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Announcement to ASX

9 November 2020

**PILOT TO SELL MAJORITY INTEREST IN OFFSHORE PERTH BASIN PERMIT
AND
FORM WIND & SOLAR JOINT VENTURE WITH TRIANGLE**

Highlights

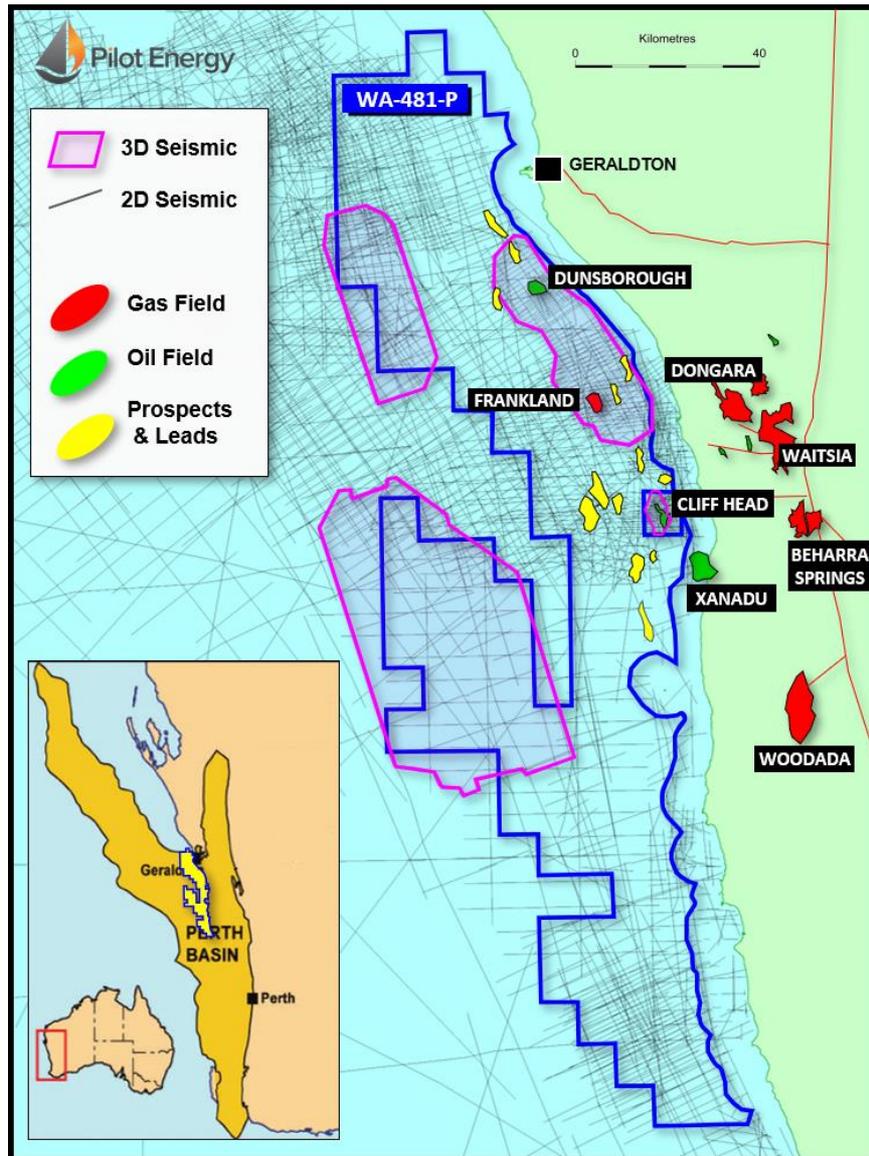
- **Pilot to sell a 78.75% interest in and transfer operatorship of offshore Perth Basin exploration permit WA-481-P to Triangle Energy**
- **Triangle to pay Pilot \$300,000 and free carry Pilot through completion of Permit Year 3 work programme commitments of \$5.5 million**
- **Sale of interest in and operatorship aligns WA-481-P exploration permit with existing Cliff Head Oil Field JV and ownership**
- **Cliff Head Oil Field is owned by Triangle (78.75%) and Royal Energy (21.25%) which subject to shareholder approval is to be acquired by Pilot**
- **Pilot and Triangle to also form Wind & Solar Project Joint Venture with Pilot 80% owner and operator and Triangle 20%**
- **Joint Venture to assess feasibility of development of large-scale wind and solar project centered around Cliff Head Oil Field Facilities**
- **Pilot to carry Triangle on cost of Wind & Solar Project feasibility study**

