

Announcement to ASX

31 July, 2019

## JUNE 2019 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

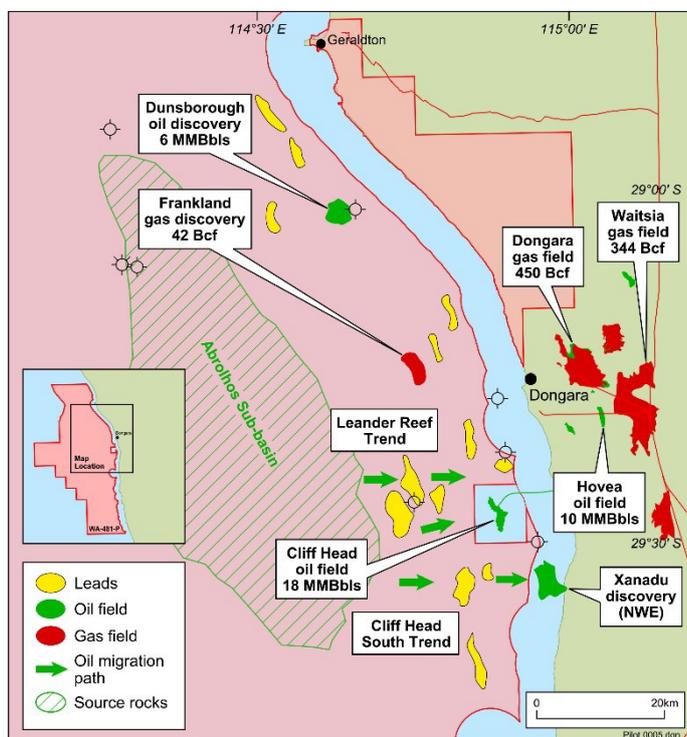
### WA-481-P (Operator, 60%)

During the quarter, 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 has taken longer than planned and is now expected in 3Q 2019. Further de-risking of identified prospects and leads will be pursued via seismic inversion work, anticipated for late 3Q and 4Q 2019, allowing the Joint Venture to decide on the next phase of exploration activity and prepare for Permit renewal.

The application to suspend and extend the permit work program referred to in the March quarter report was granted on 6<sup>th</sup> June. 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 km<sup>2</sup> 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.



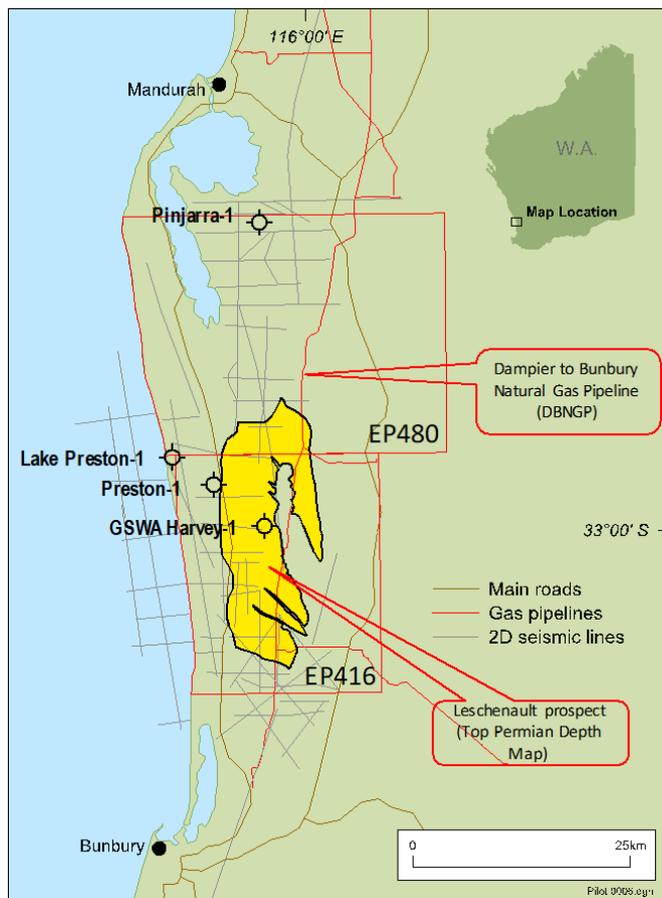
Additional information regarding the proceptivity of WA-481-P is included in a Permit Datasheet attached to the 31 August 2018 announcement.

