

Announcement to ASX

25 May, 2016

INDEPENDENT EXPERT'S VALUATION

Highlights

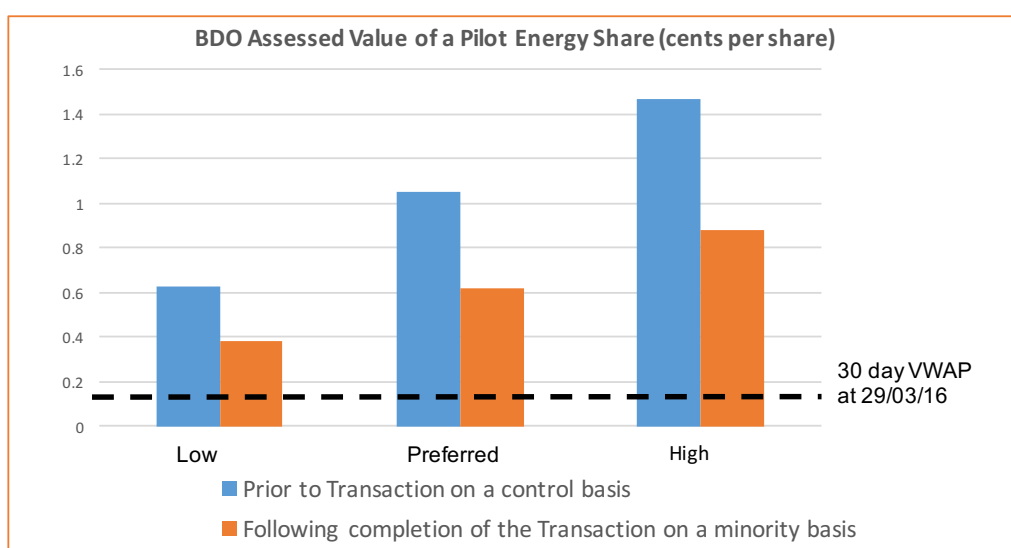
- **Independent expert BDO values Pilot Energy shares at between 0.38 cents and 0.88 cents (post Tranche 2 completion)**
- **Pilot Energy's exploration portfolio valued at up to c. A\$30 million**
- **BDO conclude that Tranche 2 placement is "not fair but reasonable" to shareholders**
- **Full Independent Expert's Report included in recently issued Notice of Meeting**

Pilot Energy Ltd (ASX: PGY) (**Pilot Energy**, or the **Company**) is pleased to announce the findings of the Independent Expert's Report pertaining to Tranche 2 of the cornerstone investment (the **Transaction**) as announced on 31 March 2016.

The Independent Expert's Report was prepared by BDO Corporate Finance (WA) Pty Ltd (**BDO**) in association with independent technical specialist RISC Operations Pty Ltd (**RISC**), and values a Pilot Energy share for the purposes of informing shareholders as to whether the Transaction is fair and reasonable to shareholders, in accordance with Section 611 of the Corporations Act.

BDO assessed how the value of a Pilot Energy share prior to the Transaction, on a control basis, compares to the value of a Pilot Energy share following the Transaction on a minority basis, as follows:

	Low Value Cents per share	Preferred Value Cents per share	High Value Cents per share
Value of Pilot Energy prior to the Transaction on a controlling basis	0.63	1.05	1.47
Value of Pilot Energy following completion of the Transaction on a minority basis	0.38	0.62	0.88



Regarding the reasonableness of the Transaction, BDO concludes in its report, *"We consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, the Transaction will enable the Company to meet its existing project commitments on its exploration assets."*

In its conclusion regarding the fairness of the Transaction, BDO states *“In our opinion, the Transaction is not fair because the value of a Pilot Energy share after the Transaction on a minority basis at the low, preferred and high end of our value range is less than the value of a Pilot Energy share prior to the Transaction on a controlling basis at the preferred end.”*

BDO note that different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In its assessment of the value of Pilot Energy shares 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\$12.80 million and A\$29.96 million, with a midpoint value of A\$21.38 million.

BDO’s full report, including the Independent Technical Specialist’s Report completed by RISC, is included within the Notice of Meeting as issued to shareholders on 23 May, 2016.

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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-507-P and 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 minimise the Company’s upfront cash investment.