

ASX Announcement

27 June 2016

CORNERSTONE INVESTMENT – COMPLETION OF TRANCHE 2

Highlights

- **Pilot Energy raises A\$2.8 million at 0.3 cents per share**
- **Funds raised under Tranche 2 are in addition to A\$800,000 raised in Tranche 1 of the cornerstone investment**
- **Board and management changes implemented**
- **Pilot Energy well positioned to meet commitments, with substantial future working capital**

As announced on 31 March 2016, Pilot Energy Ltd (the **Company** or **Pilot Energy**, ASX:PGY) entered into a Share Subscription Agreement with a group of investors (the **Subscribers**) to raise A\$3,600,020 in two tranches. Tranche 1 was completed on 26 April 2016 and announced to the ASX on that date.

Completion of Tranche 2 Placement

Pilot Energy is pleased to announce it has now completed Tranche 2 of this cornerstone investment and issued 933,340,000 fully paid ordinary shares in the Company (**Shares**) to the Subscribers, raising A\$2,800,020 before costs (**Tranche 2 Placement**).

The issue of the Shares was made pursuant to shareholder approval received at the General Meeting held on 23 June 2016 for the purposes of Section 611 (Item 7) of the Corporations Act 2001 (Cth) and ASX Listing Rule 11.1.2 and all other purposes.

Board & Management Changes

Pilot Energy has successfully employed a counter-cyclical investment strategy to build a substantial and high quality portfolio of oil and gas exploration projects within Western Australia. The Company has maintained a low cost base by limiting full-time personnel to its Managing Director, and has benefited from the time, skills and experience of its other directors on a consulting basis as required. Pilot Energy continues to keep a tight control on corporate costs, and has implemented the following Board and management changes in order to position the Company for further growth:

- Mr Wilson Xue, a member of the Subscriber group, has been appointed as a Non-Executive Director.
- Dr Xingjin Wang, also a member of the Subscriber group, has been engaged as an Advisor to the Board (Technical).
- Mr Conrad Todd and Mr Rory McGoldrick have stepped down as directors, but remain key members of the Pilot Energy team as Advisors to the Board (Technical and Commercial/Legal, respectively).

Mr Xue is an entrepreneur and businessman with 25 years of senior management experience. Mr Xue has an impressive record of establishing and growing new businesses across a breadth of industries. In addition to Mr Xue's business acumen, his extensive international contacts will benefit the Company as it implements its growth strategy.

Dr Wang is a petroleum engineer with more than 25 years of international experience in petroleum exploration and production. Dr Wang has extensive experience in the petroleum basins of Australia, and previously held senior management positions with Arrow Energy. More recently, Dr Wang has provided consulting services to a number of companies in the areas of asset evaluation and petroleum engineering, experience that complements the skills of the Company's existing team. Dr Wang holds a PhD in Applied Geology from the University of New South Wales.

The Board is now comprised of Mr Gavin Harper (Chairman), Mr Iain Smith (Managing Director), Mr Benson Wong (Executive Director & Chief Financial Officer), and Mr Wilson Xue (Non-Executive Director).

Consultancy Agreements

In conjunction with these board and management changes, each of Messrs Harper, Smith, Wang, Todd and McGoldrick have entered into consultancy agreements with the Company on substantially similar terms. The key terms of these agreements are as follows:

The services of Mr Gavin Harper (Chairman) are retained by the Company under a Consultancy Agreement, incorporating annual director fees of approximately \$60,000 per annum (unchanged). Either party may terminate the agreement on 6 months' written notice or payment in lieu of notice.

The services of Mr Iain Smith (Managing Director) are retained by the Company under a Consultancy Agreement, incorporating annual director fees and remuneration of approximately \$180,000 per annum (unchanged). Mr Smith may be awarded an annual bonus upon satisfaction of agreed performance milestones. Either party may terminate the agreement on 6 months' written notice or payment in lieu of notice.

The services of Mr Wang, Todd and McGoldrick (Board Advisors) are retained by the Company under Consultancy Agreements, incorporating remuneration of approximately \$40,000 per annum based upon 15 hours of services per month. Either party may terminate these agreements on 6 months' written notice or payment in lieu of notice.

Company Strategy

The Board of Pilot Energy and the Subscribers share a common goal of creating a leading junior Australian E&P company. The funding provided by the Subscribers' investment enables the Company to meet its commitments on existing projects, and provides substantial working capital to pursue further growth opportunities.

Pilot Energy Chairman **Gavin Harper** commented: *"We are delighted to complete the second tranche of this cornerstone investment and I welcome both Wilson and Xingjin to the Pilot Energy team.*

"This cornerstone investment is transformative for the Company, and demonstrates the Subscribers' commitment to Pilot Energy's assets, strategy and management.

"Following this injection of funds from the completion of the Tranche 2 Placement, I look forward to working with my fellow directors and advisory team as we progress our existing projects and continue to grow the Company."

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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.