

ASX Announcement

30 June 2016

WA-507-P PROJECT UPDATE

Highlights

- Pilot Energy pays balance of seismic Permit Award Fee
- Early payment discount of US\$71,000 negotiated with TGS Nopec
- Main primary term work commitment now fulfilled
- WA-507-P interest valued by RISC at up to US\$29 million
- Drill-or-drop decision not required until November 2019

Pilot Energy Ltd (the **Company**, ASX:PGY) is pleased to announce that the Company has completed payment of the final instalment of the Permit Award Fee related to the 3D seismic license covering exploration permit WA-507-P and surrounds. The Company negotiated a US\$71,000 discount for payment six months earlier than contractually required, and has remitted the discounted sum of US\$841,500 to TGS-NOPEC Geophysical Company Pty Ltd (**TGS**).

The 6,368 km² "Gnaraloo/Cazadores" multi-client dataset was licensed by Pilot Energy upon acquiring the interest in WA-507-P, and reveals the presence of three very large structures, prospective for oil and/or gas. Licensing of the data is the main work commitment associated with the three-year primary term of the permit, ending 16 November 2017. The secondary term comprises of geological and geophysical studies in years four and five, with one exploration well required to be drilled in year six.

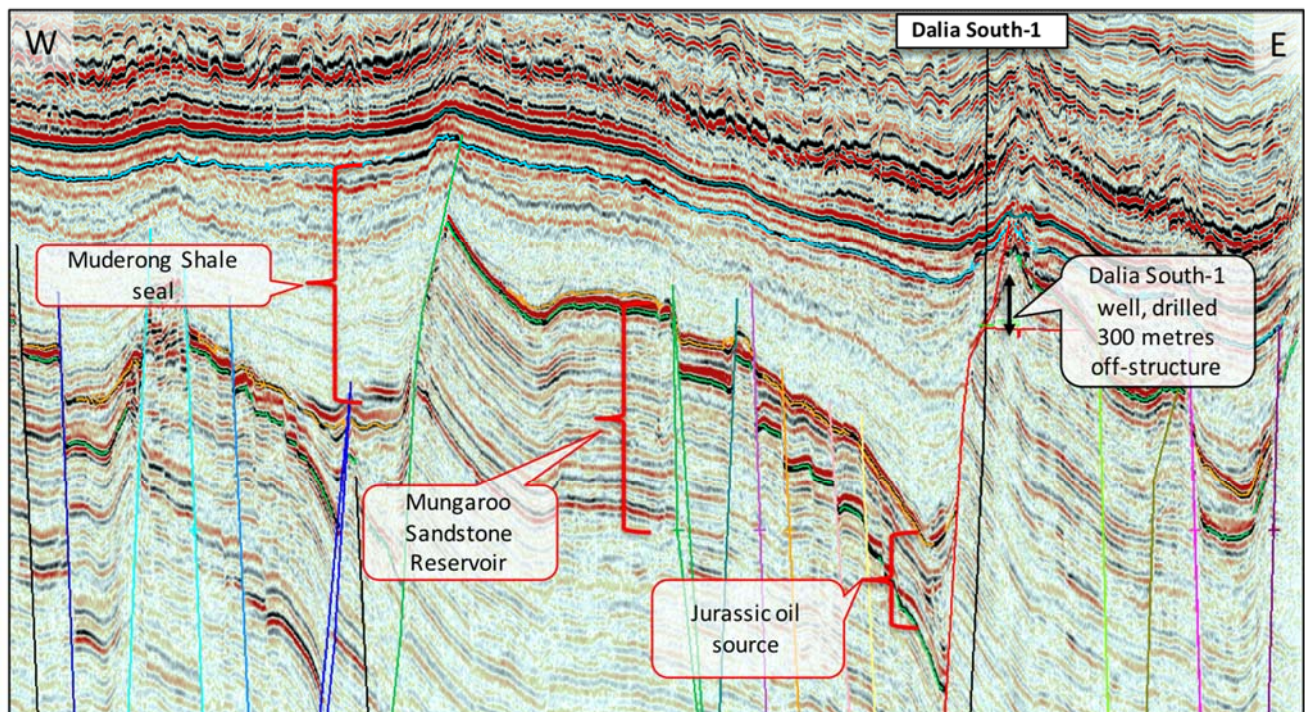


Figure: East-West 3D Seismic Example Across Three Main Prospects (image shown courtesy of TGS)

With a "drill-or-drop" decision not required until November 2019, Pilot Energy has ample time to introduce a farin partner to fund drilling of the well. The Company is continuing discussions with a number of potential farminees, within what is currently a depressed farmout market. With the farmout market anticipated to improve on the back of an industry recovery, and industry interest focusing on

open acreage surrounding WA-507-P (expected to be offered in the forthcoming Australian offshore licensing round), management is confident of the Company's position in the permit.

Key to Pilot Energy's farmout strategy for all projects is obtaining an independent assessment of prospective resources. The prospective resources of the three key prospects have been assessed by leading consultancy Gaffney Cline & Associates (GCA), for both the gas and oil cases, as follows.

Oil/Gas	Low Case	Best Case	High Case
Oil	604 MMBbl	1,581 MMBbl	3,600 MMBbl
Gas	4,030 Bscf	10,047 Bscf	21,099 Bscf

Table: GCA Estimate of Prospective Resources (100%)*

With its operated 80% working interest in WA-507-P, Pilot Energy regards the permit as offering very significant value to shareholders. This view is supported by the recent independent market valuation of the Company's assets, undertaken by RISC Operations Pty Ltd (**RISC**) and incorporated in to the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd (**BDO**).

In its assessment of the value of Pilot Energy shares, BDO instructed RISC to provide an independent market valuation of the Company's exploration assets.

RISC determined that the range of values for the Company's interest in WA-507-P is between US\$3 million and US\$29 million, with a midpoint value of US\$14.5 million.

In the Board's opinion, this favorable valuation reflects the quality and scale of the Company's prospects within WA-507-P, and is particularly pleasing given the relatively early stage of exploration. 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.

** The quoted prospective resources are the arithmetic sum of the three leads identified by Pilot Energy. The leads are prospective for oil or gas, or a combination of oil and gas. Refer to the Company's ASX announcements of 25 February 2015 and 20 October 2015 for more detail.*

Enquiries

Iain Smith, Managing Director, Tel: +61 412 638019, email: ismith@pilotenergy.com.au
Gavin Harper, Chairman, Tel: +61 416 427 275, email: gharper@pilotenergy.com.au

About Pilot Energy: Pilot Energy is an emerging junior oil & 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.