Pilot Energy Ltd
ABN 86 115229 984
Level 12, 225 George Street Sydney, NSW 2000, Australia T: +61 2 8016 2819
www.pilotenergy.com.au

For personal use only

Announcement to ASX **30 October 2020**

SEPTEMBER 2020 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

Corporate

With the announcement of the new corporate strategy on 13 May 2020 and the beginning of implementation of this strategy, the September Quarter has been very active with five key initiatives and transactions announced:

- On 4 September 2020, the Company announced the Mid West Wind and Solar Project feasibility study and proposed development.
- On 8 September 2020, the Company announced the acquisition of the Key Petroleum's 40% non-operated interest in WA-481-P taking the Company's interest in the permit to 100% operated interest.
- On 25 September 2020, the Company announced entering into a definitive agreement to acquire Royal Energy Pty Ltd, owner of a 50% interest in the operator of Cliff Head Oil Field and effective 21.25% interest in the Cliff Head Oil Field operation.
- On 25 September 2020, the Company announced the successful equity capital raising securing equity placement commitments of $2.5 million to institutional and sophisticated investors with completion of an initial equity placement of approximately $525,000
- On 25 September 2020, the Company also announced the intention to undertake a share purchase plan for existing shareholders on the same terms as the equity placement to institutional and sophisticated shareholders.

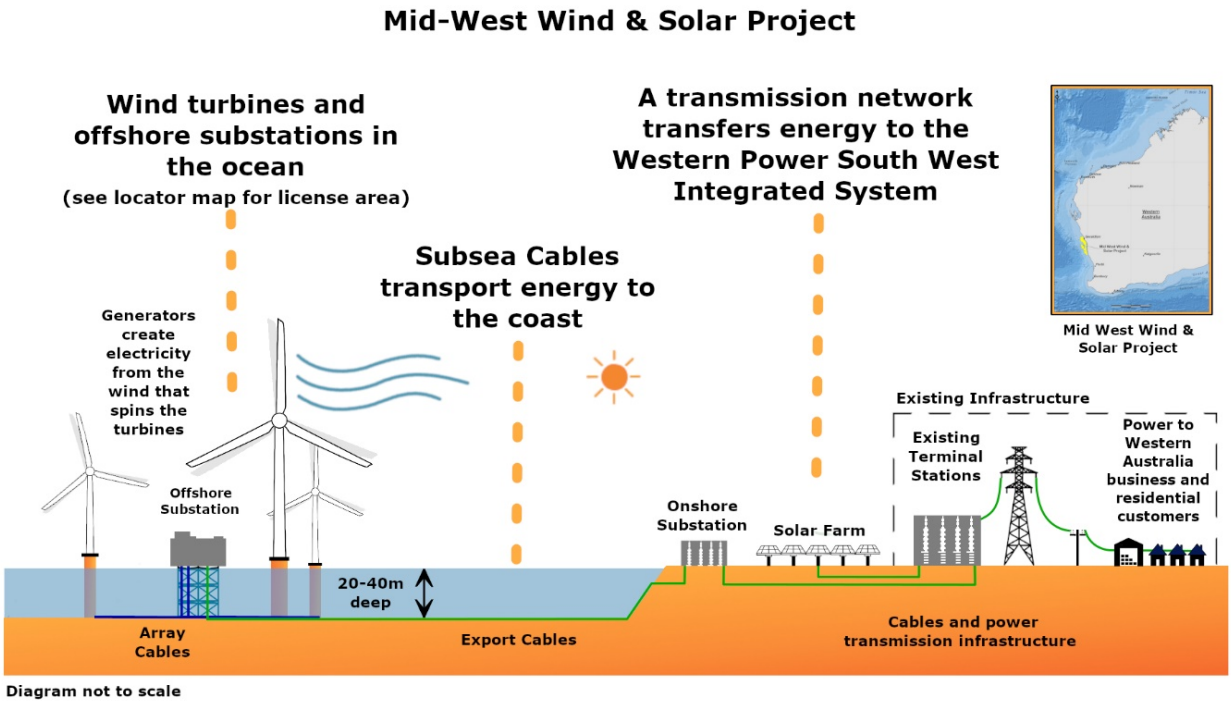
The execution and completion of these initial five initiatives will put the Company in a well funded position and have set a firm foundation for the Company and the implementation of the new strategy.