Sale of Majority Interest in WA-481-P

Pilot Energy Limited (ASX: PGY) (“**Pilot**” or the “**Company**”) is pleased to announce that it has entered into an agreement with Triangle Energy (Global) Ltd (“**Triangle**”) to sell a 78.75% interest in and transfer operatorship of offshore Perth Basin exploration permit WA-481-P to Triangle. WA-481-P is located immediately adjacent to, contiguous with and surrounds the Triangle-operated offshore Cliff Head Oil Field. (see map below).

Pilot is currently the 60% owner and operator of offshore Exploration Permit WA-481-P. As previously announced on the ASX on 6 October 2020, Pilot has entered into definitive agreements to acquire the remaining 40% interest in WA-481-P from Key Petroleum Limited that it does not already own. Completion of the acquisition is subject to approval by Pilot shareholders and upon completion of the acquisition Pilot, as operator, will hold a 100% interest in the permit. Exploration Permit WA-481-P is adjacent to, contiguous with and surrounds the Cliff Head Offshore Oil Field Production License WA-31-L. (See map below).

WA-481-P Permit Seismic Coverage / Leads & Prospects Map



In advance of and subject to completing the acquisition of the interest in WA-418-P from Key Petroleum, Pilot has now entered into a binding agreement to sell a 78.75% interest in WA-481-P and transfer operatorship of the permit to Triangle subject to standard and customary conditions. Pilot will retain a 21.25% non-operated working interest in the permit.

Under the terms of the acquisition agreement, Triangle will purchase a 78.75% working interest in the Exploration Permit WA-481-P and become the operator of record for the permit. As consideration, Triangle will:

- Pay Pilot \$300,000 in cash; and
- 100% free carry Pilot through the completion of the Year 3 \$5.5 million minimum work programme (see table below) with a value of \$1.23 million to Pilot's work programme share.

Offshore Exploration Permit WA-481-P Minimum Work Program (100%)				
Year	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Indicative Expenditure \$A
1-3	13/08/2020	12/08/2023	2000 km 2D PSDM reprocessing	200,000
			Geological and geophysical studies	150,000
			350 km ² new 3D seismic acquisition and PSDM processing	5,000,000
			200 km new 3D seismic acquisition and PSDM processing	400,000
4	13/08/2023	12/08/2024	Geological and geophysical studies	150,000
			Well planning	300,000
5	13/08/2024	12/08/2025	Drill one exploration well	15,000,000

Pilot and Triangle will enter into a conventional offshore oil and gas joint operating agreement covering the establishment of the joint venture managing the permit and the operatorship of the permit with Triangle as the operator (the “WA-481-P Joint Venture”). Under this arrangement Pilot will be designated the operator’s representative in connection with all matters relating to the interface with any potential offshore wind development affecting the WA-481-P permit area.

Triangle is majority owner and operator of the Cliff Head Offshore Oil Field (located in the Offshore Production License WA-31-L) and the onshore Arrowsmith Separation and Processing Facilities. As previously announced on the ASX on 25 September 2020, the Company has entered into definitive agreements to acquire Royal Energy Pty Ltd (the “Royal Energy Acquisition”) which holds an effective 21.25% interest in the Cliff Head Oil Field through its ownership of 50% interest in Triangle Energy Operations Pty Ltd, the operator and owner of 42.5% joint venture interest in the Cliff Head Oil Field

Through the sale of the majority 78.25% interest in and transfer of operatorship of WA-481-P, Pilot and Triangle have created substantial alignment between the to be newly created WA-481-P Joint Venture and the existing Cliff Head Oil Field Joint Venture in which Pilot will acquire an effective 21.25% interest upon the completion of the Royal Energy Acquisition.

To further facilitate this alignment, Triangle has agreed that Pilot’s share in any oil and gas discoveries in WA-481-P developed and produced through the Cliff Head Oil Field facilities will have access to these facilities on the same basis as Triangle.

