

Announcement to ASX

26 July, 2017

JUNE 2017 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

QUARTERLY HIGHLIGHTS

- Completion of \$720,000 capital raising at 15 cents per share (post-consolidation)
- Independent expert valuation of 30 cents per share (post-consolidation)
- Removal of WA-481-P year 5 and 6 commitment wells approved by NOPA
- 12 month suspension/extension granted by NOPTA on WA-503-P
- Joint venture approved long lead items AFE for drilling Wye Knot-1 exploration well
- Completion of 1 for 50 share consolidation, and less than marketable parcel share sale facility

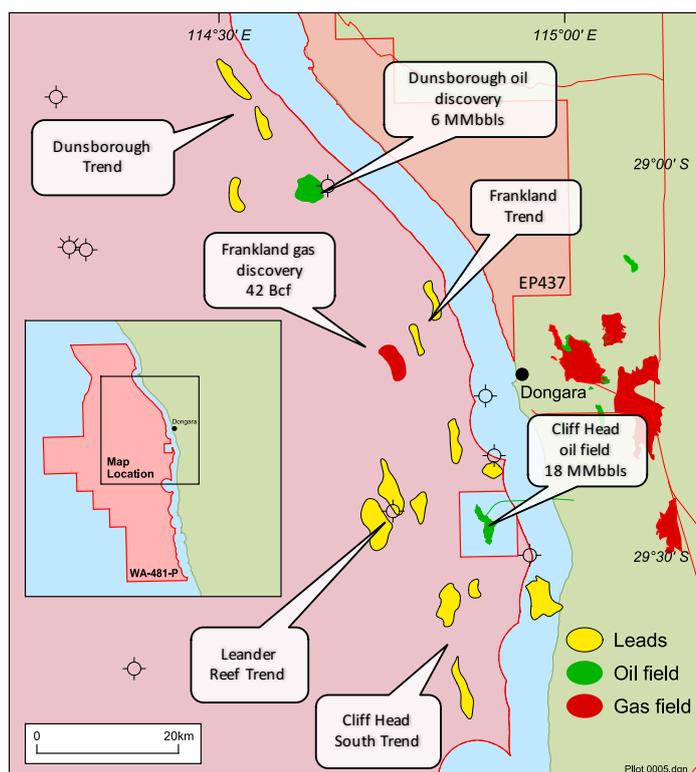
WA-481-P (Operator, 60%)

As announced on 3 July 2017, the Company received approval from the National Offshore Petroleum Titles Administrator (NOPTA) to replace the WA-481-P year 5 and year 6 commitment wells with an alternative work program, designed to de-risk high-graded prospects for future drilling.

WA-481-P is currently in permit year 4, expiring 19 August 2017. Previously, each of permit years 5 and 6 incorporated a commitment to drill an exploration well. Pilot Energy applied to NOPTA to remove the commitment wells, on the basis that further technical studies are required before further drilling can take place within the permit. As such, a revised work program is now in place for years 5 and 6, comprised of seismic data reprocessing and geological/geophysical studies. These studies are designed to address the primary geological risk associated with the various prospects located within WA-481-P, such that an inventory of drill-ready prospects can be finalised for drilling.

It is likely that a firm well commitment will be required to be included upon renewal of the permit, within 2 years of its expiry in August 2019. The removal of the current commitment wells does not preclude exploration drilling before that time, subject to identifying a farmin partner. The Joint Venture will market WA-481-P to potential farmin partners in parallel with the ongoing technical work, and regards removal of the commitment wells as significantly improving the project's marketability.

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 Waitisia 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,

