

Announcement to ASX

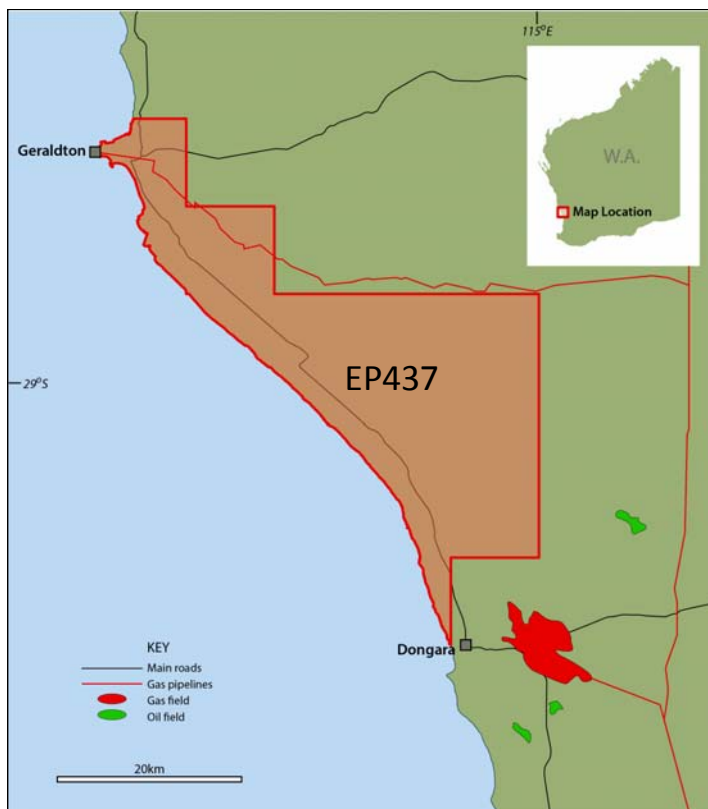
4 November, 2015

## SECOND PERTH BASIN ACQUISITION

### HIGHLIGHTS

- **Pilot Energy acquires 13% interest in exploration permit EP437**
- **Provides exposure to low cost oil/gas exploration within established north Perth Basin play**
- **Low cost of entry with minimal financial commitments**

Pilot Energy Ltd (ASX: PGY) is pleased to announce that the Company has executed an agreement with Caracal Exploration Pty Ltd (**Caracal**) to acquire Caracal's 13.058% interest in exploration permit EP437, located within the northern Perth Basin.



Exploration permit EP437 is situated on the west of the northern Perth Basin, between the towns of Geraldton and Dongara; some 10km to the north of the Dongara gas field and Jingemba/Hovea oil fields, and 20km to the north of the Cliff Head oilfield. A number of wells have been drilled to date, the results of which confirm a working petroleum system within the permit. Pilot Energy's preliminary interpretation of existing well and seismic data suggests the presence of a number of shallow-depth prospects at the Bookara and Arranoo sandstone levels, located along a terrace structure and structurally updip from the Dongara gas field. Three prospects have been identified to date, all located updip from the Dunnart-1 & 2 wells; both of which encountered good oil shows.

### Strategic Fit

EP437 provides Pilot Energy with participation in low cost onshore oil and gas exploration, in a permit in which prospectivity has been identified within a

working petroleum system and along trend from existing discoveries. The proximity to infrastructure in this part of the Perth Basin enables even small oil discoveries to potentially be commercialised. Pilot Energy's strategy is typically to acquire large project working interests, as Operator. In the case of EP437, Pilot Energy regards the acquisition of a minority, non-operated position as justified, due to the fact it offers mid-term drilling opportunities, at low cost, and provides a basis for possible future expansion in the northern part of the Perth Basin.

EP437 is complementary to the Company's other exploration assets within Western Australia, so that Pilot Energy now holds a balanced portfolio of four conventional exploration projects offering the full range from low cost onshore gas and oil/gas exploration (EP416/480 and EP437 respectively), through high potential shallow water oil exploration (WA-503-P) to very high potential deepwater gas and oil exploration (WA-507-P).

Pilot Energy Chairman, **Gavin Harper commented on the Caracal transaction as follows:** "This transaction represents Pilot Energy's fourth acquisition in under a year, all of which provide

*shareholders with exposure to quality petroleum exploration assets under favorable commercial terms. We look forward to working with our new joint venture partners, Key Petroleum and Rey Resources, in exploring the permit.”*

Under the terms of the Sale & Purchase Agreement (**SPA**) the consideration to be paid to Caracal for the interest is as follows:

- (i) \$15,000 cash payment due upon execution of the SPA
- (ii) 20 million ordinary shares in Pilot Energy, to be issued upon completion of the SPA
- (iii) 20 million options to purchase ordinary shares of Pilot Energy, to be issued upon completion of the SPA on the following terms:
  - (a) Exercise price \$0.002
  - (b) Vesting upon Pilot Energy share price achieving 5 day VWAP of \$0.003
  - (c) Expiry 30 June 2019

The assignment of interest in EP437 to Pilot Energy is conditional upon the approval of the WA Dept. of Mines & Petroleum. Upon completion of the assignment, the joint venture interests in EP437 will be as follows:

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

The Company looks forward to providing a more detailed technical overview of EP437 in due course, after the SPA completes and Pilot Energy is confirmed as a participant in the Joint Venture.

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## Enquiries

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