The WA-481-P permit contains numerous leads and prospects located with close proximity to the Cliff Head Alpha Production Platform. As part of the definitive agreement to acquire the majority interest in WA-481-P, Triangle has also agreed that the work programme to be conducted in the permit will be directed in the defined area (the “Work Programme Focus Area”) around Cliff Head covering these numerous previously identified leads and prospects (see map below).

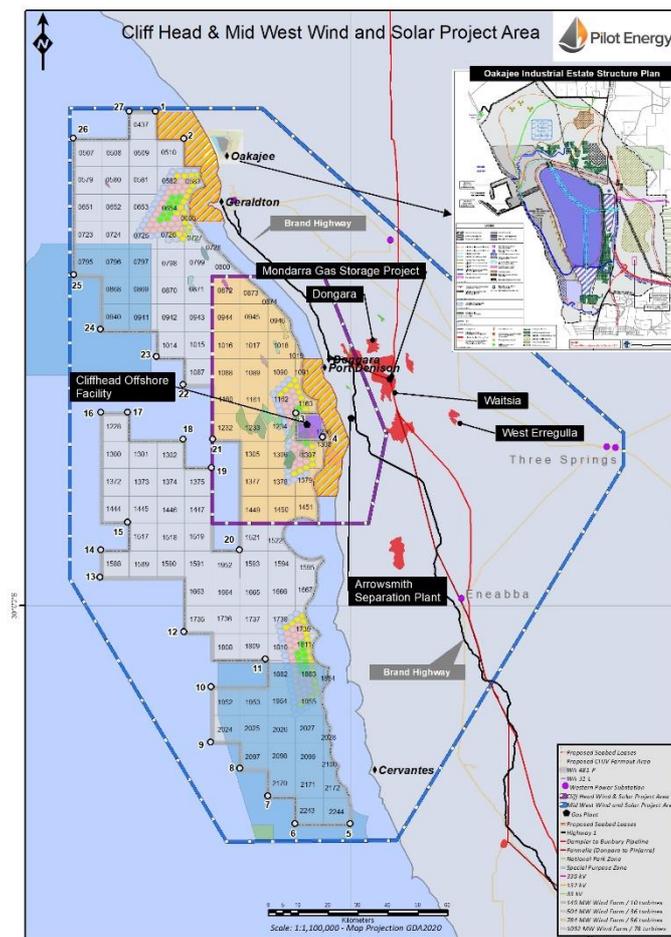
The prospects in the Work Programme Focus Area are estimated to have oil gross Prospective Resources of 215 mmbbls (Best estimate) and up to 374 mmbbls (High estimate) and gas gross Prospective Resources of 45 BCF (Best estimate) and up to 70 BCF (High estimate).

Cliff Head Wind and Solar Project Joint Venture

In addition to and in parallel with the sale the majority interest in WA-481-P, Pilot and Triangle have also agreed to form the Cliff Head Wind and Solar Project Joint Venture to assess the feasibility and pursue the development of an offshore wind and onshore wind and solar power project centered around the Cliff Head Offshore Oil Field production facilities, Cliff Head Alpha and the onshore Arrowsmith Separation and Processing Facilities (the “Project”).

Under the agreement, Pilot and Triangle have agreed to negotiate a definitive joint venture agreement to establish an independent joint venture – the “Cliff Head Wind and Solar Project Joint Venture” or “Joint Venture” - to undertake a detailed assessment of the feasibility and pursue the development of an offshore wind power farm in the area centered around the Cliff Head Offshore Oil Field Production Platform and an onshore wind and solar power farm adjacent to the onshore Arrowsmith Separation and Processing Facilities (the “Cliff Head Wind and Solar Project” or the “Project”) see map below defining the area for the Cliff Head Wind and Solar Project and Joint Venture.

Cliff Head Wind and Solar Project Area



The parties have agreed that key terms of the joint venture to be negotiated will provide that Pilot will hold a 80% interest and operate the Cliff Head Wind & Solar Project Joint Venture and Triangle will hold the remaining 20% interest. The key terms of the joint venture include:

- Pilot and Triangle to negotiate an access and coordination agreement to establish the basis for providing accessing to the existing Cliff Head A Platform, the offshore/onshore pipeline right-of-way from the platform and to the onshore Arrowsmith Separation and Processing Facilities; and
- Pilot to carry Triangle for the costs in conducting the feasibility studies for the development of the Project.