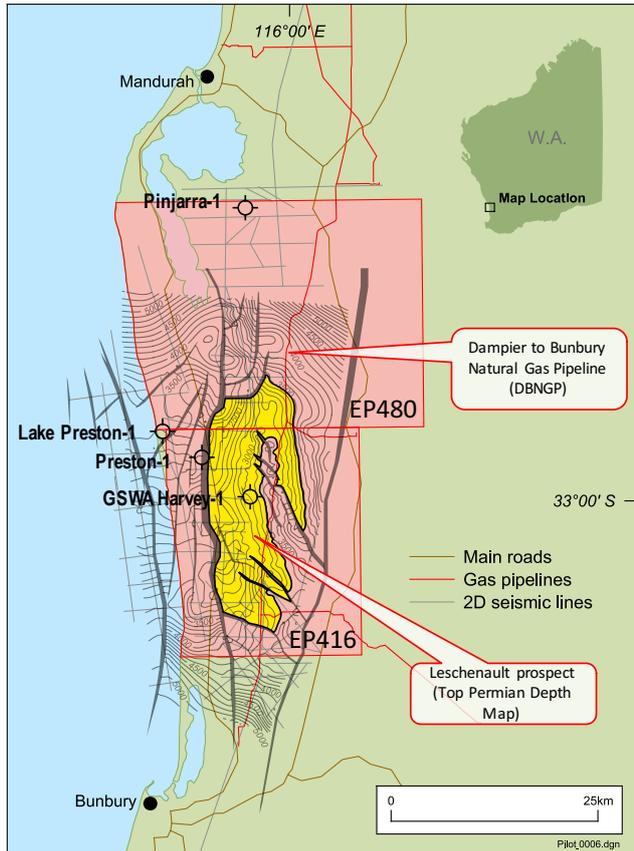


with the Frankland gas and the Dunsborough oil discoveries representing contingent resources of up to 59 Bcf gas and 9.8 MMbbls oil, respectively.

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 oil, and three of the areas are substantially de-risked by prior discoveries (at Cliff Head, Dunsborough and Frankland respectively).

EP416 & EP480 Exploration Permits (Operator, 60%)

During the Quarter, Pilot Energy continued to make progress with preparations to conduct a geochemical survey over the Leschenault conventional gas prospect. 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 will be conducted over the coming months, with results expected in Q4 2017. 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%)

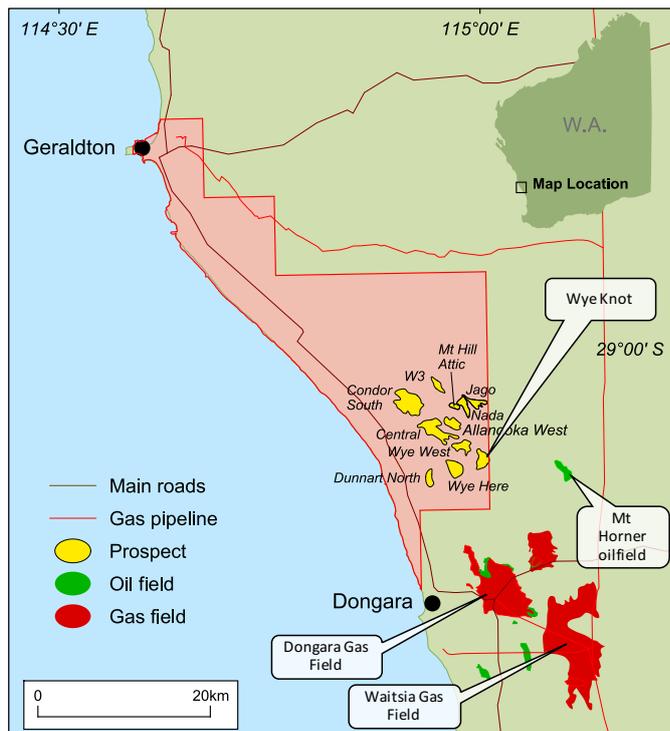
The EP437 Joint Venture Operator (Key Petroleum) is currently preparing to drill the Wye Knot-1 exploration well. As announced on 21 June 2017, a long lead item and well-planning Authority for Expenditure for wellheads, tubulars, materials and other ancillary equipment has been approved by the joint venture. 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.

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. Pilot Energy estimates the Net Present Value of a commercial discovery at between US\$15 and US\$20 per barrel, at current oil prices and 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.

WA-507-P Exploration Permit (Operator, 80%)

Pilot Energy expects to receive a further R&D refund in Q1 2018, of approximately A\$100,000, based on ongoing costs associated with an R&D project, which is nearing completion.

Block WA-507-P is located within the prolific Northern Carnarvon Basin, covering an area of 1,622 km² over the Exmouth Plateau. The block is covered by an existing, high quality 3D seismic dataset, which reveals the presence of three very large structures, ranging from 27 km² to 121 km² in area.

These prospects have very significant prospective resources for gas and/or oil within the Triassic Mungaroo reservoir, which hosts much of the hydrocarbons discovered to date in the Northwest Shelf. The prospective resources (oil and/or gas) have been independently assessed by Gaffney Cline & Associates, as per the Company announcements of 25 February and 20 October, 2015. The permit is located in the outboard part of the Mungaroo delta system, where the reservoir is believed to be thick and areally extensive, and the hydrocarbon source formations are believed to have been deposited in a more marine environment. This provides the potential for a working oil system within the permit.