Mid West Wind and Solar Project

On 4 September 2020, the Company announced that it was commencing a detailed feasibility study to pursue the development of an offshore wind and onshore wind and solar power project to be located along the offshore/onshore coast of the Mid West Region of Western Australia (the "Mid West Wind and Solar Project" or the "Project"). The Company already holds a significant operating interest in offshore petroleum exploration license WA-481-P (see discussion below) along the Mid West coastal region of Western Australia. As an existing operator in the area, the Company has recognised that the offshore wind resource within the area covered by WA-481-P has been

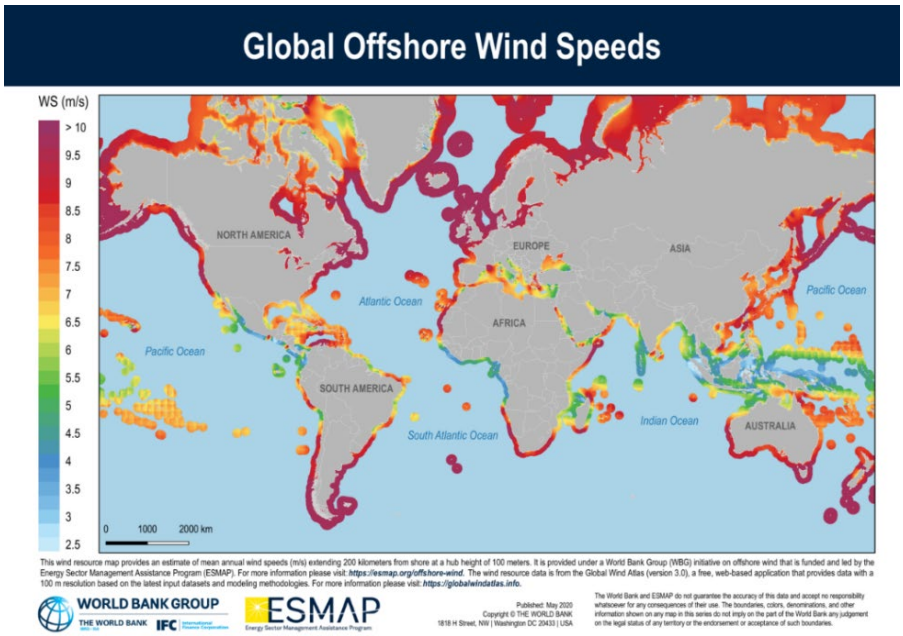
For personal use only

measured to have an annual mean wind speed greater than 9 m/s at a hub height 100 meters.



Pilot considers that the Mid West Coastal region of Western Australia contains both world-class offshore and onshore wind resources and onshore solar resources. The renewable energy resource potential of the Mid West Region has been well documented by the World Bank, CSIRO, ABARE, Geoscience Australia and ARENA (see maps below).

Australian Offshore Wind Resources – Global Comparison



Meso-scale maps show that Australia's greatest wind potential lies in the coastal regions of western, south-western, southern and south-eastern Australia and the coastal regions with high wind resources (wind speeds above 7.5 m/s) include the coast of Western Australia south of Shark Bay to Cape Leeuwin which cover the area of WA-481-P).

For personal use only

Royal Energy Acquisition

On 25 September 2020, the Company announced that it has entered into a definitive share sale deed to acquire 100% of the shares of Royal Energy Pty. Ltd. (Royal Energy) for 143,939,394 Pilot shares (the Acquisition). Royal Energy is a privately owned Australian oil and gas company. The Acquisition is subject to the approval of Pilot shareholders which will be sought at an extraordinary meeting of shareholders expected to be held in early November 2020.

Royal Energy holds an indirect 21.25% interest in the Cliff Head Oil Field Joint Venture (CHJV) through 50% ownership of Triangle Energy (Operations) Pty. Ltd (TEO). TEO is the operator of the Cliff Head Joint Venture and owner of 42.5% interest in the Cliff Head Oil Field Joint Venture. Through the 50% ownership of TEO, Royal Energy holds joint operational control of the CHJV and holds 50% of the Board seats for TEO. Royal Energy's other assets also include approximately $1 million in cash and a holding of 5,208,488 shares in Vintage Energy Limited (ASX: VEN).

