

ASX Announcement

31 March 2016

CORNERSTONE INVESTMENT TO RAISE A\$3.6 MILLION

Highlights

- **Pilot Energy raises A\$3.6 million to fund existing project commitments and working capital**
- **Two-tranche placement to subscriber group priced at 0.2 cents (Tranche 1) and 0.3 cents (Tranche 2) respectively**
- **Placement price represents a premium of up to 100% to the last closing 30 day VWAP**
- **Strengthening of Pilot Energy team positions the Company to pursue further growth opportunities**

Australian-focused oil and gas explorer Pilot Energy Ltd (**Pilot Energy**, or the **Company**, ASX:PGY) is pleased to announce it has entered into a Share Subscription Agreement (**SSA**) with a group of investors (**Subscribers**) to raise A\$3,600,020.

Patersons Securities Ltd (**Patersons**) is acting as the Lead Manager for the two-tranche placement. Patersons and Palladion Partners were the joint arrangers and introduced the Subscribers to the Company.

The key terms of the SSA are as follows:

- An initial investment by the Subscribers of A\$800,000 to acquire 400,000,000 ordinary shares at 0.2 cents per share (**Tranche 1**), representing a 34% premium to the Company's 30 day VWAP of 0.149 cents per share (at last closing).
- Subject to shareholder approval, a further investment by the Subscribers of A\$2,800,020 to acquire 933,340,000 ordinary shares at 0.3 cents per share (**Tranche 2**), representing a 100% premium to the Company's 30 day VWAP.
- Upon completion of the Tranche 1 and Tranche 2 placements, the Subscribers will collectively hold 45.4% of the issued capital of the Company.

Company Strategy

The Board of Pilot Energy and the Subscribers share the common goal of creating a leading junior Australian E&P company. The funding provided by this transaction enables the Company to meet its firm commitments on existing projects, and provides substantial working capital. Pilot Energy will continue to focus on Australia for future growth opportunities, however will remain opportunistic and will consider international projects that represent compelling investments.

Board & Management

Over the past 18 months, 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 been able to maintain 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 will continue to keep corporate costs to a minimum, and will make the following Board and management changes in order to position the Company to pursue future growth opportunities:

- Mr Benson Wong will be appointed Executive Director and Chief Financial Officer upon completion of Tranche 1.
- Mr Wilson Xue will be appointed Non-Executive Director upon completion of Tranche 2.
- Dr Xingjin Wang will be engaged as Advisor to the Board upon completion of Tranche 2.

Upon completion of Tranche 2, Mr Conrad Todd and Mr Rory McGoldrick have agreed to step down as directors of the Company. Pilot Energy is pleased to retain the services of both as key members of the Pilot Energy team, in the capacity of Advisors to the Board.

Pilot Energy Chairman, **Mr Gavin Harper** commented: *"I am delighted to welcome the subscriber group as cornerstone investors of the Company, and to welcome in advance our new directors and advisor. I am excited by the opportunities this transaction will provide the Company, as the combined team pursues a growth strategy in order to realise our shared goal of creating a leading Australian junior E&P company."*

"Without doubt this transaction is transformative for Pilot Energy, particularly given the current industry downturn under which many of our peer companies are struggling to attract investor interest. We see this investment as a resounding endorsement of Pilot Energy's assets, strategy and management team."

"This new investment will significantly benefit the Company and its shareholders over the coming years, and I firmly believe Pilot Energy will be exceedingly well placed for an industry recovery."

About the Subscribers

The Subscribers are comprised of four Australian and Hong Kong-based private companies, with a joint purpose of investing in the Australian oil and gas sector. The transaction with Pilot Energy represents the group's first significant oil and gas investment. The principals behind the group are Australian citizens, as follows:

Mr Benson Wong (*proposed Executive Director and Chief Financial Officer*) is a management finance specialist with 14 years' senior managerial experience and over six years' experience in director roles, including as Executive Director of China Flexible Packaging Holdings Limited, an SGX-listed company. In this role, he was responsible for the overall administrative, human resources and finances of the group. Mr Wong holds a Masters Degree in Commerce from the University of New South Wales, and is an Associate Member of CPA Australia. Mr Wong's finance credentials and international contacts will be highly valuable to Pilot Energy in further developing the business.

Mr Wilson Xue (*proposed Non-Executive Director*) is an entrepreneur and businessman with 25 years of senior management experience. Mr Xue has an impressive record of establishing and growing new businesses, with interests including manufacturing, wholesale, retail, construction and resources. Key to Mr Xue's business approach is to back strong management teams. In addition to Mr Xue's business acumen, his extensive international contacts will benefit Pilot Energy as the Company implements its growth strategy.

Dr Xingjin Wang (*proposed Advisor*) is a petroleum engineer with more than 25 years of international experience in petroleum exploration and production. He is an Honorary Professor at the University of Queensland and Professor at the China University of Geoscience. 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, through his company Austar Gas Pty Ltd; experience that complements the skills of the existing Pilot Energy team. Dr Wang holds a PhD in Applied Geology from the University of New South Wales.

Commenting on the group's investment in Pilot Energy, **Mr Wong** said: *"Our investor group has reviewed a large number of oil and gas investment opportunities over the past 12 months, and regards Pilot Energy's management team, asset portfolio, and approach to business as offering a unique opportunity to create a leading Australian E&P company."*

"My colleagues and I look forward to joining the Pilot Energy team, and are excited about the opportunities for growth that present themselves to a well-funded and well-managed oil and gas company such as Pilot Energy."

Terms of Transaction

- Pilot Energy to issue 1,333,340,000 ordinary shares to the Subscribers in order to raise A\$3,600,020 before costs.
- An initial Tranche 1 investment of A\$800,000 to acquire 400,000,000 ordinary shares at 0.2 cents per share. Tranche 1 will be issued pursuant to the Company's Listing Rule 7.1 and 7.1A capacity.

- For personal use only
- A further Tranche 2 investment of A\$2,800,020 to acquire 933,340,000 ordinary shares at 0.3 cents per share.
 - The Subscriber group is comprised of the following entities: Billion Power Capital Investment Limited (Hong Kong), Sunpex International Limited (Hong Kong), GS Energy Pty Ltd, and Austar Nominees Pty Ltd.
 - The Subscribers' investment under the Share Subscription Agreement remains subject to approval by the Foreign Investment Review Board (**FIRB**). FIRB approval is anticipated to be received by mid April 2016.
 - The Tranche 2 investment will be subject to any necessary regulatory approvals, and shareholder approval.
 - A Notice of Meeting will be issued in due course, for a meeting to be held in June 2016. The notice will include an Independent Expert's Report which will opine on whether the Tranche 2 placement is fair and reasonable to existing shareholders.
 - Mr Benson Wong will be appointed Executive Director and Chief Financial Officer upon completion of the Tranche 1 investment. Details of Mr Wong's executive remuneration will be confirmed in due course.
 - Mr Wilson Xue will be appointed as a Non-Executive Director upon completion of the Tranche 2 investment.

The Company looks forward to providing updates regarding the investment as the transaction progresses towards completion.

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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.