Pilot Energy Limited
Suite 301 35 Spring Street, Bondi Junction NSW 2022
E: info@pilotenergy.com.au
www.pilotenergy.com.au

Announcement to ASX
31 January 2025

31 DECEMBER 2024
QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

HIGHLIGHTS

- **Major expansion of Cliff Head Carbon Storage Project resource** – Recent technical assessments confirmed an additional 27 million tonnes of storage capacity at the Cliff Head Carbon Storage project. The 2C contingent resource increased 58% from 45.6 million tonnes to 72.2 million tonnes (100% basis).
- **Pilot & Capture6 commence Direct Air Capture demonstration project** – Pilot and Capture6 entered into a joint development agreement for the phased development of Capture6's DAC technology at Pilot's MWCEP. The first activity is a demonstration of Capture6's water processing and DAC technology which will be deployed in 2025.
- **Completion of $6.3 million capital raising** – Pilot successfully raised additional capital via a $3.9 million equity placement and $2.4 million convertible note facility.
- **Continued Korean Consortium support for MWCEP** - KOSPO, as part of the K-Consortium (which also consists of Korea East-West Power, Samsung C&T), secured 2 billion Korean Won (approximately A$2.2 million) funding from the Korea Export-Import Bank to support their feasibility study of the MWCEP. Subsequently Pilot, KOSPO and Samsung C&T entered into the MWCEP project facilitation agreement.

Pilot Energy Limited (**ASX: PGY**) (**Pilot** or **the Company**) is pleased to provide the following update on its operational and corporate activity for the quarter ended 31 December 2024 (and post quarter events to date).

DEVELOPMENT ACTIVITIES

MWCEP Cliff Head Carbon Storage Project – Material expansion of carbon storage resource

During the quarter, technical assessments completed by the Company's subsurface consultant, CO2Tech, as part of preparing for the next phase of regulatory approvals, has confirmed an additional 27 million tonnes of storage capacity in the Cliff Head Carbon Storage Project.

The 2C contingent resource for WA 31-L licence area has increased from 9.7 million tonnes[1] (2022) to 45.6 million tonnes[2] (ASX:PGY announcement July 2024) and now further increased to 72.2 million tonnes (100% basis) with the assessment completed in accordance with Society

[1] Refer to 30 November 2022 ASX:PGY "CHJV Update – Storage Resource Upgrade & NOPTA Submission"
[2] Refer to 1 July 2024 ASX:PGY "Major increase to Cliff Head Carbon Storage Resource"

of Petroleum Engineers Storage Resource Management System (ASX:PGY announcement 24 December 2024).

Table 1

WA 31-L Carbon Storage Resources[3] (31 August 2024, 100% basis)					
SPE SRMS Classification	Structure	Reservoir	Storage Resource (Mt of CO_2 Equivalent)		
			1C | P90	2C | P50	3C | P10
Contingent Resource (Development Pending)	Cliff Head & Mentelle	IRCM & HCS	**34.2**	**72.2**	**110.2**
				2U | Best Estimate	
Prospective Resource (Lead)	Illawong	IRCM & HCS		**50.4**	

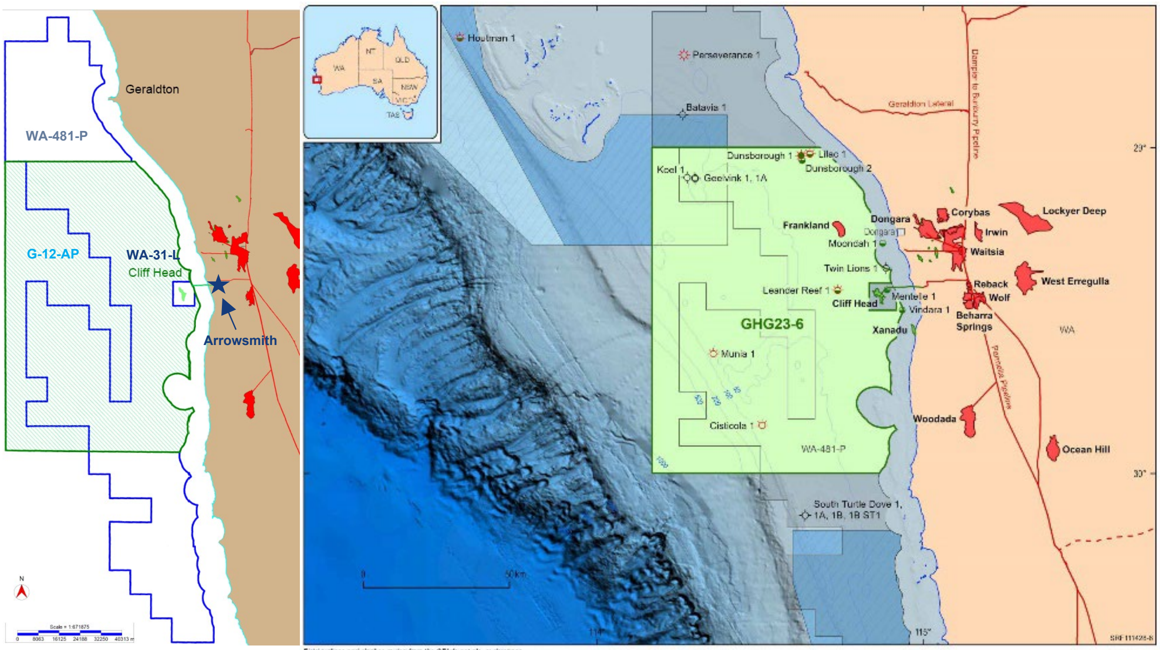
CO2Tech, the consulting arm of the internationally recognised Australian capture, utilisation and storage research organisation, CO2CRC, is Pilot's subsurface consultant and completed the updated Carbon Storage Resource Assessment, which represents a 58% increase on the July 2024 2C Contingent Storage Resource for the WA 31-L licence area (100% basis). This revised Carbon Storage Resource Assessment was the result of technical analysis undertaken by the Company and CO2Tech to support the next phase of regulatory approvals, for the Cliff Head Carbon Storage project.