The Cliff Head Oil Field (Cliff Head) in located in the offshore portion of the Perth Basin about 270 kilometres north of Perth and 12 kilometres off the coast of Dongara in Western Australia. Cliff Head resides in the Production License WA-31-L which covers 72km², and the oil field covers 6km². Cliff Head is located at a water depth of 15-20 metres. Current oil production is approximately 600 bopd gross from the Cliff Head field. Oil is produced via five production wells at the offshore Cliff Head A Production Platform. The platform is connected to the onshore Arrowsmith Stabilisation Plant by twin 14km production and injection pipelines.

Cliff Head A Production Platform



The Cliff Head facilities are the only offshore and operating onshore infrastructure in the Perth Basin, and therefore, important for any development in the surrounding area. Cliff Head was the first commercial oil discovery developed in the offshore Perth Basin. The development cost of the field was A$327m with first oil production commencing in May 2006. To-date the field has produced over 14.8 million barrels and continues to produce at above originally forecast rates.

Pilot sees Royal Energy's assets and management highly as complementary to Pilot's focus on the development of the Mid West Wind & Solar Project (see PGY ASX announcement 4 September 2020) and Pilot's 100% ownership and operatorship of WA-481-P which is located immediately adjacent to and surrounds the Cliff Head Oil Field offshore production area, facilities and license. (see map below).

For personal use only

Capital Raising – Equity Placement

On 25 September 2020, the Company announced that in conjunction with the Royal Energy acquisition, it had received firm commitments from sophisticated and professional investor to subscribe for 75,757,576 shares at an issue price of $0.033 per share to raise $2.5 million before costs (Placement). The Company will also issue a total of 37,878,783 options (Options) on the basis of one Option for every two shares acquired in the Placement. The Placement will proceed in two tranches as follows:

- Tranche 1 raised $525,000 via the issue of 15,909,091 shares and 7,954,545 Options pursuant to the Company's existing placement capacity under ASX Listing Rules 7.1 (Tranche 1). The Tranche 1 shares settled on 30th September 2020; and

- Tranche 2 will raise $1,975,000 via the issue of 59,848,479 shares and 29,924,238 Options (Tranche 2). The issue of the Tranche 2 shares and Options and the Tranche 1 Options is subject to the approval of Pilot shareholders which will be sought at an extraordinary meeting of shareholders expected to be held in late November 2020.

Capital Raising – Share Purchase Plan

The Company also announced that it would also undertake a Share Purchase Plan (SPP) following completion if Tranche 1 of the Placement. The SPP has been offered to eligible shareholders to enable the Company to raise additional funds and provide an opportunity for shareholders to participate in the capital raising program of the Company.

Pilot will give eligible shareholders who were on the Company's share register at 7.00pm (AEST) on Thursday 23rd September 2020 and having a registered address in Australia or New Zealand an opportunity to subscribe for new fully paid ordinary shares (SPP Shares) and Options. Eligible shareholders will be entitled to acquire up to $30,000 of SPP Shares and Options on identical terms as the Placement, being $0.033 per share and one Option for every two shares acquired.

Participation in the SPP is optional by will give eligible shareholders the opportunity to increase their shareholding without paying brokerage fees or transaction costs, irrespective of the size of their shareholding. Full details of the Share Purchase Plan, including offer letters and the entitlement and acceptance form, were will be mailed to eligible shareholders on 7 October 2020 with a copy of the SPP documentation will also be lodged with the ASX. On 27 October 2020, the Company announced the extension of the closing date for the SPP to Friday, 20 November 2020.

Offshore North Perth Basin - WA-481-P (Operator, 100%)

The National Offshore Petroleum Titles Administrator (NOPTA) on behalf of the Delegates of the Commonwealth-Western Australia Offshore Petroleum Joint Authority advised Pilot on 13 August 2020 that Petroleum Exploration Permit WA-418-P had been renewed for a term of five years, after expiry of the previous six year term on 19 February 2020.

