outlined above, (2) funding under existing joint venture arrangements, (3) Completing the proposed Red Emperor farm-in into WA 481P joint venture, (4) pending requests for suspension of permit work program obligations due to impacts on operations as a result of the COVID 19 pandemic and (5) potential portfolio rationalization that may be a result of the recently announced strategic review.

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.

Date: 30 April 2020

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.