## 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:

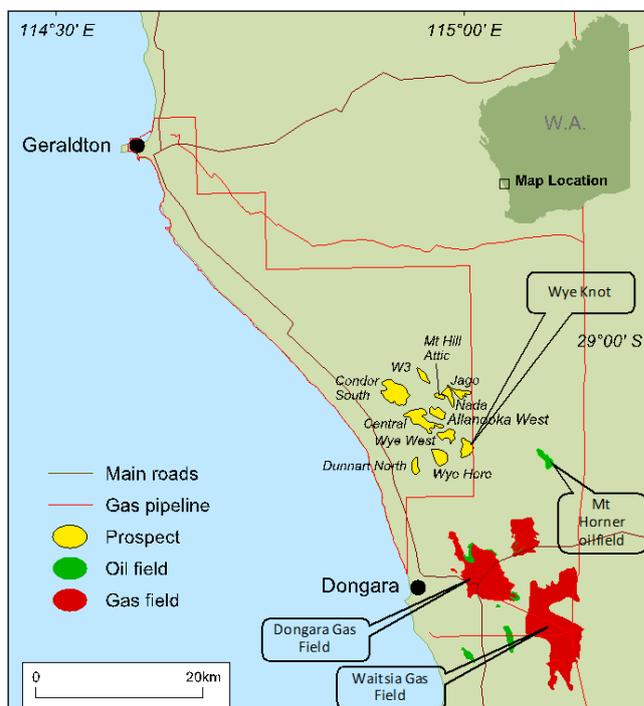
Reservoir	Gross (100%) Bcf		
	Low	Best	High
Lesueur Sandstone	150	435	970
Sue Sandstone	120	290	625
<b>Total</b>	<b>270</b>	<b>725</b>	<b>1,595</b>

## EP437 Exploration Permit (13.058%)

Preparations to drill the Wye Knot-1 exploration well in EP437 (Operator: Key Petroleum) have continued this quarter. The Operator has secured access to a significant amount of long lead items that could potentially be deployed to an EP 437 work programme of drilling. A non-binding letter of intent has been executed with Drilling Contractors Australia to secure an option to take up DCA Rig 7 for a period of 6 months from 1 July 2019 to 31 December 2019.. The drilling of a commitment well is currently required by 27 November 2019. The preferred location of Wye Knot-1 has not changed and the Operator has advised that the compensation agreement with the landholder for the drilling of the well is expected to be executed this 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.

The Operator has also identified the additional Parce prospect which is a fault independent closure and Wye Knot lookalike that offers the joint venture attractive resource potential comparable to the Wye Knot Prospect nearby to the north. Parce forms part of the Becos Trend, a structural trend that, in the event of success, could be tied back to Mount Horner as part of a fast-tracked series of developments due to its proximity to infrastructure.



The Operator's estimate of the Gross Un-risked Prospective Resource Range estimates for the Triassic plays in EP 437 have been probabilistically estimated as follows:

Reservoir	Gross (100%) MMbbls			Net to Pilot (13%) MMbbls		
	Low	Best	High	Low	Best	High
Triassic (Bookara & Arranoo)	1.94	7.82	15.82	0.25	1.02	2.06

## 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.

The application for suspension and extension of the Permit referred to in the March quarter report was granted on 4<sup>th</sup> June 2019. This extension will allow additional time to satisfy the minimum work program obligation for the Permit year.

## Corporate

### Issue of Convertible Note

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 its permits. The funds raised by this Convertible Note Issue were received during the quarter.

### Financial

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 April 2019 to 30 June 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.

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### Enquiries

Pilot Energy Limited: Lisa Dadswell, Company Secretary, email:  
lisa.dadswell@boardroomlimited.com.au