This contingent storage resource update is based on updated static and dynamic models, originally developed in 2022 to support a Declaration of GHG Storage Formation application to the National Offshore Petroleum Titles Administrator (**NOPTA**). The workflow incorporated a refinement of geological models, incorporating enhanced subsurface insights and understanding of the storage formation gained over time. Additionally, these models will support an application to amend the 2024 Declaration of Storage Formation by demonstrating the viability of the storage formation under an expanded development concept.

The proposed development plan associated with the contingent resources is based on a potential injection rate of 2.5 – 2.8 million tonnes per annum for the Cliff Head/Mentelle resource and includes refinements to account for the revisions to the static and dynamic model as discussed above.

[3] Following completion of the acquisition of the remaining Cliff Head interests from Triangle Energy (Global) Limited, Pilot will hold a 100% interest in the Cliff Head oil project and proposed Cliff Head Carbon Storage project. Prior to completion, Pilot holds a 21.25% interest in the projects and the Storage Resources.

Figure 1 Pilot Energy Offshore Perth Basin tenements



Pilot's offshore gas exploration and carbon assessment tenements (WA-481-P and G-12-AP) and the associated work programs are complementary and provide Pilot flexibility as it explores and appraises the regions material gas and greenhouse storage targets. Under the complimentary licences, Pilot can undertake exploration activities targeting both gas and carbon storage opportunities.

MWCEP Cliff Head Carbon Storage Project - Commonwealth CCS Grant

During the quarter, the Company announced (ASX:PGY 29 November 2024) that it had entered into a Joint Development Agreement (**JDA**) with Capture6 Corp (**Capture6**) for the phased development of Capture6's direct air capture technology at the MWCEP.

The first activity under the JDA is a demonstration of Capture6's water processing and DAC technology which will be deployed in 2025 within the existing Arrowsmith site. Successful demonstration of the technology will potentially reduce the net cost to treat water from future MWCEP carbon storage operations and provide Pilot a potential future revenue stream from the sale of carbon removal credits. The existing Cliff Head operations team will assist with the project management, controls and onsite activities to prepare, construct and operate the demonstration facility.

Under the JDA, and with the support of the $6.5m Commonwealth Carbon Capture Technologies Program grant (**CCTP Grant**), Pilot and Capture6 have initiated 'Project Wallaby' on a joint venture basis (20% Pilot, 80% Capture6). Project Wallaby includes four phases aligned with the development of Pilot's MWCEP.

- 2025: Phase 1 - Demonstration stage.
- 2026/27: Phase 1a –Potential expansion to facilitate early revenue generation by targeting water sales, low carbon chemicals and high purity carbon dioxide sales.
- 2028/29: Phase 2 – Full scale deployment to manage approximately ~ 2 giga litres of

water produced during carbon storage operations. Targeting up to 80,000 tonnes per annum DAC atmospheric carbon removal.
- +2030: Phase 3 – Expanded DAC targeting 350,000 tonnes per annum atmospheric carbon removal with further scaling potential.

