

Announcement to ASX

30 July, 2020

JUNE 2020 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

WA-481-P (Operator, 60%)

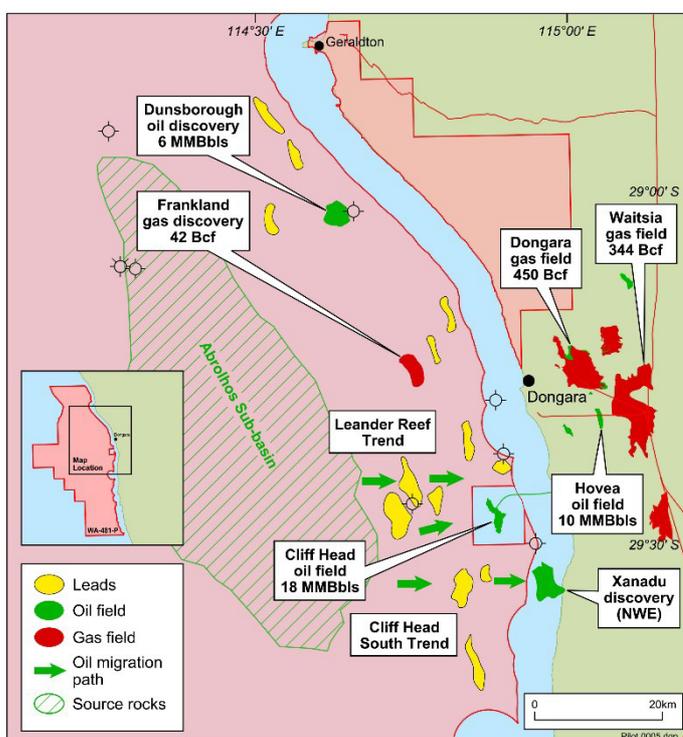
A renewal application for WA-481-P was lodged with the federal regulator NOPTA during the previous quarter on 14 February 2020, prior to expiry of the now previous 6 Year term on 19 February 2020. A subsequent offer of renewal was received from NOPTA on 14 May 2020.

The offer of renewal in turn triggered the beginning of the time period for Red Emperor Resources NL (“RMP”) to exercise the option agreement that the WA-481- P Joint Venture had entered into with RMP at the end of Q4 2019 in return for funding of the Year 6 work program to a capped \$150,000 amount and the right to acquire a 70% working interest and the right to operate by paying Pilot Energy Limited and Key collectively \$500,000. RMP subsequently advised the ASX on 8 June 2020 that they would not be exercising this option.

Subsequent to the 14 May notice, NOPTA advised the WA-481- P Joint Venture of the need for NOPTA to undertake additional procedural matters and that a replacement offer would be issued. On 15 July 2020, the Company received an updated notification from NOPTA that the Company’s application for renewal had been approved and an updated offer to renew the permit for a further 5-years was made on the same terms as the original offer. The WA-481-P Joint Venture have previously advised NOPTA that they intend to accept this offer of 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 field and the recent West Erregulla gas discovery. The 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.

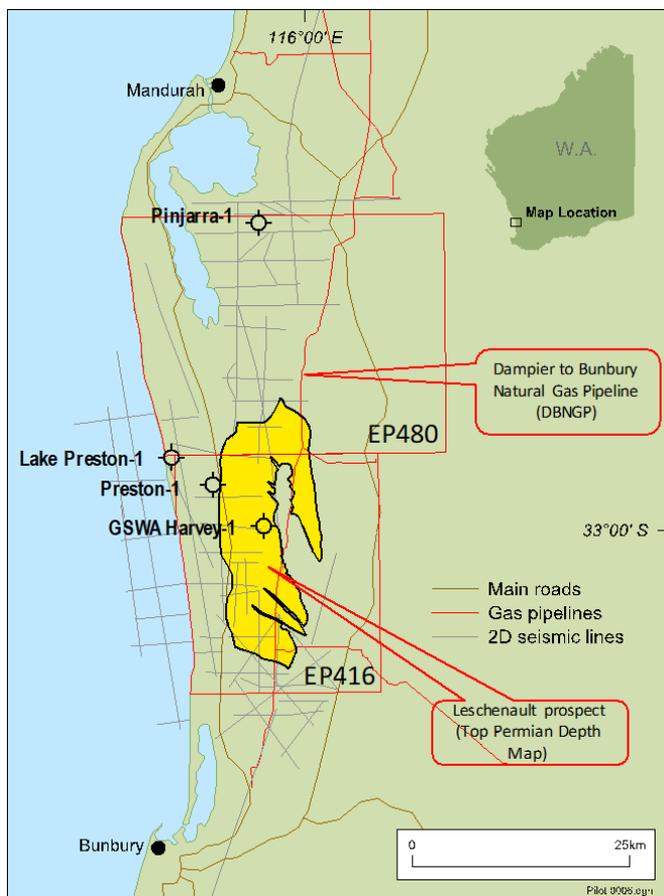


Additional information regarding the prospectivity of WA-481-P is included in a Permit Datasheet attached to the 31 August 2018 ASX announcement.

