

Pilot Energy Limited

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Announcement to ASX

31 May 2018

PLANNED SURRENDER OF WA-507-P

Pilot Energy Limited (ASX: PGY) (**Pilot Energy**, or the **Company**) wishes to announce that, following the sale of its beneficial interest in offshore exploration permit WA-507-P (the "**Permit**") to Black Swan Resources Pty Ltd (**Black Swan**) in February this year, Black Swan has elected to withdraw from the Permit.

Under the sale agreement announced on 21 February 2018, Pilot Energy was to receive a 7.5% share of any net profit interest derived from the Permit in each calendar quarter, in return for Black Swan covering all costs associated with activities and management of the Permit. Pilot Energy remained on title after completion of the transaction in respect of its 80% legal interest in the Permit, but Black Swan assumed the beneficial interest and all risks and liabilities in respect of the Permit.

Since February, Black Swan has completed a program of further seismic work, comprising seismic inversion and fluid substitution modelling, which was designed to de-risk a number of prospects identified in the Permit and to seek potential farminees. Black Swan has now notified Pilot Energy that the program was unable to further lower the geological risk associated with the prospects and, in the current industry climate, was unable to find a farminee or purchaser for the permit. In accordance with Black Swan's agreement with Pilot Energy, it has therefore regrettably elected to surrender its interest in the Permit.

Pilot Energy is aligned with this view and the parties have agreed to jointly apply to the Titles Administrator to surrender the Permit.

Spokesman and CEO for Pilot Energy, Robert Gard, commented on the announcement:

"Our decision to surrender the Permit, rather than re-assume operatorship following Black Swan's decision to withdraw, is consistent with Pilot Energy's strategy of minimizing project costs to focus cash expenditure on the activities most likely to result in satisfactory returns to the Company and shareholders. The opportunity to pursue the potential in WA-507-P at no cost to the company has enabled us to exhaust exploration opportunities in the block and the planned surrender of the Permit is the next logical step for the participants. Pilot is continuing its' focus on WA-481-P where seismic re-processing is currently underway and we look forward to concluding this work in the second half of this calendar year."

Enquiries

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About Pilot Energy: Pilot Energy Ltd is an emerging junior oil and gas exploration company that is implementing a low-cost, counter-cyclical strategy to develop a portfolio of high quality oil and gas exploration assets. The Company's aggressive new ventures program has rapidly resulted in acquisition of material working interests in the WA-481-P, WA-507-P, WA-503-P and EP416/480 exploration permits, located offshore and onshore Western Australia, in addition to a minor working interest in the EP437 permit. Key to Pilot Energy's strategy is minimisation of project entry cost and work commitments, while allowing sufficient time to add value through desktop studies prior to seeking farming partners to fund seismic and/or drilling. Pilot Energy works closely with industry partners such as seismic contractors in order to develop creative pricing models for services that help to reduce the Company's upfront cash investment.