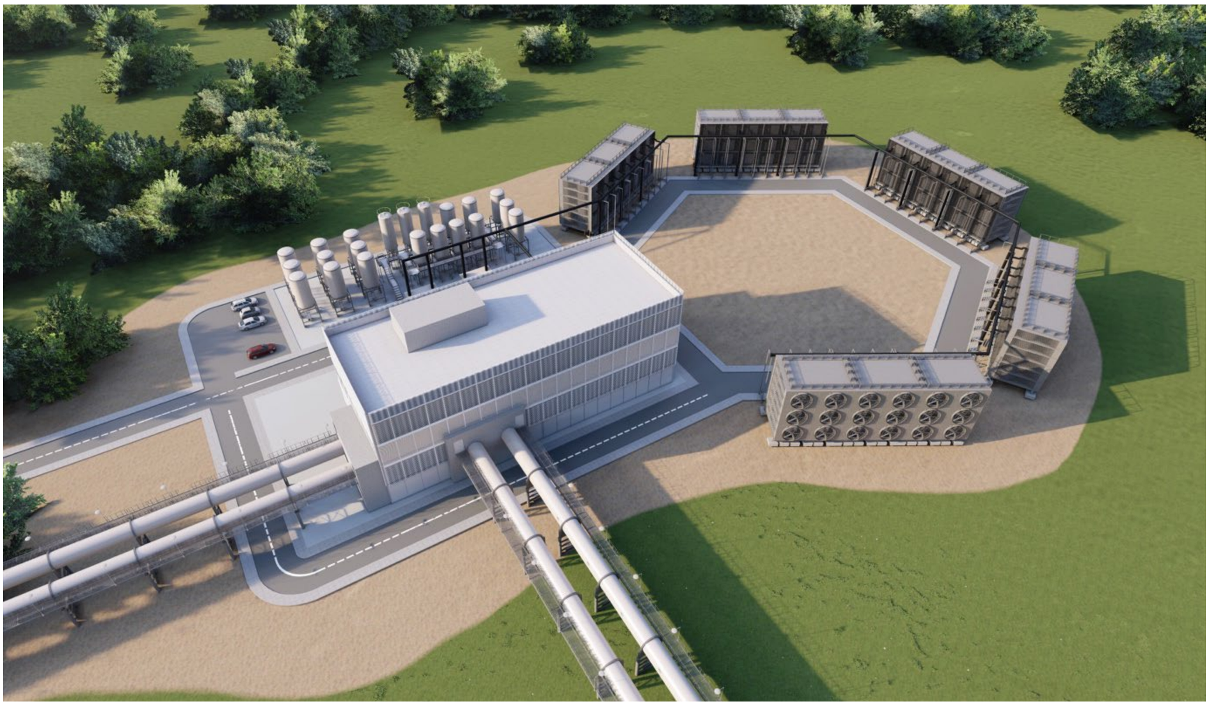


Figure 1 graphical representation of a Capture6 facility

The majority of the year 1 expenditure for Project Wallaby will be drawn from the initial $3m CCTP Grant funds Pilot received from the Commonwealth Government in August 2024.

MWCEP Cliff Head Carbon Storage Project – Commercialisation

Pilot continued to engage with participants across the carbon supply chain to progress commercialising the MWCEP carbon storage capacity. Participants include Australian and international emitters along with service provides and investors across the carbon supply chain on a range of carbon management solutions.

Pilot will commence a feasibility study with a large-scale WA based emitter during Q1 2025 focused on the infrastructure from the point of capture through to delivery at Cliff Head via a marine transportation vector for potentially up to 700,000 tonnes per annum of carbon. The study leverages Pilot’s existing relationships across the carbon supply chain.

Pilot is continuing to progress the negotiation of two additional terms sheets to undertake similar assessments for industrial emitters from hard to abate sectors. The $6.5millon CCTP Grant is available as a potential source of funding to progress these initiatives.

In addition to the feasibility study engagements being developed with customers, Pilot has initiated a process to secure a partner to invest in the development of Clean Energy infrastructure in Western Australia. Target infrastructure includes:

- Carbon supply chain: onshore and offshore aggregation/transportation and onshore CO_2 conditioning and temporary storage terminals
- Ammonia export: onshore storage, subsea transportation and offshore buoy/terminals

Engagement on this initiative will continue over the first half of 2025, targeting the establishment of a new infrastructure venture during the second half of 2025.

Korean Consortium support for Mid West Clean Energy Project

During the quarter Korea Southern Power Co., Ltd. (**KOSPO**), secured 2 billion Korean Won (approximately A$2.2 million) funding from Korea Export-Import Bank to support the Korean Consortium's study of the MWCEP (**KEXIM Grant**). Refer to ASX:PGY announcement 15 November 2024.

Subsequent to the end of the quarter, following the announcement of the KEXIM Grant, Pilot, KOSPO and now Samsung C&T have signed a non-binding Project Framework Agreement under which the Parties confirm their intention to jointly develop the MWCEP and agree the following:

- Pilot will conduct market testing by providing a Front-End-Engineering- Design (**FEED**) Request for Proposal (**RFP**) to market-leading contractors. The FEED RFP will require the FEED contractors to provide ATR or SMR solutions for blue hydrogen production that are optimised to balance cost and carbon intensity.
- The Korea Consortium will conduct an Independent Technical Study by engaging an independent engineering advisor funded by the KEXIM Grant. The ITS will in part recommend the preferred technology and Project FEED/EPC contractor.
- The parties will make efforts to execute the binding Project Development Agreement (**PDA)** by 30 June 2025 subject to obtaining all Korean governmental approvals, including, but not limited to, the Korean Ministry of Trade, Industry and Energy. Under the PDA, the parties will endeavour to fund FEED, MWCEP ownership and ammonia offtake participation as well as to set out the terms for FID.
- The parties will make every effort to commence FEED by 1 August 2025 subject to execution of PDA.

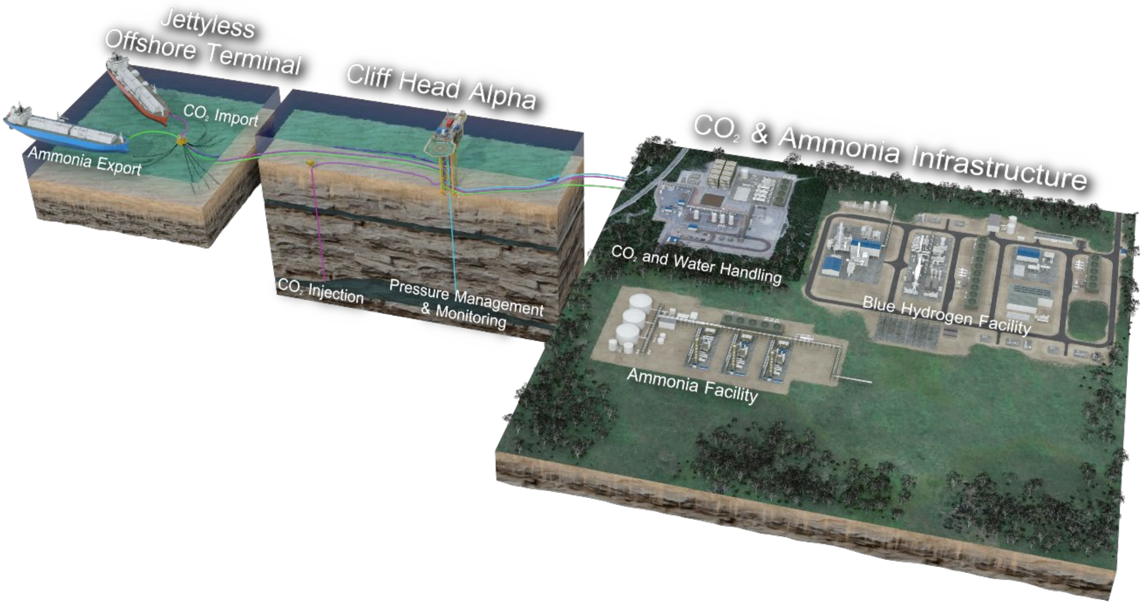
KOSPO and other Korea Consortium members are looking to the MWCEP as a source of long-term, economical low carbon ammonia supply for hydrogen co-firing in coal-fired power plants in Korea and other industrial uses through the production and introduction of clean ammonia by 2030.