EP416 & EP480 Exploration Permits (Operator, 60%)

The Titleholders applied to DMIRS on 2 April 2020 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 difficulty with land access preventing this activity over key areas of the prospect. DMIRS advised the Joint Venture on 19 June 2020 that the suspension / extension applications for both permits were successful.

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%)

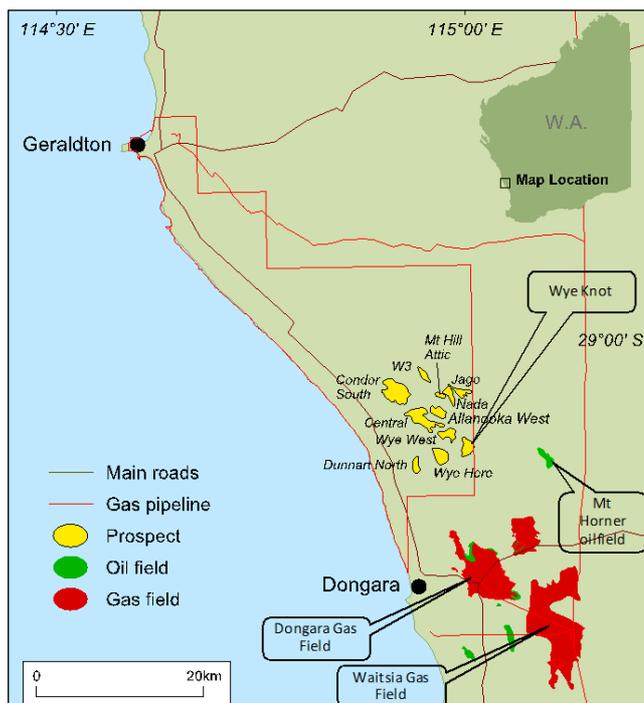
With the emergence of Covid-19 and associated social distancing and restrictions on travel, application was lodged with the Regulator on 23 March 2020 for a suspension and extension for the Year 3 Work Program. A 12-month suspension/extension was subsequently granted for the Year 3 Work Program with the exploration commitment well Wye Knot-1 required to be drilled by 28 May 2021.

Preparations to drill the Wye Knot-1 exploration well in EP437 (Operator: Key Petroleum) are being progressed to meet this timing. 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.

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 11 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 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

New Strategic plan and Board appointment

As announced on 13 May 2020, the Board endorsed a revised strategy for the Company with a clear focus on:

- Positioning the Company to play a significant role in the energy transition;
- Delivering “firming” energy solutions that are essential across the entire energy supply and delivery value chain;
- Building a firming energy solutions business based on delivering and integrating three elements – gas supply, energy storage and renewables;
- Retasking existing assets and acquiring complementary assets to deliver low carbon outcomes;
- Rationalization of existing assets to focus on gas potential and ability to leverage these assets into new firming and renewable projects;
- Monetization/rationalization of exploration exposures to align with a firming energy solutions business focus; and
- High grading opportunities that provide near term cash flow and include options to mitigate execution risk through partnering.

The Company has appointed a highly experienced oil and gas industry executive and entrepreneur experienced in building energy and resource companies, Brad Lingo, as a Director and Chairman of the Company,

Conversion of Convertible Note and Issue of Shares

As announced on 29 April 2019, the Company issued a convertible note with a 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. On 27 May 2020, the Company elected to convert the Convertible Note into 21,458,332 Fully Paid Ordinary shares.

Placement of Shares

As announced on 2 June 2020, the Company issued 5,000,000 Fully Paid Ordinary shares at an issue price of \$0.02 per share. This placement injected \$100,000 into the Company enabling it to fund working capital and exploration activities.

Financial

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 April 2020 to 30 June 2020.

Payments to related parties of the entity and their associates

The payments to related parties and their associates as disclosed in the Appendix 5B relate to consulting fees and directors' fees.

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.

This announcement has been authorised for release to ASX by Bradley Lingo and Michael Lonergan on behalf of the Board of Directors of Pilot Energy Limited.

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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(30)	(249)
(b) development	-	-
(c) production	-	-
(d) staff costs	(10)	(30)
(e) administration and corporate costs	(45)	(150)
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.)	-	271
1.9 Net cash from / (used in) operating activities	(85)	(158)

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 (9months) \$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)	100	100
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
3.6	Repayment of borrowings	(50)	(50)
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	100

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	66	89
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(85)	(158)
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	100

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 (9months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	31	31

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	31	66
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)	31	66

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**

45

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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)	(85)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(85)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	31
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	31
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0
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.	
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.	
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), (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 July 2020

Authorised by: Bradley Lingo and Michael Lonergan (on behalf of the Board of Directors)
(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.