

Announcement to ASX

20 October, 2015

## Significant Oil Potential Confirmed in WA-507-P

### Highlights

- **Independent expert confirms potential for multi-million barrel oil discoveries**
- **Three leads each have a High Case potential for finding over 900 MMBbls, with the largest lead potentially holding 1.7 Billion barrels**
- **Increasing industry interest in the Exmouth Plateau oil play**

Pilot Energy Ltd (ASX:PGY) is pleased to announce that an independent audit of prospective oil resources for its WA-507-P exploration permit is complete, and confirms the potential for multi-million barrel oil discoveries. This is further to the Company's announcement of 25 February 2015, which confirmed the potential for multi-Tcf gas discoveries within the permit.

Gaffney, Cline & Associates (GCA) has estimated prospective oil resources cases for the three exploration leads identified by Pilot Energy (and previously assessed for the gas case). GCA determine that the leads are more likely to be gas bearing, with a 30% probability of oil versus a 70% probability of gas (subject to the quoted Geological Chance of Success, or "GCoS"), consistent with the established nature of the gas play versus the emerging oil play.

GCA estimate the gross prospective oil resources (100%) to be as follows, of which Pilot Energy's interest is 80%.

Lead	Low (MMBbl)	Best (MMBbl)	High (MMBbl)	GCoS %
<i>Dalia Updip</i>	250	764	1,743	18
<i>Beta</i>	151	381	931	16
<i>Gamma</i>	203	436	926	16

### Notes:

1. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a chance of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

2. The estimates of prospective resources included in this announcement have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). The PRMS defines prospective resources as those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

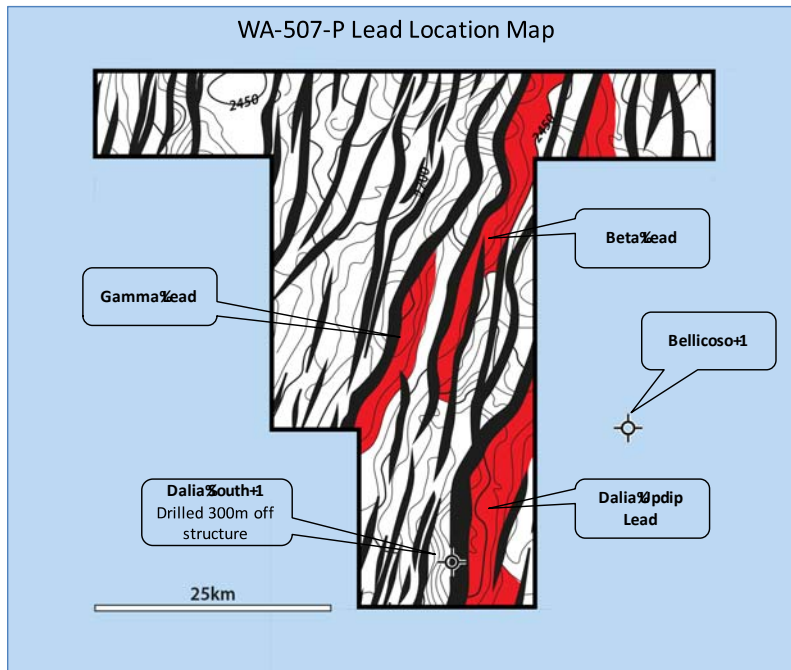
3. Gross Prospective Resources are 100% of the on-block volumes estimated to be recoverable from the Leads in the event that a discovery is made and subsequently developed.

4. The volumes reported are "Unrisked" in the sense that the Geological Chance of Success (GCoS) factor has not been applied to the designated volumes within GCA's assessment.

5. The GCoS represents the chance of finding hydrocarbons, either oil or gas; within each prospect GCA determine a 70% chance of finding gas and a 30% chance of finding oil.

6. GCA is an independent international energy advisory group of over 50 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis. The report is based on information compiled by professional staff members who are full time employees of GCA.

7. This ASX announcement has been approved at a GCA corporate level by Mr. Doug Peacock, a Technical Director of GCA, who has over 25 years experience as a Geoscientist in the Oil & Gas Industry.



Regional well data and various studies support the case for an oil play within Exmouth Plateau, with the Triassic Mungaroo source/reservoir interval having been deposited in an outboard, marine depositional environment over WA-507-P. This marine environment has positive implications for extensive deposition of oil-prone source rocks and good quality sandstone reservoirs.

Historically the primary target of outer Northwest Shelf exploration has been gas, with a high success rate largely based on drilling prospects that exhibit Direct Hydrocarbon Indicators (DHIs) on seismic data. DHIs tend not to be

so readily apparent in the case of oil, resulting in a large number of structures that remain undrilled but which may be oil bearing. This has not gone unnoticed by the likes of Shell, Statoil and Eni/Octanex, who are keenly pursuing the oil play in their own permits surrounding WA-507-P.

Pilot Energy **Managing Director, Iain Smith**, commented “GCA’s findings clearly confirm the potential for the very large and previously quantified exploration leads within WA-507-P to be oil-bearing. We look forward to progressing our geological understanding of the permit in order to further de-risk the exploration leads, as we work towards attracting a suitable industry partner to fund the future exploration program.”

### **Gaffney Cline Methodology**

The GCA resource estimates were based on a GCA Mungaroo reservoir Depth Conversion, utilising the interpretation performed by Pilot Energy on the Company’s licensed 3D seismic data. A Monte Carlo probabilistic calculation methodology was performed, with gross rock volume (GRV), reservoir parameter and engineering inputs. The GRV estimates were calculated by varying the area of closure only within WA-507-P. The reservoir parameters were based on a review of the inputs provided by Pilot Energy, and petrophysical information available in the well completion reports of adjacent wells. GCA analogue information confirmed the reasonableness of the oil expansion and recovery factors proposed by Pilot Energy. Additional geological and geophysical studies are required before the identified leads will be matured to prospects.

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### **Enquiries**

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