MWCEP Carbon storage and Ammonia technical development

Pilot initiated the MWCEP to leverage the existing Mid West operational asset base (comprising the Cliff Head offshore oil production facility and onshore Arrowsmith stabilisation plant) into the production of clean energy. The Project includes a permanent Carbon Storage reservoir created from the conversion of the operating Cliff Head offshore oil field, which will be able to store carbon generated by third parties and from the clean Ammonia Project.

During the quarter, the technical team focussed on completing the RFP document suite for FEED including the necessary basis of design and commercial terms and conditions. Pilot expects to commence tendering for FEED in Q1 2025.

Figure 2 Pilot's MWCEP overview schematic



MWCEP Carbon storage and Ammonia regulatory approvals

During the quarter, the Company continued engagement with government stakeholders including key regulators regarding regulatory approval of the MWCEP. Specifically, the Company has met with the Department of Climate Change, Energy, Environment and Water (**DCCEEW**), the National Offshore Petroleum Titles Administrator (NOPTA), the Department of Water and Environmental Regulation WA (**DWER**). These meetings were focused on approval pathways, project schedule and project updates.

Recognising the importance of biological surveys needed to inform environmental impact assessment, the Company commissioned and successfully undertook flora and vegetation surveys which will be used to inform the project footprint, mitigate impacts and be used as part of future environmental referral processes. Notably, the surveys were supported by Aboriginal Rangers from the Yamatji Southern Regional Corporation signifying the blending of traditional knowledge with contemporary science, an initiative that Pilot is proud to support. Results and conclusions of the flora and vegetation surveys will be available in the latter part of Q1 2025.

Looking forward into 2025, the Company plans to continue scoping additional environmental studies and preparing referral documentation for both State and Commonwealth jurisdictions drawing on our internal experts and project development partners.

Upstream Gas-focused Exploration – WA-481–P

Pilot holds a 100% operated interest in the 8,605km^2 permit located in shallow waters offshore Western Australia encompassing the Dunsborough oil field, Frankland gas field and the Leander Complex gas target identified by Pilot's technical team.

The offshore petroleum system within WA-481-P shares many attributes with the onshore Dandaragan Trough, and is potentially a mirror of, and analogous to, the prolific onshore Perth Basin gas discoveries (e.g. Waitsia, Erregulla and Lockyer Deep).

Pilot's internally assessed prospective resources include the Leander Complex gas resource of 450 Bcf (Best Estimate) and the Babbler, Brahminy and Cliff Head SW oil resources of 41 million barrels (Best Estimate). These are in addition to the discovered Dunsborough contingent oil resource (2C) of 6 million barrels and Frankland contingent gas resource (2C) of 42 Bcf gas also located within WA-481-P.

The Leander Complex prospective gas resource estimate of 450 Bcf (Best Estimate) could provide Pilot with sufficient gas to self-supply over 10 years of blue ammonia production at the MWCEP. Future production from WA-481-P could leverage the proposed Cliff Head carbon storage operations infrastructure to lower the economic volumes required to support incremental oil and gas developments.

Current workstreams being progressed in WA-481-P include:

- A review of the Leander Reef Complex gas resource is currently underway to capture recent open-file well data from onshore Kingia play analogues.
- Ongoing stakeholder and regulatory work for the Eureka 3D marine seismic survey which represents part of the current permit year work commitment of a minimum 400km^2 of new 3D acquisition and processing.
- A comprehensive Environmental Plan (**EP)** for the Eureka 3D seismic survey was lodged with National Offshore Petroleum Safety and Environmental Management Authority (**NOPSEMA)** for assessment on 2 February 2024. Pilot received a request for further information in relation to the EP submission on 3 September 2024. Pilot is currently working through the request and submission of a revised EP to NOPSEMA.
- An ongoing farm-out process to secure domestic and/or international farm-in partner(s) for the upcoming WA-481-P 3D seismic program and future drilling campaigns.

Three Springs Solar Project

On 9 October, Pilot announced it received a non-binding offer to acquire 100% of the Three Springs Project 376MW solar farm development project, located in Three Springs, Western Australia. Pilot has been progressing the Three Springs Project to support the delivery of low carbon ammonia from the MWCEP. Divesting the Three Springs Project at this time allows the Company to recycle capital into the newly identified locations and to continue progressing the MWCEP.

During the quarter Pilot continued engagement with EDP Renewables APAC following the receipt of the non binding offer. Pilot is now also engaging with other interested parties. Pilot expects to continue engagement with interest parties, on the basis of achieving an outcome which facilities near term recycling of capital into the MWCEP and Cliff Head asset.