As previously announced on the ASX of 4 September 2020, Pilot is focusing on pursuing assessing the feasibility of the development of an offshore wind and onshore wind and solar project covering an extensive coastal area along the Mid West Region of Western Australia covered by the offshore exploration permit WA-481-P and refers to this project as the Mid West Wind and Solar Project.

This broader area outside the area covered by the Cliff Head Wind and Solar Project Joint Venture is designated by the Company as the Mid West Wind and Solar Project (see map above) and as agreed between the Company and Triangle, Pilot has retained a 100% interest in pursuing the development of any offshore wind or onshore wind and solar project within this area.

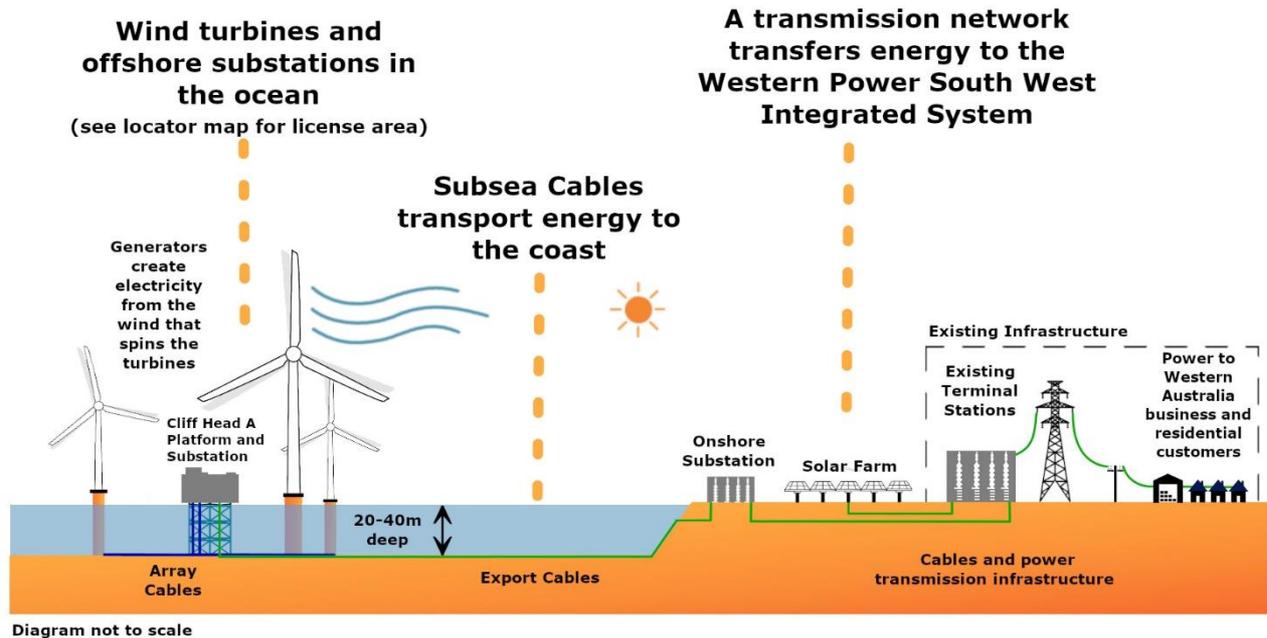
Although the Cliff Head Oil Field Production License only relates to the production of oil from this development and the WA-481-P exploration license only entitles the permit owners the exclusive rights to conduct activities related to the exploration for oil and gas, the Company has recognized that (1) many of these activities are equally applicable to determining the feasibility and development of an offshore wind project, (2) much of the historical technical and environmental studies and work undertaken for the development of the Cliff Head Oil Field and studies and surveys conducted to date in WA-481-P are equally applicable and useful to the development of an offshore wind project and (3) there are significant synergies that can be achieved in combining with the continuing oil and gas production, development and exploration activities at the Cliff Head Oil Field and in WA-481-P activities associated with assessing the feasibility and development of a major offshore wind project.