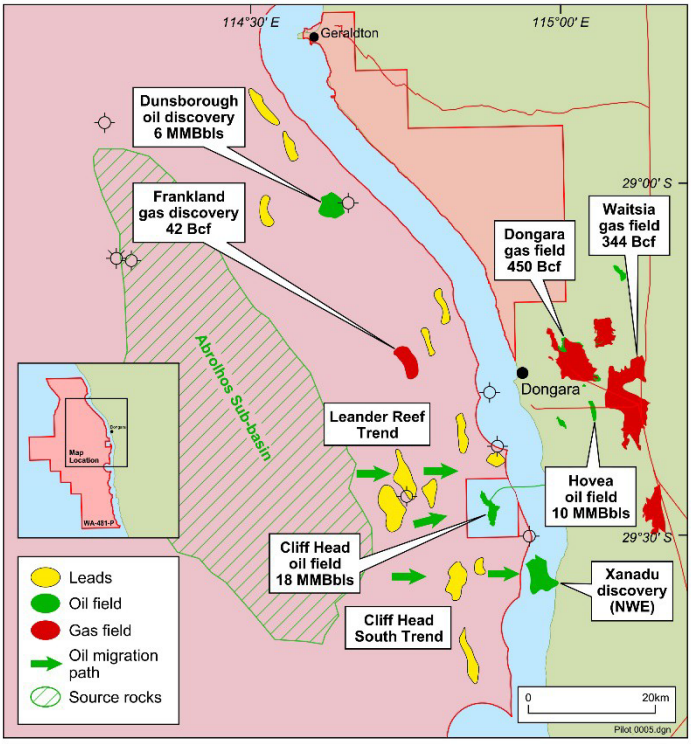
The renewal of WA-481-P comes with a 5-year work program consisting of geological and geophysical studies, 2D seismic reprocessing and 2D and 3D seismic acquisition in Permit Years 1 through 3 for a total expenditure of $5.75 million and one exploration well in Permit Year 5.

Pilot announced on 8 September 2020 that Pilot Energy Ltd (Pilot)and Key Petroleum Ltd (Key) have agreed to rationalise the ownership of WA 481-P with Pilot to acquire Key's 40% interest in Offshore Petroleum Exploration License WA-481-P. The acquisition would lead to Pilot having 100% ownership of WA-481-P. Key also agreed to relieve the Company of any continuing funding

commitments for EP 437.

In accordance with the terms of the transaction documents and subject to regulatory and shareholder approvals, Pilot Energy will acquire the 40% interest in WA-481-P in return for issuing to Key 21 million shares in two tranches - an initial tranche of 4,276,703 shares will be issued and a further 16,723,297 shares upon Pilot Energy receiving shareholder approval for the transaction which will be sought at an extraordinary general meeting of Pilot shareholders to be held in late November/early December 2020.

WA-481-P is located adjacent to existing oil and gas infrastructure, within shallow waters to the west of numerous oil and gas fields, including the offshore Cliff Head oil field and the onshore Waitsia gas field and the recent West Erregulla gas discovery. The permit covers a major portion of the offshore extension of the north Perth basin. The primary petroleum plays are for oil and/or gas within the Dongara Sandstone and the Irwin River Coal Measures (IRCM). Both oil and gas are proven within the permit, with the Frankland gas and the Dunsborough oil discoveries representing contingent resources of up to 59 Bcf gas and 9.8 MMbbls oil, respectively.



The permit is extensively covered by 2D and 3D seismic data, which confirms the presence of thirteen structural prospects in four distinct areas. Individual prospects offer potential for up to 78 MMbbls of oil, and three of the areas are substantially de-risked by prior discoveries on-block at Cliff Head, Dunsborough and Frankland.

Additional information regarding the prospectivity of WA-481-P is included in a Permit Datasheet attached to the 31 August 2018 ASX announcement.