Cliff Head Joint Venture Acquisition Update

During the quarter Pilot and Triangle Energy (Global) Limited (TEG) (ASX:TEG) re-engaged on the structure and timing of the proposed acquisition, by Pilot, of TEG's remaining interests in the Cliff Head oil field joint venture.

On 11 October 2024, Pilot and Triangle (ASX:PGY announcement 14 October 2024) reached an agreement to vary the terms of the transaction to provide the parties additional time to complete the transfer of the first stage of the transaction. The current transaction structure involves Pilot paying for 100% of the Cliff Head joint venture operating costs from 1 August 2024 and making progressive acquisition payments to TEG.

Pilot has complied with the requirement to fund the Cliff Head joint venture costs. Since August 2024 Pilot has provided ~ $4.2m to fund continued operations including the non-production phase activities required by NOPSEMA (as noted below) which included $1.9m during the quarter.

Pilot has also made the initial $0.4m acquisition payment to TEG associated with the transfer of WA state assets. As noted in Pilot's ASX:PGY announcement on 18 December 2024, Pilot continues to prioritise the existing Cliff Head operations ahead of further acquisition payments.

Pilot remains open to a commercial resolution with TEG relating to completing the purchase which first satisfies the requirements of the Commonwealth Government and maintaining continuity of the Cliff Head operations and the operating team and, then, provides for an orderly conclusion of TEG's exit from the asset.

Cliff Head Operations

The Cliff Head operations team are primarily focussed on transitioning the asset to a non-production phase. A key deliverable recently achieved by the team was the removal of hydrocarbons from the facilities to the satisfaction of the regulators (in particular General Direction 1947 to ensure that appropriate steps are taken before and after cessation of petroleum production to reduce risks in the workforce and environment). This included flushing with the intent of reducing the concentration of oil in water across the projects infrastructure and providing corrosion prevention treatment (a combined oxygen scavenger, corrosion inhibitor and biocide). In December the annual NOPSEMA and WA Department of Energy, Mines, Industry Regulation and Safety (**DEMIRS)** safety inspections began with the inspections expected to complete in February 2025.

During the quarter well related activities focussed on well integrity assurance for the non-production phase including remediation works on the CH6 and CH7 wells. The CH6/CH7 remediation works completed all the foreseeable well intervention works for the non-production phase. Further, the pipeline has been repeatedly pigged and flushed for mothballing. Additional required, minor works were undertaken during the quarter including:

- re-certify Cliff Head platform emergency escape descender and life raft
- 3 and 6 monthly crane and lifting/lifted equipment maintenance
- Minor wellhead inspections
- Process Control System and Combined Safety System inspection.

The Annual NOPSEMA CEO Performance meeting was held in December with results positively acknowledging the actions taken towards the cessation of production and non-production phase. NOPSEMA were appreciative of the continued transparency and engagement between one another and responsiveness to the steps taken before and after cessation of production to reduce risks to the workforce and environment.

CORPORATE ACTIVITIES

Cliff Head transaction and Voluntary Suspension

On 18 December 2024, the Company went into a trading halt (through until 23 December 2024) following the announcement made by TEG regarding payments under the revised Sale and Purchase Deed (**SPD**) in respect of TEG interest in the Cliff Head project (see ASX:PGY 3 December 2024 announcement). In connection with this trading halt, the Company previously advised that it was raising funding to meet certain payments under the SPD via the issue of a $2,000,000 convertible note (see ASX:PGY announcement of 11 December 2024). The 18 December 2024 request to go into a trading halt advised that these funds had not yet been received.

Subsequently, the Company requested an extension to its voluntary suspension from trading on 23 December 2024 through until 3 February 2025. The voluntary suspensions were requested to allow the Company sufficient time to complete an orderly execution of its capital raising activities (includes receipt of the $2,000,000 under the convertible note referred to above and the execution of an additional capitalisation package supported by an existing capital provider).

Since entering the voluntary suspension, as part of these further fund raising activities, as announced on 23 January (see ASX:PGY announcement), the Company has successfully completed a fund raising through the issuance of $1,805,000 Convertible Notes to two institutional and sophisticated investors. These Convertible Notes are on the same terms as the Convertible Notes announced by the Company on 11 November 2024 and 11 December 2024 (see ASX:PGY announcements).

Equity capital raise

During the quarter, the Company raised $6.3m with a further $2 million subject to the completion of a convertible note announced on 11 December 2024 (noted above). The $6.3 million capital raise comprised the $3.855 million equity placement (**October Placement**) (see ASX:PGY announcement 14 October 2024) and the $3 million convertible note facility under which advanced funds of $2.4 million have been received.

The October Placement comprised the issue of up to 214,183,248 Shares to raise A$3.855 million, pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1. The A$0.018 issue price per Share represented a 10.0% discount to the last traded price on Wednesday, 9th October 2024 and a 6.9% discount to the 30-day volume weighted average price (WVAP). Participants in the Placement also received one (1) attaching listed option for every two (2) Shares allocated under the Placement, which will be exercisable at $0.033 each and have an expiry date two years from the date of issue.

The Discovery Investments lead investor syndicate entered into a binding agreement for a convertible note facility for up to $3.0 million conditional on shareholder approval being given for the transaction at the annual general meeting of the Company scheduled to be held on 12 February 2025 (**AGM**). The investors participating in these convertible notes advanced an initial tranche of $2.4 million to the Company in November 2024 conditional upon satisfaction of the condition.