One such example is conducting a detailed wind resource study for the Cliff Head Oil Field area. The Cliff Head Alpha Platform has a top deck height of 80 meters and most wind studies look to assess the wind resource at a height of 100 meters. The Company and Triangle believe that conducting detailed offshore wind studies from the Cliff Head A Platform can be done quite easily and on a very low-cost basis. In forming the Cliff Head Wind and Solar Project Joint Venture, Pilot and Triangle have recognized the unique position that the two companies bring to this Project through their joint tenure and ownership of the Cliff Head Offshore Oil Field facilities and WA-481-P and both companies' long history of existing operations under these existing offshore production and exploration licenses.

Offshore Wind Farm / Onshore Solar Development Concept

The concept for the Project is to develop a major offshore wind farm located in the area of centred around the Cliff Head Offshore Oil Production Platform and to combine this development with an onshore solar farm to deliver a combined wind and solar project. The graphic below shows the potential development concept.

Cliff Head Wind & Solar Project



For the purposes of undertaking the feasibility studies, the parties have developed a conceptual development layout for a 4-stage development for up to 1.1 GW of offshore wind power generation that maximises the overall potential of the offshore wind farm development. The proposal locates all the offshore wind turbines can be located at least 14 kms offshore and in water depths of between 20-40 meters and located in the area covered by the Cliff Head Production License and Offshore Exploration Permit WA-481-P.

Cliff Head Offshore Oil Field / Arrowsmith Separation & Processing Facilities

The Cliff Head Oil Field (Cliff Head) is located in 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 in the Commonwealth Exploration Permit WA-286-P. Cliff Head is located at a water depth of 15-20 metres. 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.

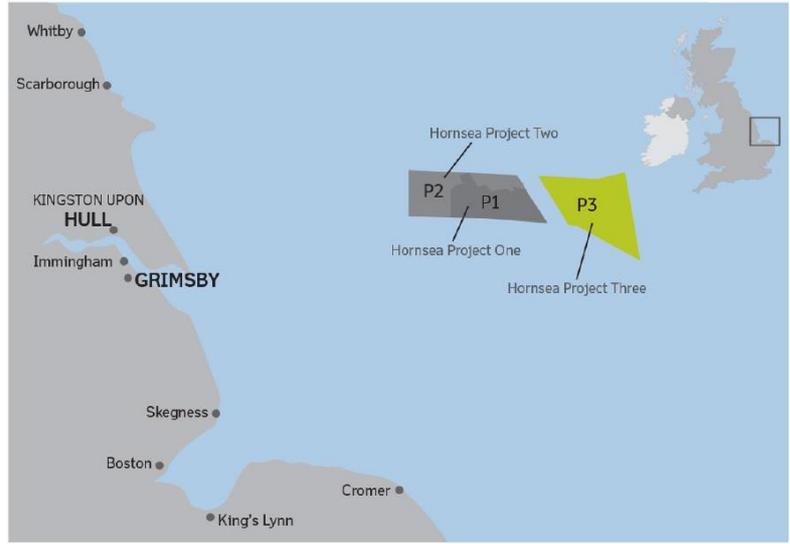
Current oil production is approximately 1000 bopd gross from the Cliff Head field. Oil is produced via five electrical submersible pump production wells, with produced water reinjected into three injection wells at the offshore platform. The platform is connected to the onshore Arrowsmith Stabilisation Plant by twin 14km production and injection pipelines.

Cliff Head Wind & Solar Project Could Deliver Life Extension & Retasking of Facilities

The development of the Cliff Head Wind and Solar Project and the location of the offshore wind farm facilities centered around the Cliff Head Offshore Oil Field Production Platform is intended to be developed in such a way to deliver a significant multi-tasking of the existing offshore production facilities.

Many of the offshore wind farm facilities developed offshore Europe in the North Sea and the Baltic are developed cooperatively around existing oil and gas production facilities. An example of this is the Hornsea Offshore Wind Farm (<https://hornseaprojectone.co.uk/about-the-project#0>) developed and operated by Orsted A/S.