Licensing of the 6,368 km² “Gnaraloo/Cazadores” multi-client 3D seismic dataset data is the main work commitment associated with the three-year primary term of the permit, ending 16 November 2017. Pilot Energy has paid the Permit Award Fee associated with the seismic license agreement, and with a “drill-or-drop” decision not required until November 2019, the Company has fulfilled the main work commitments associated with the Primary Term.

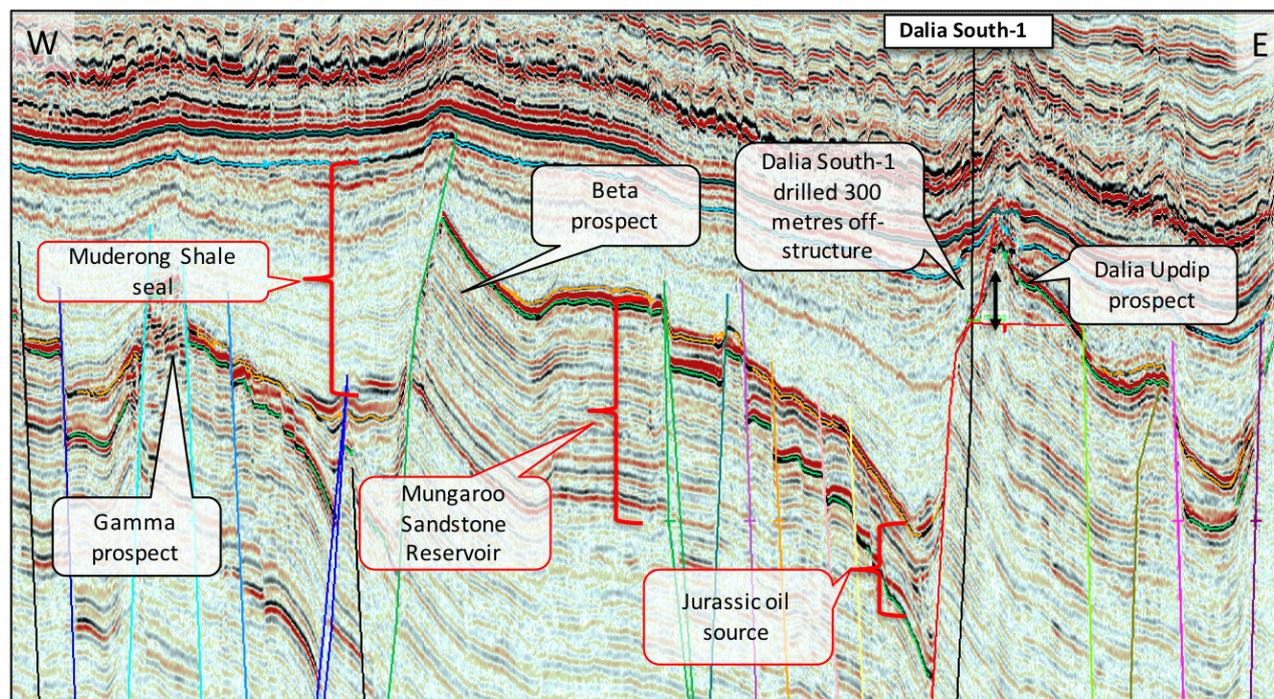


Figure: 3D Seismic Image Across Three Main WA-507-P Prospects (image shown courtesy of TGS Nopec)

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

As announced on 16 June 2017, NOPTA has approved an extension of the primary term of exploration permit WA-503-P, with a suspension of the associated work commitments until 12 May 2018.

An 80km² 3D broadband seismic survey was required to be completed before 12 May 2017, however this has not been possible due to the absence of a suitable seismic vessel within Australian waters. While Pilot Energy has a low-cost contract in place to complete the survey on a multi-client basis, the survey's small size does not justify mobilising a vessel from overseas.

Pilot Energy considered various alternative solutions, including acquiring the survey on a proprietary basis with other vessels that are currently located overseas, however the cost of mobilisation and demobilisation is prohibitive. The seismic contractor has advised that a vessel is scheduled to mobilise in Q4 2017, and on this basis NOPTA has granted the twelve-month extension to the permit's primary term.

Block WA-503-P is located offshore Western Australia within the Dampier Sub-basin, inboard of the giant Northwest Shelf complex and on trend with numerous oil and gas discoveries; including the Legendre and Hurricane fields. The shallow water depth across the block (maximum 70 metres) allows for drilling by lower cost "jack up" drilling rigs.