Pilot continues to engage with potential investors and, subsequent to the end of the quarter, a further $1.8 million was secured (conditional upon the Company obtaining shareholder approval at the AGM) from sophisticated investors under convertible notes to be issued on the same terms as the convertible notes to be issued to the Discovery Group investor syndicate as described above. Refer to ASX:PGY announcement 23 January 2025.

Share Capital

As at the date of this Report, the Company has the following capital structure:

- 1,654,571,566 shares on issue
- 210,412,875 outstanding (listed) PGYO options (3.3c/Aug 2025 expiry)
- 137,091,607 outstanding (listed options PGYOA (3.3c /Dec 2026 expiry)
- 142,346,153 outstanding (unlisted options)
- Convertible Notes as described in section 7.6 of Appendix 5B.

Reserves and Resources

Carbon Storage Resource

As announced on 24 December 2024 and noted above, the CO2Tech completed an updated resource assessment resulting in a material upgrade to the Carbon Storage Resources across the WA-31-L licence area.

The 2C contingent resource for WA-31-L licence area has increased to 72.2 million tonnes (100% basis) with the assessment completed in accordance with Society of Petroleum

Engineers Storage Resource Management System. With the Declaration approved, the Contingent Storage Resource has been classified as Development Pending, the highest level of maturity for a contingent resource. See discussion and table provided above for further details of the carbon storage resources for the Cliff Head Carbon Storage Project.

Oil & Gas

The Company confirms there are no changes to WA-481-P Contingent Resource information which was previously presented to the market in the Company's ASX:PGY "Resources Update" dated 23 April 2021. The Contingent Resource estimates set out in the following tables are based on the Independent Technical Specialist Report prepared by RISC dated 28 January 2021 relating to the Company's Australian exploration assets.

WA-481-P Contingent Resources - Pilot interest: 100%

WA-481-P Contingent Oil Resources (MMbbl)

Accumulation		1C	2C	3C
Dunsborough	Gross (100%)	3.3	6	9.8

WA-481-P Contingent Gas Resources (Bcf)

Accumulation		1C	2C	3C
Frankland	Gross (100%)	29.4	41.6	58.9

Sources: RISC Technical Specialist Report January 2021

The Company confirms there are no changes to the prospective gas and oil resources associated in WA-481-P previously presented to the market in the Company's ASX:PGY Announcement Material Gas Fairway Identified in WA-481-P 9 March 2023. The prospective resources are in addition to the existing Dunsborough and Frankland contingent gas resources above.

WA-481-P Prospective Resources

	Prospective Resource (Best)
Leander Complex (Gas)	450 Bcf
Cliff Head SW (Oil)	13 million bbls
Babbler (Oil)	19 million bbls
Brahminy (Oil)	9 million bbls

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, paid to directors.

Environmental, Social and Corporate Governance (ESG)

Pilot is committed to the principles of ESG as the most effective means of creating long-term enterprise value and addressing the societal priorities enshrined in the United Nations' Sustainable Development Goals. To progress the Company's commitment, Pilot has commenced a process which will facilitate the Company reporting on the Environmental, Social, and Governance (ESG) disclosures of the Stakeholder Capitalism Metrics (SCM) of the World Economic Forum (WEF). By integrating ESG metrics into the Company's governance, business strategy, and performance management process, Pilot diligently considers all pertinent risks and opportunities in running its business.

ASX Listing Rule 5.3.3: Tenement Details

The following table summarises Pilot's interest in its Oil and Gas tenements which are also presented on the map below.

Tenement reference	Tenement Location	Interest at beginning of quarter	Interest at end of quarter
G-12-AP	Western Australia – Offshore Commonwealth Waters	100%	100%
WA-31-L[(i)]	Western Australia – Offshore Commonwealth Waters	21.25%	21.25%
WA-481-P	Western Australia – Offshore Commonwealth Waters	100%	100%
i) The Company currently holds a 50% interest in TEO which has a 42.5% direct interest in WA-31-L. Participating interest is subject to completion of the Triangle restructure as noted in this Report.			

Material Risks

The material risks that could adversely affect the achievement of the financial prospects of the Company as required by sections 296 and 297 of the *Corporations Act* 2001 (Cth) and ASIC Regulatory Guide 247, are as set out in Annexure 1.

Competent Person Statement

This announcement contains information on conventional petroleum resources and CO_2 Storage 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 holding a Master's degree 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.

END

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

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 carbon storage project through the conversion of the Cliff Head Oil field and associated infrastructure 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 across all exploration tenements across the Offshore Perth Basin, Western Australia (Greenhouse gas assessment permit G-12-AP and petroleum exploration licence WA-481-P).

Annexure 1

1. MATERIAL RISK FACTORS

1.1 Introduction

As with any investment in Securities, there are risks associated with an investment in the Company. The numerous risk factors are both of a specific and a general nature. Some can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. This Note identifies the major areas of risk associated with an investment in the Company but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed. Potential investors should consult their professional adviser before deciding whether to acquire securities in the Company.

Additional risks and uncertainties that the Company is unaware of, or that it currently does not consider to be material, may also become important factors that may have an adverse effect on the Company's future financial performance, financial position and prospects.

There can be no guarantee that the Company will achieve its stated objective or that forward-looking statements will be realised.

1.2 Specific risks

(a) **Additional requirements for capital**

The funding of any further ongoing capital requirements will depend upon a number of factors, including the extent of the Company's ability to generate income from activities which the Company cannot forecast with any certainty. Any future additional equity financing will be dilutive to shareholders, and debt financing, if available, may involve restrictions on financing and operating activities.