Map showing the location of the array areas for Hornsea Project One, Hornsea Project Two and Hornsea Project Three



The Hornsea Wind Farm is the World's largest offshore wind farm operating and under-development. The Hornsea Wind Farm is located in the North Sea off the Norfolk Coast near Hull and Grimsby (see map above) approximately 38 km offshore at its nearest point in water depths of 22 to 73 meters. The Hornsea 1 wind farm has an installed capacity of 1.2 GW and began operation in February 2019 and was completed in early 2020. The Wind Farm is located adjacent to the East Midland Offshore Gas Fields (see maps below from the Hornsea Wind Farm Stage 3 Expansion Preliminary Environmental Information Report). As can be seen from the map above, the wind farm is located adjacent to 10 offshore platforms with a further 20-30 oil and gas platforms in the immediate vicinity

Hornsea 3 Wind Farm and Surrounding Oil & Gas Operations

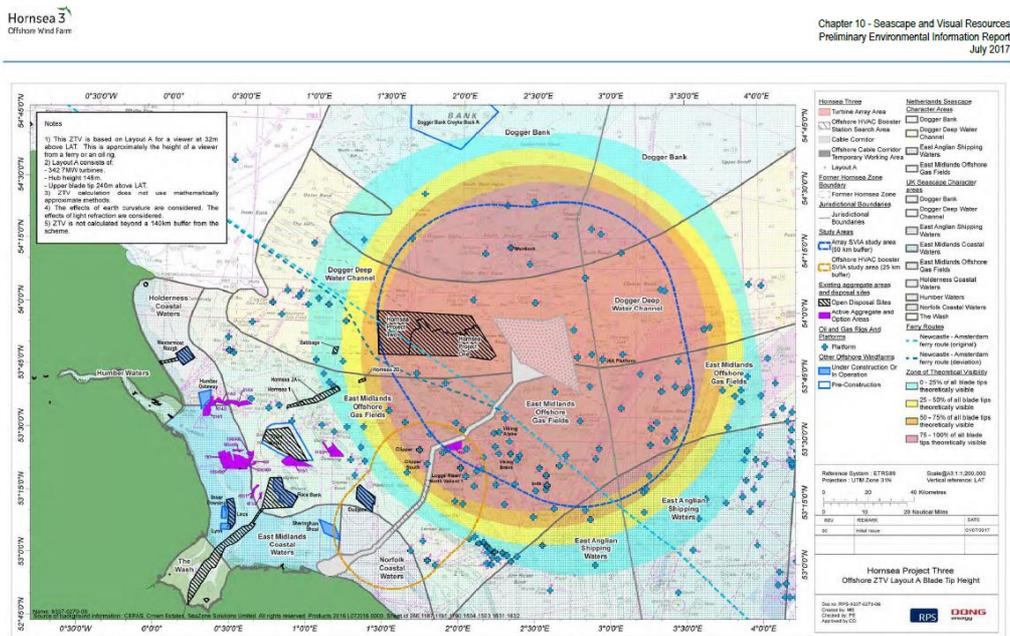


Figure 10.2: Present day seascape character areas with Layout B ZTV.