The primary exploration focus of WA-503-P is Lower Cretaceous to Upper Jurassic sandstone reservoirs within the oil rich Legendre Trend, situated along the eastern flank of the Lewis Trough. The decommissioned Legendre field is situated some 20 km to the northeast of the block, and produced over 40 MMbbl of oil from excellent quality sandstone reservoirs.

Corporate

Less Than Marketable Parcel Share Sale Facility

During the reporting period the Company completed a Less Than Marketable Parcel share sale facility. Under the Listing Rules of the Australian Securities Exchange, any shareholding valued at less than \$500 is considered to be a "Less Than Marketable Parcel". The Closing Date for receipt of Share Retention Forms was 28 April 2017, and of the 1,090 shareholders who held Less Than Marketable Parcels at the Record Date, Share Retention Forms were received from 144 shareholders holding a combined 10,398,650 shares.

834 holders of Less Than Marketable Parcels holding a combined total of 33,443,652 shares, which were sold to a third party for a total consideration of \$66,887 (being 0.2 cents per share). Those shareholders have received payment, via Computershare. Having completed the Less Than Marketable Share Sale Facility, the number of Pilot Energy shareholders is now reduced from some

1,729 to approximately 887, resulting in future administrative cost savings for the Company.

Capital Raising

As announced on 24 April 2017, Pilot Energy executed a Share Subscription Agreement with Giant Rainbow Investments Limited to raise \$720,000. The placement has now been completed, with the issue of 4.8 million ordinary shares at a price of 15 cents per share (post-consolidation figures).

Independent Experts Valuation

On 14 June 2017, the Company announced the findings of an Independent Expert's Report that values Pilot Energy shares. The report was prepared by BDO Corporate Finance (WA) Pty Ltd (**BDO**) in association with independent technical specialist RISC Operations Pty Ltd (**RISC**).

BDO's valuation, post-consolidation, is as follows:

	Low Value per share	Preferred Value per share	High Value per share
Value of Pilot Energy share	21.5 cents	30.0 cents	39.5 cents

In its report BDO chose to employ Net Asset Value, on a going concern basis, as the primary valuation methodology, and instructed RISC to provide an independent market valuation of the Company's exploration assets.

RISC determined that, on a portfolio basis, the range of values for the Company's exploration assets is between A\$16.5 million and A\$29.6million, with a midpoint value of A\$23.0 million.

BDO's full report, including RISC's extensive Independent Technical Specialist Report may be referred to in the Notice of Meeting as released to the ASX on 13 June 2017.

Share Consolidation

Pursuant to approval obtained at the general meeting of shareholders held on 12 July 2017, capital consolidation on a 1:50 basis was completed, with holding statements being dispatched to shareholders. Post the consolidation, the following securities are on issue:

63,576,514 fully paid ordinary shares

200,000 unlisted options exercisable at \$1.50 by 30 September 2017

900,000 unlisted options exercisable at \$0.10 by 30 September 2019

2,800,000 unlisted options exercisable at \$0.20 by 31 December 2019

600,000 June 2018 performance rights convertible at between \$1.75 and \$4.00

Financial

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 April 2017 to 30 June 2017.

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%
WA-507-P Western Australia	80%	80%
EP416 & EP480 Western Australia	60%	60%
EP437 Western Australia	13.058%	13.058%

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

PILOT ENERGY LIMITED

ABN

86 115 229 984

Quarter ended ("current quarter")

30 JUNE 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(54)	(208)
(b) development	-	-
(c) production	-	-
(d) staff costs	(126)	(452)
(e) administration and corporate costs	(245)	(647)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	807
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(425)	(496)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(10)
(b) tenements (see item 10)	-	(188)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) 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	-	(198)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	76	76
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(8)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(76)	(76)
3.10	Net cash from / (used in) financing activities	-	(8)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,058	1,335
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(425)	(496)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(198)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(8)
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
4.6	Cash and cash equivalents at end of period	630	630

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	630	1,058
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)*	630	1,058

* Subsequent to the end of the quarter, proceeds totalling \$720,000 have been received upon completion of the share placement to Giant Rainbow Investments Ltd.

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	93
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

6.1 – Includes salaries and consultancy fees paid to directors as well as superannuation paid on behalf of directors.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	200
9.2 Development	-
9.3 Production	-
9.4 Staff costs	133
9.5 Administration and corporate costs	114
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	447

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	NA			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	NA			

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.



26 July 2017

Sign here:
(Director)

Date:

Print name: Iain Smith
.....**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.