If the Company is unable to obtain additional funding as needed, it may not be able to take advantage of opportunities or develop its projects. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

(b) **Exploration, operations and activities risk**

There is no assurance that any exploration or feasibility assessment on current or future interests will result in the discovery of an economic energy project. Even if an apparently viable resource is identified, there is no guarantee that it can be economically developed. The future profitability of the Company and the value of its Securities are directly related to the results of exploration, development and production activities.

The operations of the Company and the operator of the assets in which it has or may have interests may be affected by various factors, including failure to achieve predicted volumes in exploration and drilling, operational and technical difficulties encountered in drilling, poor data acquisition, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated problems which may affect extraction or resource capture costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment.

(c) **Environmental matters**

The Company's operations are subject to environmental risks that are inherent in the energy industry. The Company is subject to environmental laws and regulations in connection with any operations that it may pursue. The Company conducts all its activities in an environmentally responsible manner and in accordance with all relevant laws. However, accidents, breaches, non-compliance, unforeseen circumstances or changes to the laws and regulations could result in the Company facing penalties, revocation of permits or extensive liabilities for damages, clean-up costs and/or penalties relating to environmental damage.

(d) **Commodity and currency price risks**

The profitability of the Company's operations is directly related to the market price of the commodities. The demand for, and price of oil, gas and energy generally is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, actions taken by governments and major petroleum corporations, global economic and political developments and other factors all of which are beyond the control of the Company.

International petroleum prices fluctuate and at times the fluctuations can be quite wide. A material decline in the price of oil and gas may have a material adverse effect on the economic viability of a project. Examples of such uncontrollable factors that can affect oil prices are unrest and political instability in countries that have increased concern over supply. As oil is principally sold throughout the world in US dollars, any significant and/or sustained fluctuations in the exchange rate between the Australian dollar and the US dollar, could have a materially adverse effect on the Company's operations.

(e) **Reliance on key management**

The ability of the Company to achieve its objectives depends on the engagement of key employees, directors and external contractors that provide management and technical expertise.

If the Company cannot secure external technical expertise, or if the services of the present management or technical team cease to be available to the Company, this may affect the Company's ability to achieve its objectives either fully or within the timeframes and budget that it has forecast. Additionally, industrial disruptions, work stoppages and accidents during operations may adversely affect the Company's performance.

(f) **Regulatory risk**

The Company's project interests are governed by Commonwealth and Western Australian acts and regulations that apply to the oil, gas and energy industries, and are evidenced by the granting of approvals, licences or leases. If these approvals, licenses or leases are revoked, then the Company may be unable to fulfil its operational objectives which will likely have a material adverse effect.

There is also the risk that projects which the Company may undertake from to time do not have a legislative regime which provides operational and legal certainty for the Company in relation to the development of future projects.

The Company's licenses or leases may be subject to ongoing obligations to satisfy minimum activities and expenditure obligations. If these obligations are not satisfied, the relevant license or lease may expire or be forfeited, which would result in a loss of the reserves and resources that may be attributable to the Company's interest in the licenses or leases areas.

(g) **Project development**

Production risks associated with marketability and commerciality of oil, gas and energy to be produced include but are not limited to, reservoir characteristics, market fluctuations, proximity and capacity of infrastructure and process equipment, government regulations and the market price of oil, gas and energy.

Decreases of production or stoppages may result from fluctuations in permeability and flowrates, impurities in the product, facility shut-downs, natural decline, mechanical and technical failures, subsurface complications or other unforeseeable events outside the control of the Company.

(h) **Government policy changes**

The activities of the Company are subject to various federal, state and local laws governing prospecting, development, production, taxes, labour standards and occupational health and safety, and other matters.

Policy and legislation may affect the viability and profitability of the Company, and the value of its Shares. Amongst other things, taxation including carbon taxes, permitting and licenses, environmental laws, and labour laws are all affected by legislation and regulation and may have an adverse impact.

1.3 General risks

(a) **Investment risk**

The securities in the Company should be considered highly speculative. The issued shares in the capital of the Company carry no guarantee as to payment of dividends, return of capital or the market value. Prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

(b) **Share market**

Share market conditions may affect the value of securities in the Company regardless of the Company's operating performance. Share market conditions are affected by many factors including, but not limited to, the following:

(i) general economic outlook in both Australia and internationally;

(ii) introduction of tax reform or other new legislation, regulation, or policy;

(iii) interest rates and inflation rates;

(iv) changes in exchange rates, interest rates and inflation rates;

(v) changes in investor sentiment toward particular market sectors;

(vi) the demand for, and supply of, capital;

(vii) the global security situation and the possibility of terrorist disturbances or other hostilities; and

(viii) other factors beyond the control of the Company.

Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Economic and government risks**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the technology industry including, but not limited to, the following:

(i) general economic conditions in jurisdictions in which the Company operates;

(ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;

(iii) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the technology sector;

(iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and

(v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(d) **Taxation**

The acquisition and disposal of securities in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring securities in the Company from a taxation point of view and generally.

(e) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(f) **Speculative investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may materially affect the financial performance of the Company and the value of securities in the Company.

The risks set out in this Note are not to be taken as an exhaustive list of the risk faced by the Company. There may be other risks of which the Directors are unaware as at the time of issuing this report which may impact on the Company and its operations, and on the valuation and performance of securities in the Company.