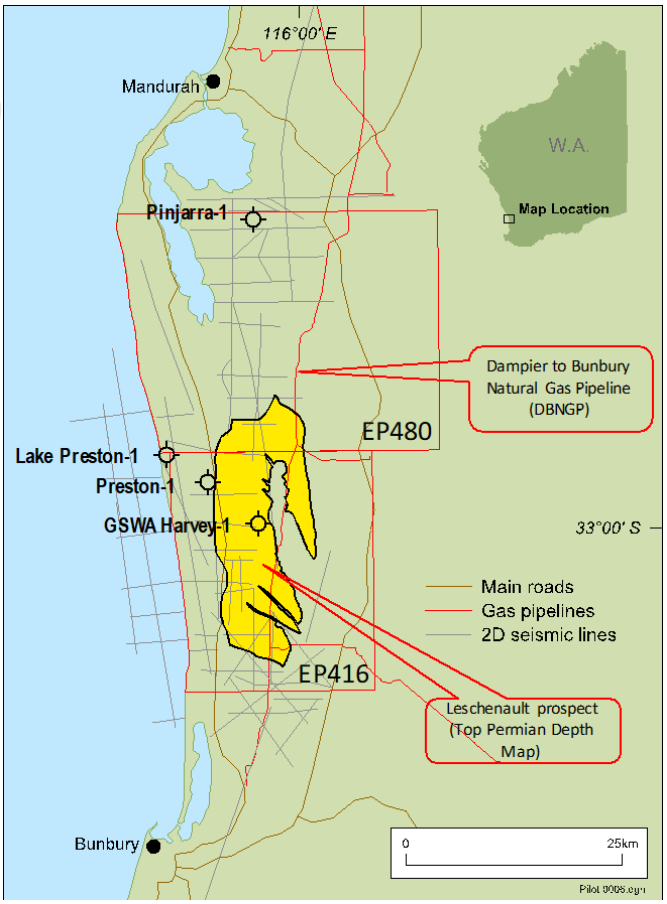
Onshore South Perth Basin - EP416 & EP480 Exploration Permits (Operator, 60%)

The Titleholders applied to DMIRS on 2 April 2020 for a suspension and extension of the permits such that work commitments could be met. In particular, the geochemical survey over the Leschenault conventional gas prospect, representing Year 1 and Year 3 commitments in EP 416 and EP 480 respectively, has been delayed due to difficulty with land access preventing this activity over key areas of the prospect. DMIRS advised the Joint Venture on 19 June 2020 that the suspension / extension applications for both permits were successful.

For personal use only

For personal use only

Leschenault is a “three-way dip” feature that relies on closure to the west by a bounding fault. The well-defined structure has two structural culminations, either of which is a potential drilling location for a vertical well to test the two conventional reservoir targets, being the Permian Sue Sandstone and the Triassic Lesueur Sandstone.



The main geological risk associated with Leschenault is one of cross-fault seal, i.e. whether the western bounding fault has sealing capacity to retain hydrocarbon gas migrating into the structure. To address this risk a non- invasive geochemical survey is planned over the coming months, with results expected in this year. The aim of the survey is to identify anomalies due to micro-seepage of hydrocarbon gas components from depth, that are broadly conformable to the prospect’s area of structural closure. This would suggest that either or both reservoir targets are gas-bearing, de-risking the prospect for future drilling.

As announced on 7 November 2016, RISC completed an independent assessment of prospective resources for the two main reservoir target intervals confirming the potential for very significant volumes of gas, as follows:

Reservoir	Gross (100%) Bcf		
	Low	Best	High
Lesueur Sandstone	150	435	970
Sue Sandstone	120	290	625
Total	**270**	**725**	**1,595**

Onshore North Perth Basin - EP437 Exploration Permit (13.058%)

With the emergence of Covid-19 and associated social distancing and restrictions on travel, application was lodged with the Regulator on 23 March 2020 for a suspension and extension for the Year 3 Work Program. A 12-month suspension/extension was subsequently granted for the Year 3 Work Program with the exploration commitment well Wye Knot-1 required to be drilled by 28 May 2021. As noted above, Key has agreed to relieve the Company of any continuing funding commitments for EP 437.

WA-503-P Exploration Permit (Operator, 80%)

The JV submitted an application to the Regulator for transfer of the WA-503-P title to Black Swan in May 2019. On 11 November 2019 NOPTA advised that, in accordance with subsection 478(2)(b) of the Offshore Petroleum and Greenhouse Gas Storage Act 2006, it was refusing to approve the transfer.

For personal use only

The JV met with NOPTA on 27 February 2020 for the regular 6 monthly meeting commitment and to discuss the future for the permit. NOPTA advised at this time that the only option available to the JV should it not wish to continue with WA-503-P was for the permit to be cancelled. NOPTA advised on 12 September 2020 that it was initiating cancellation proceedings and would be corresponding further with the JV in due course.

Financial

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 January 2020 to 31 March 2020.

Payments to related parties of the entity and their associates

The payments to related parties and their associates as disclosed in the Appendix 5B relate to consulting fees and directors' fees.

ASX Listing Rule 5.3.3: Tenement Details

Tenement reference and location	Interest at beginning of quarter	Interest at end of quarter
WA-481-P Western Australia	60%	100%*
WA-503-P Western Australia	80%	80%
EP416 & EP480 Western Australia	60%	60%
EP437 Western Australia	13.058%	13.058%
*Subject to completion of acquisition of 40% interest from Key Petroleum Ltd discussed above.		