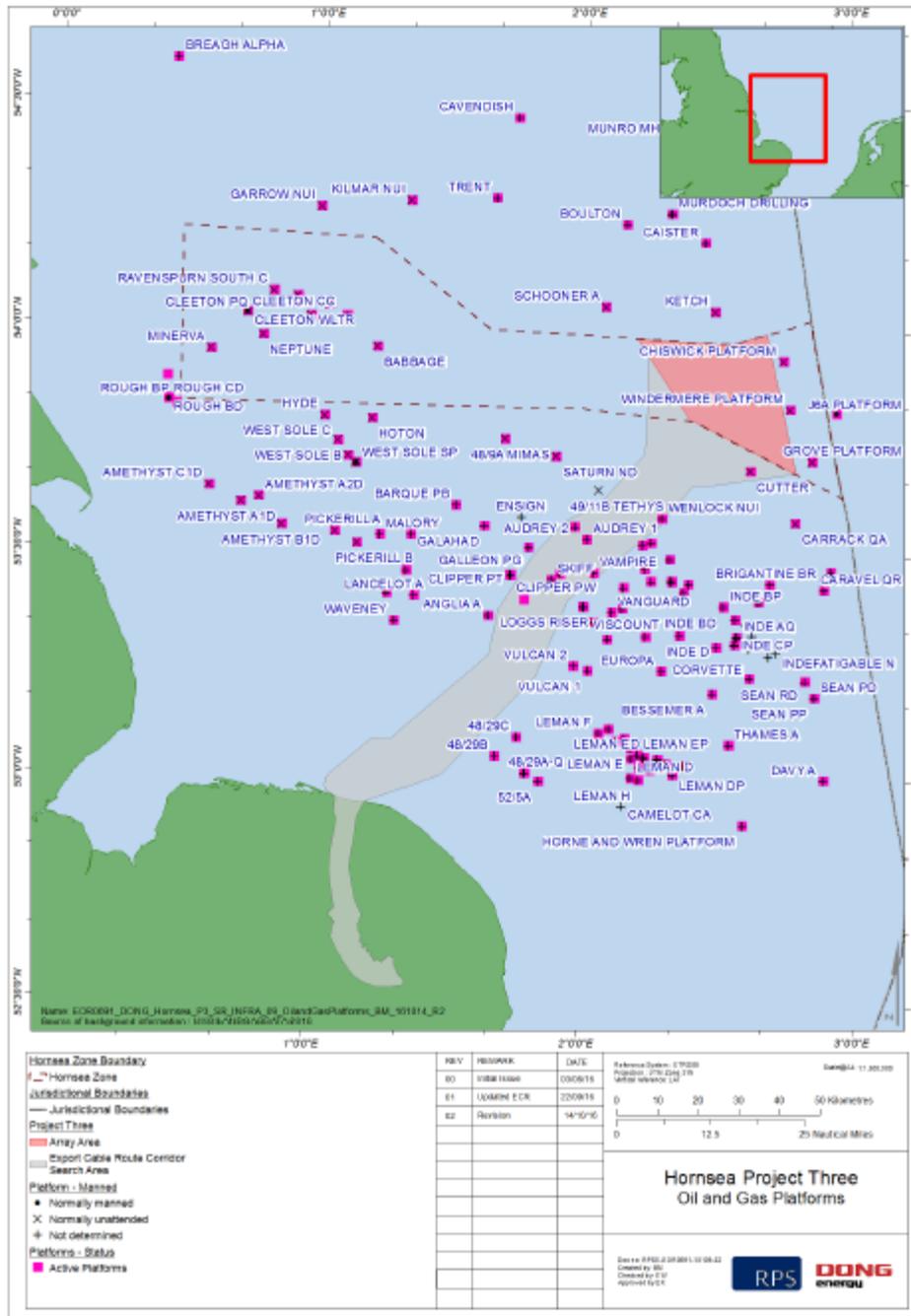


Figure 9.22 Oil and gas platforms within the infrastructure and other users study area.

A key focus of the Cliff Head Wind and Solar Project feasibility studies will be to determine how the existing Cliff Head Oil Field facilities both offshore and onshore can be best used and maximized to support the development of the proposed large scale renewable energy project. As previously announced by the Company in the ASX release of 25 September 2020, the ability to potentially multitask the Cliff Head A Oil Field offshore facilities for the Cliff Head Wind & Solar Project represents a capital cost component of over AUD 150 million based on the notional 1.1 GW offshore wind project. See diagram below of indicative design for the offshore substations and platforms for the Hornsea 3 offshore wind farm

Table 3.14 Design Envelope for offshore transformer substations.

Parameter	Maximum Design Envelope
Number of offshore transformer substations	12
Topside – main structure length and width (m)	90
Topside – ancillary structure length and width (m)	100
Topside – height (excluding helideck or lightning protection) (LAT) (m)	70
Height of lightning protection above topside (LAT) (m)	90

