

Pilot Energy Limited

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Announcement to ASX

ASX: PGY

11 November 2024

PILOT SECURES CONVERTIBLE NOTE FUNDING TO RAISE UP TO \$3.0 MILLION

Pilot Energy Limited (**ASX: PGY**) (**Pilot** or **Company**) is pleased to announce that it has entered into a binding convertible note facility (**Facility**) with a syndicate of sophisticated investors lead by Discovery Investments Pty Ltd (**Investor Syndicate**), for an investment in the Company of up to \$3.0 million.

The Facility provides for an issue of convertible notes (**Notes**) to be issued in two tranches. The issue is subject to and conditional upon shareholder approval being obtained for the issue of the Notes under ASX Listing Rule 7.1 (**Condition**). The initial tranche will be for \$2.4 million which is being contributed as an advance payment within 14 business days (**T1 Notes**). The second tranche under the Facility provides for a further tranche of A\$600,000 (**T2 Notes**).

The key terms for each tranche of Notes are the same, except for the provision of the advance payment of the face value of the T1 Notes. All terms are summarized in the attached Appendix.

The Investor Syndicate is being led by Mr. Greg Columbus. Mr. Columbus has over 30 years of experience in the Energy and Oil & Gas industries including technical, commercial, executive and non-executive roles and is also an experienced investor in listed companies. Until recently, he was also the Chairman and a major shareholder of ASX listed Warrego Energy Limited, a developer of natural gas resources in the Perth Basin, Western Australia, which was taken over by the Hancock Prospecting Group in March 2023. This is the third issue of Pilot convertible notes in which this Investor Syndicate led by Mr. Columbus has participated in since May 2023.

The funding received pursuant to this Convertible Note provides funding for the Company to complete of the acquisition of the Cliff Head Oil Field ownership interests from Triangle Energy Group Limited as the cornerstone of the Cliff Head Carbon Storage Project which is a key component of the Company's flagship Mid West Clean Energy Project (MWCEP).

ENDS

This announcement has been authorised for release to ASX by the Chairman, Brad Lingo on behalf of the Board of Directors.

Enquiries

Cate Friedlander, Company Secretary, email: cfriedlander@pilotenergy.com.au

About Pilot: Pilot is a junior oil and gas exploration and production company that is pursuing the diversification and transition to the development of carbon management projects, production of hydrogen and clean ammonia for export to emerging APAC Clean Energy markets. Pilot intends to leverage its existing oil and gas operations and infrastructure to cornerstone these developments. Pilot is proposing to develop Australia's first offshore CO2 Storage Project through the conversion of the Cliff Head Oil field and associated infrastructure from oil production to CO2 Storage as part of the Mid West Clean Energy Project.

Pilot holds a 21.25% interest in the Cliff Head Oil field and Cliff Head Infrastructure (increases to 100% on completion of the acquisition of Triangle Energy (Global) Pty Limited's interest), and a 100% working interest in exploration permit WA-481-P, located offshore Western Australia.

APPENDIX A

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| <p>Investment Amount</p> | <p>\$3,000,000 invested as follows:</p> <p>(a) \$2,400,000 to be paid to the Company within 14 Business Days of the execution date of the Convertible Note Agreement for the convertible Notes (T1 Notes); and</p> <p>(b) \$600,000, to be paid to the Company within 14 days of the Condition (defined below) being satisfied (T2 Notes).</p> |
| <p>Condition Precedent</p> | <p>The issue of all the Notes is conditional upon the Company having available capacity under ASX Listing Rule 7.1 or shareholders approving the issuance of the Notes. Subject to placement capacity under ASX Listing Rule 7.1 being refreshed following a general meeting of shareholders to be held on 12 December 2024 (GM), the Company anticipates issuing the Notes. To the extent that available capacity under ASX Listing Rule 7.1 is not available following this GM, the Company will seek shareholder approval for the issue of the Notes at the Company's annual general meeting to be held in February 2025 on a date to be confirmed or to issue the Notes under its available capacity under ASX Listing Rule 7.1 following that meeting.</p> |
| <p>Investor Syndicate</p> | <p>T1 Notes – each of these Notes are being subscribed for by members of the Investor Syndicate, all of whom satisfy the sophisticated investor rule.</p> <p>The T2 Notes will be issued to Discovery Investments Pty Ltd as lead of the Investor Syndicate and the Company has agreed the Investor may novate a portion of the Investor's obligations under this convertible note to members of the Investor Syndicate.</p> |
| <p>Payment of face value of convertible notes and issue of convertible notes</p> | <ul style="list-style-type: none"> - T1 Notes: the applicable Investors will pay to the Company the face value of their respective T1 Notes within 14 business days following the execution of the Convertible Note Agreement. - T2 Notes: The members of the Investor Syndicate will pay to the Company the face value of the T2 Notes within 14 days following the satisfaction of the Condition. - Subject to the Company receiving payment from each Investor of the face value of their respective convertible notes and the Condition being satisfied, the Company will issue the T1 and T2 Notes to the Investors, as applicable. |

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| Term | 31 December 2027, subject to the Initial Term Redemption Option which is exercisable on 31 December 2026 (Initial Term Maturity Date). |
| Coupon Rate | <ul style="list-style-type: none"> - Interest will be payable in respect of the Notes at the rate of 12% compounding, payable quarterly. - Interest in respect of the T1 Notes will be calculated from the date on which the face value of those convertible notes is paid to the Company and will be paid in cash quarterly in the first 2 quarters of the Term; thereafter the Investor may elect to receive this payment in cash or via an issue of Shares for value equivalent to the value of the Coupon Rate. - Interest in respect of the T2 Notes will be payable in cash in the first 2 quarters of the Term; thereafter the Investor may elect to receive this payment in cash or via an issue of Shares for value equivalent to the value of the Coupon Rate. |
| Conversion Price | \$0.02 |
| Conversion | <p>The Notes may not be converted during the six months period commencing on the date of issue. Thereafter the Investors may convert the Notes at any time during the period up to the Initial Term Maturity Date.</p> <ul style="list-style-type: none"> - If converted prior to the Initial Term Maturity Date, each Note will convert into that number of ordinary, fully paid shares in the capital of the Company (Shares) as is determined by dividing the face value of the applicable convertible note by the Conversion Price. - Conversion on the Initial Term Maturity Date may be (at the Investor's election) by any of the following options: <ul style="list-style-type: none"> (a) cash in the amount of the face value of the Notes; or (b) Shares (in the manner noted above); or (c) (i) a participating interest share in an 0.4% overriding royalty interest in the Cliff Head Carbon Storage Project*; and (ii) a right, subject to shareholder approval in accordance with ASX Listing Rule 7.1, to subscribe for new Shares up to the value of the Notes held by the Investor, for a price of \$0.02 per Share (Subscription Price) at any time during the period commencing on 31 December 2026 and expiring at the end of the Term (i.e. 31 December 2027). <p>* If the Investor elects (per (c)(i) above) to convert</p> |

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| | <p>the Notes to acquire the ORRI, the participating interest share in the ORRI that the Investor will receive will be equivalent to the percentage that the value of the Notes held by the Investor represents as a percentage of the value of all Notes issued under the Facility.</p> |
| <p>Other terms</p> | <ul style="list-style-type: none"> - The Notes are unsecured. - The Notes will not be quoted on ASX. - On conversion into Shares the Company will apply to have the Shares quoted on ASX. - The Convertible Note Agreement contains customary investor protections. |