Competent Person Statement: This announcement contains information on conventional petroleum resources which is based on and fairly represents information and supporting documentation reviewed by Dr Xingjin Wang, a Petroleum Engineer with over 30 years' experience and a Master in petroleum engineering from the University of New South Wales and a PhD in applied Geology from the University of New South Wales. Dr Wang is an active member of the SPE and PESA and is qualified in accordance with ASX listing rule 5.1. He is a former Director of Pilot Energy Ltd and has consented to the inclusion of this information in the form and context to which it appears.

This announcement has been authorised for release to ASX by Bradley Lingo and Michael Lonergan on behalf of the Board of Directors of Pilot Energy Limited.

Enquiries

Pilot Energy Limited: Lisa Dadswell, Company Secretary, email:
lisa.dadswell@boardroomlimited.com.au

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

PILOT ENERGY LIMITED

ABN	Quarter ended ("current quarter")
86 115 229 984	30 Sep 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(14)	(263)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(1)	(31)
	(e) administration and corporate costs	(51)	(201)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (Joint Venture receipts received for prior exploration payments.)	-	271
1.9	**Net cash from / (used in) operating activities**	**(66)**	**(224)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

For personal use only

For personal use only

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	100
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	42	93
3.6	Repayment of borrowings	-	(50)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**42**	**142**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	31	89
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(66)	(224)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	42	142

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**7**	**7**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	7	31
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**7**	**31**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	1
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

For personal use only

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(66)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(66)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	7
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	7
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	0

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

For personal use only

Answer: No. The Company expects a material increase in net operating cash flows and available funding in the coming quarter. On 25 September 2020, the Company announced entering into definitive agreements to acquire all of the outstanding shares of Royal Energy Pty Ltd which owns an effective interest of 21.25% in the producing Cliff Head Oil Field.

The Company also announced on 8 September 2020 that it had also entered into a definitive agreement with Key Petroleum Limited to acquire the 40% interest in Offshore Petroleum Exploration WA-481-P that it did not own. As part of that arrangement Key Petroleum Limited agreed that the Company would have no further expenditure commitment for EP 437 exploration permit.

The Royal Energy Pty Ltd and the WA 481 P acquisition are subject to the approval of the Company's shareholders at an extraordinary shareholder meeting expected to be held in late November/early December 2020

In combination with the Royal Energy Pty Ltd and Key Petroleum Limited transactions, the Company is in the late stages of completing a material farm-out which will is likely to involve an up-front cash payment and the party farming into the permit assuming 100% of the work programme funding commitment through the Year 3 work programme.

As such the Company believes it will be fully funded for all work programmes on all of its exploration permits for the next 36-months and will be realising additional operating cash flows from the Cliff Head Oil Field operation.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes – As announced by the Company on 25 September 2020, the Company has completed an initial institutional placement to sophisticated investors raining approximately $525,000 (before expenses) and additional equity placement commitments of $2 million subject to shareholder approval expected to be received at an extraordinary shareholder meeting expected to be held in late November/early December 2020. The proceeds from the initial institutional placement were used to satisfy outstanding obligations of the Company as previously reported and additional expenses associated with competing the equity capital arising and associated transactions related legal expenses.

The Company is also undertaking a share purchase plan (**SPP**) to all shareholders seeking to raise an additional approximately $500,000 and has a number of acceptances at the date of this Appendix 5B. This institutional placement capital raising in combination with the SPP and the completion of the Royal Energy transaction which will bring an additional approximate $1.4 million in cash and liquid securities will see the Company's forward operations well-funded.

On 29 October 2020, the Company also entered into an agreement with Royal Energy Pty Ltd whereby Royal Energy Pty Ltd agreed to provide a loan of not less than $50,000 to the Company to assist with funding the Company's ongoing operations.

These equity raisings taken in combination with the WA-481-P transactions with Key Petroleum Limited as well as the loan and the related farm-out outlined above will satisfy all of the Company's work commitments on its existing permit holdings through August 2023.

For personal use only

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes – See the responses to Questions 1 and 2 above.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by: By Bradley Lingo and Michael Lonergan on behalf of the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

For personal use only