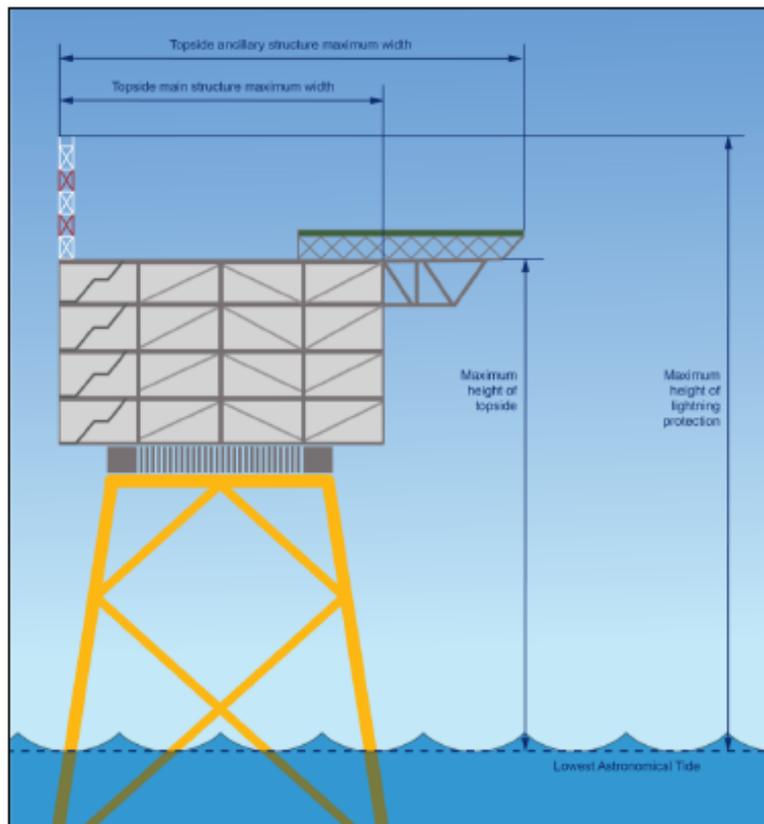


Figure 3.10 Schematic of an offshore transformer substation.

The Company will make a major focus of the Cliff Head Wind & Solar Project feasibility study to identify all of the opportunities to integrate the offshore wind project into the existing Cliff Head Oil Field offshore and onshore facilities and operations. The Company believes that the potential integration synergies and cost savings both in development and operation of the offshore wind project are likely to be significant and have the potential to materially improve the projects overall economic attractiveness. Multitasking the Cliff Head Oil Field facilities to allow concurrent oil production with offshore wind farm operations, should result in the facilities fixed costs to be allocated across a broader asset base therefore potentially lowering the economic threshold for Cliff Head extension opportunities.

Pilot’s Chairman, Brad Lingo, said “The sale of the majority interest in and transfer of operatorship in WA-481-P and the formation of the Cliff Head Wind and Solar Project Joint Venture is directly aligned with the strategic plan that the company announced in the ASX release of 13 May 2020 and with the Company’s announcement of the Mid West Wind Solar Project feasibility study. The position Pilot is securing in the Cliff

Head Oil Field with the acquisition of Royal Energy and the formation of the upstream and wind joint ventures with Triangle Energy as the only established offshore production operator in the offshore Perth Basin and the Mid West Coast Region of Western Australia present the perfect opportunity to develop a major renewable energy transition project.”

Mr. Lingo continued “This is exactly the type of development that demonstrates the ability to substantially redefine how the Australian offshore oil and gas industry can, in parallel with existing operations, participate in a low carbon future through offshore renewable energy projects delivering substantial low cost energy to Western Australia. The substantial nature of the offshore opportunity in Western Australian also presents the option to supply renewable hydrogen to international markets.”

Mr. Lingo said “This is the next stage of the process to establish the overall feasibility of the development of a large-scale offshore wind and onshore wind and solar project building off the world-class wind and solar resources of the Mid West Region of Western Australia and it is a very good next step and Pilot’s existing footprint and shareholder and experience base provides a unique opportunity to participate in the energy transition as a dedicated energy solutions provider.”

“Pilot strongly believes that focussing on the energy transition provides the opportunity to deliver strong growth and significant shareholder value”, Mr. Lingo added.

This announcement has been authorised for release to ASX by the Board of Directors of Pilot Energy.

Enquiries

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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, gas and energy assets. The Company’s aggressive new ventures program has resulted in the proposed Mid West Wind and Solar project and material working interests in WA-481-P, 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.