

## Pilot Energy Ltd

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Announcement to ASX

21 June, 2017

## WYE KNOT-1 DRILLING UPDATE

Pilot Energy Ltd (the **Company**, ASX: PGY) is pleased to provide the following update on preparations to drill the Wye Knot-1 exploration well, scheduled for Q4 2017.

As advised by the Operator (Key Petroleum) in its ASX announcement of today, a long lead item and well-planning Authority for Expenditure for wellheads, tubulars, materials and other ancillary equipment has been issued to the joint venture and has been duly approved. The tendering process for contractors and other project management services has commenced, and preliminary documentation for regulatory approval of the drilling operations has been prepared.

Formal lodgement of approval documents will occur once the tendering process for contractors is complete. A preferred drilling location for Wye Knot-1 has been identified, however the final well location remains subject to securing a land access agreement.

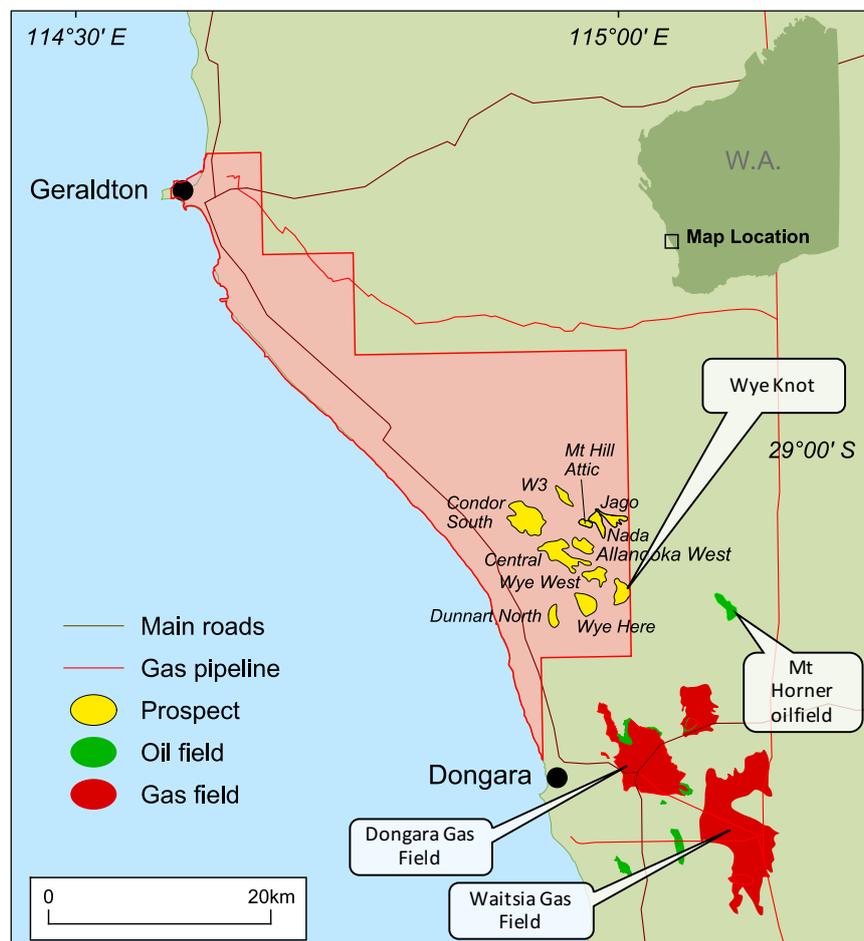


Figure: EP437 Location Map

The Wye Knot oil prospect is located in Exploration Permit EP437, in the North Perth Basin between the towns of Geraldton and Dongara. The large Dongara gas field and Jingemia/Hovea oil fields are located some 10km to the south, and the Mount Horner oil field is located 10km to the east. Wells drilled within the permit to date confirm that the surrounding petroleum system extends in to EP437.

Wye Knot 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 good, live oil shows during drilling.

The presence of oil shows indicates that the reservoirs were originally oil-filled at the Wye-1 location, with the oil 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.

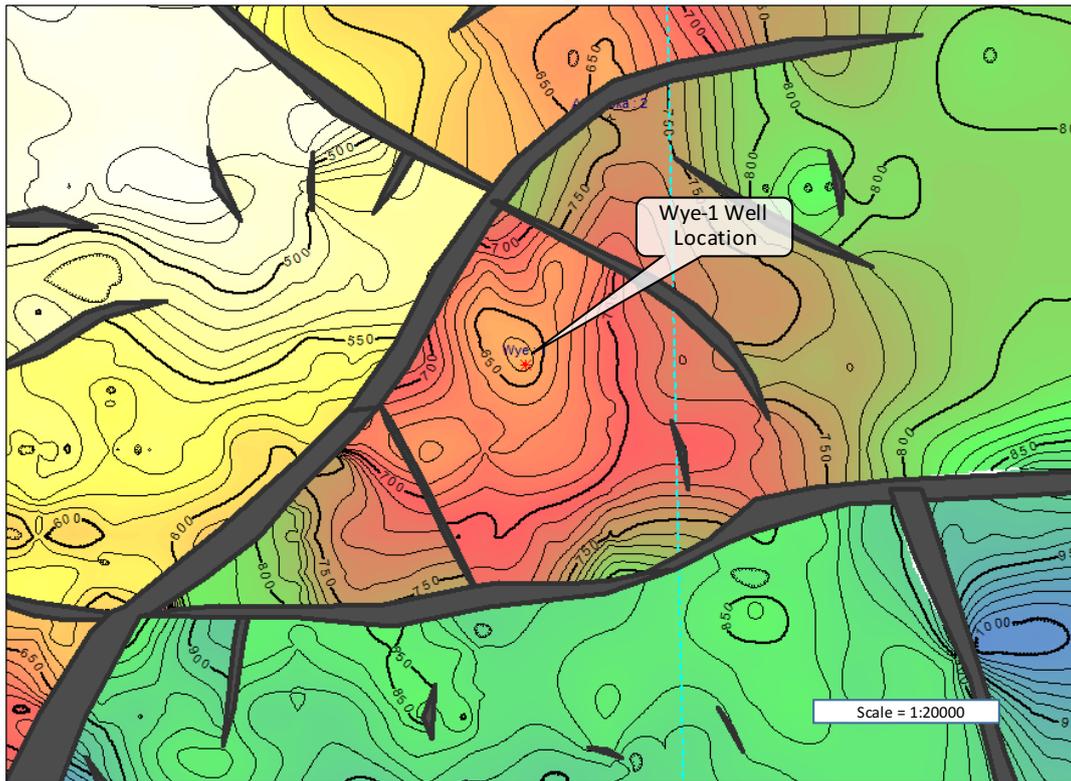


Figure: Wye Knot Prospect Map

As announced on 19 December 2016, the Operator’s assessment of the prospective resources targeted by Wye Knot-1 is as follows:

Reservoir	Gross (100%) MMbbls		
	Low	Best	High
Triassic (Bookara & Arranoo)	0.2	1.4	6.1

In the event of exploration success, the discovery 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, 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.

Working interests in EP437 are as follows:

Key Petroleum Ltd (ASX: KEY)	43.471% (Operator)
Rey Resources Ltd (ASX: REY)	43.471%
Pilot Energy Ltd	13.058%

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## 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.