

Announcement to ASX

26 April 2016

CORNERSTONE INVESTMENT – COMPLETION OF TRANCHE 1

Highlights

- **Pilot Energy completes Tranche 1 of cornerstone investment, raising \$800,000**
- **Tranche 2 to raise a further A\$2.6 million at 0.3 cents per share**
- **Tranche 2 scheduled for completion mid-June 2016**

As announced on 31 March 2016, Pilot Energy Ltd (**Pilot Energy**, or the **Company**, ASX:PGY) entered into a Share Subscription Agreement (**SSA**) with a group of investors (**Subscribers**) to raise A\$3,600,020 in two tranches. The Company is pleased to announce that it has now completed Tranche 1 of this cornerstone investment and issued 400,000,000 fully paid ordinary shares in the Company (**Shares**) to the Subscribers, raising A\$800,000 before costs (**Tranche 1 Placement**).

The issue of Shares under the Tranche 1 Placement was made pursuant to Section 708 of the Corporations Act 2001 (Cth) (**Corporations Act**) and Rule 7.1 (240,000,000 Shares) and Rule 7.1(A) (160,000,000 Shares) of the ASX Listing Rules.

Tranche 2 Placement

As previously announced, the SSA provides that the Subscribers will invest a further A\$2,800,020 to acquire additional new Shares at 0.3 cents per Share; subject to the satisfaction of certain conditions precedent, including shareholder approval (**Tranche 2 Placement**). The Company is currently preparing shareholder meeting materials (including an Independent Expert's Report) in order to seek shareholder approval. It is anticipated that a Notice of Meeting will be dispatched to shareholders in mid-May 2016 for a general meeting to take place in mid-June 2016. The Company looks forward to providing updates regarding the cornerstone investment as the transaction progresses towards completion.

Disclosure under ASX Listing Rules 7.1A.4(b) and 3.10.5A

In accordance with ASX Listing Rules 7.1A.4(b) and 3.10.5A, the Company makes the following disclosures in respect of the Shares issued under the Tranche 1 Placement pursuant to Listing Rule 7.1(A):

The dilutive effect of the Shares on existing shareholders, as a result of the issue of Shares under the Tranche 1 Placement, is as follows:

	Shares	Dilution
Shares on issue prior to Tranche 1 Placement	1,605,476,834	
Shares issued under Listing Rule 7.1	240,000,000	12.93%
Total Shares on issue after Listing Rule 7.1 issue	1,845,476,834	
Shares issued under Listing Rule 7.1A	160,000,000	8.62%
Total Shares on issue following Tranche 1 Placement	2,005,476,834	

Due to the fact that the Shares were issued at a significant premium to the Company's pre-announcement share price, the Company decided to raise funds by way of a cornerstone investment under the SSA, and not as (or in addition to) a pro rata issue or other type of issue in which existing ordinary security holders would have been eligible to participate.

No underwriting arrangements are applicable to Tranche 1, however, the Subscribers were introduced

to the Company by Patersons Securities Ltd (**Patersons**) and Palladion Partners, and the placement was managed by Patersons. A selling fee of \$42,000 is payable by the Company in respect of Tranche 1 and a management fee of \$40,000 is payable in respect of the total investment under the SSA.

Enquiries

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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.

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