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	31 December 2024

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		10	10
1.2	Payments for			
	(a)	exploration & evaluation (if expensed)	-	-
	(b)	development	-	-
	(c)	production	-	-
	(d)	staff costs	(500)	(500)
	(e)	administration and corporate costs	(804)	(804)
	(f)	professional fees	(508)	(508)
1.3	Dividends received (See note 3)		-	-
1.4	Interest received		-	-
1.5	Interest and other costs of finance paid		(213)	(213)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		-	-
1.8	Other		-	-
1.9	**Net cash from / (used in) operating activities**		**(2,015)**	**(2,015)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	entities	-	-
	(b)	tenements	-	-
	(c)	property, plant and equipment	(2,417)	(2,417)
	(d)	exploration & feasibility expenditure (if capitalised)	-	-
	(e)	investments	(150)	(150)
	(f)	other non-current assets	(662)	(662)

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	(1,627)	(1,627)
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	**Net cash from / (used in) investing activities**	**(4,856)**	**(4,856)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,845	3,845
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	(237)	(237)
3.5	Proceeds from borrowings	2,586	2,586
3.6	Repayment of borrowings	-	-
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**	**6,194**	**6,194**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,801	3,801
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,015)	(2,015)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,856)	(4,856)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,194	6,194

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	(2)	(2)
4.6	**Cash and cash equivalents at end of period**	**3,122**	**3,122**

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	3,122	3,801
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)**	**3,122**	**3,801**

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	579
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

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)	11,086*	8,686
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	2,400*
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.	

Other financing facilities include the following:

A. <u>Convertible Notes on issue</u>

1. Convertible notes – Face Value $3,000,000 – The convertible notes (**Notes**) were announced on ASX:PGY on 27 June 2023 and have been partially converted. The remaining balance is $2,900,000. The Notes have a term of two years maturing in June 2025 and are convertible into ordinary shares of the Company at $0.02 per share. The Notes carry a 12% per annum coupon which will be paid quarterly. The Notes are unsecured.

2. Convertible notes – Face Value $3,500,000 – The convertible notes (**Notes**) were announced on ASX:PGY on 19 February 2024 and have been partially converted. The remaining balance is $3,200,000. The Notes have a term of two years maturing in Feb 2026 and are convertible into ordinary shares of the Company at $0.03 per share. The Notes carry a 12% per annum coupon which will be paid quarterly. The Notes are unsecured.

B. <u>Convertible Notes agreed to be issued following AGM</u>

1. Convertible note – Face Value $2,000,000 (**Note**) –Terms have been agreed for the issue of the this Note (as announced on ASX:PGY on 11 December 2024) to a sophisticated investor. The Note will be issued to the counterparty upon shareholder approval being obtained at the AGM scheduled to be held on 12 February 2025. The counterparty has advanced funds in respect of the Note, in the amount of $186,000 on an unsecured basis and conditional upon the issue of the Note following the AGM. The balance of the Face Value will be paid contemporaneously with the issue of the Note following the AGM.

   The Note has a term of two years maturing in Dec 2026 and is convertible into ordinary shares of the Company at $0.02 per share. Subject to the Initial Term Redemption Option, the investor can, in the alternative, elect to convert the Note into a participating interest share in an 0.27% overriding royalty interest in the Cliff Head Carbon Storage Project and a right to subscribe for new shares to the same value as the Face Value of the Note the investor holds, at a subscription price of $0.025 per share any time from the period 31 December 2026 to 31 December 2027, subject to the Company having the capacity to issue the shares under ASX Listing Rule 7.1.

   The Note carries a 12% per annum coupon which will be paid quarterly. The Note is unsecured.

2. Convertible notes – Face Value $3,000,000 (**Notes**) – Terms have been agreed for the issue of these Notes (as announced on ASX:PGY on 11 November 2024) to a syndicate of sophisticated investors. The Notes will be issued to the counterparties upon shareholder approval being obtained at the AGM scheduled to be held on 12 February 2025. The counterparties have advanced funds in respect of the Notes, in the amount of $2,400,000 on an unsecured basis and conditional upon the issue of the Notes following the AGM. The balance of the Face Value will be paid contemporaneously with the issue of the Notes following the AGM.

   The Notes have a term of two years maturing in Dec 2026 and are convertible into ordinary shares of the Company at $0.02 per share. Subject to the Initial Term Redemption Option, the investor can, in the alternative, elect to convert the Notes into a participating interest share in an 0.4% overriding royalty interest in the Cliff Head Carbon Storage Project (on a pro rata basis as between the holders of the Notes) and a right to subscribe for new shares to the same value as the Face Value of the Notes each investor holds, at a subscription price of $0.025 per share any time from the period 31 December 2026 to 31 December 2027, subject to the Company having the capacity to issue the shares under ASX Listing Rule 7.1.

   The Notes carry a 12% per annum coupon which will be paid quarterly. The Notes are unsecured

*Note to Item 7.3 (above)

The Company established an "At-The-Market" (ATM) Facility with Dolphin Corporate Investments (DCI) announced to the market on the 8th August 2024.

The facility is equity based and limited to $7.5m. The actual facility capacity is a function of share price and available capacity over a request and option exercise period, so the actual facility capacity will change up or down over time. The Company may not sell shares through the facility to DCI above the maximum AUD$7.5m which operates as a cap on the facility.

The Company cannot request DCI to exercise its option to buy shares at or above the Company's nominated floor price (the Company has discretion). DCI has the right to decline an option request or may only partially exercise its option to buy shares (it is DCI's decision to buy once Pilot Energy Limited has made the request).

Whilst an ATM is a "facility" it is also a "sold contingent option", contingent on the company activating the option and DCI exercising that option, and the Appendix 5B does not properly cater for the cashflow from options, or potential future placements that are subject to prevailing placement capacity that may or may not require shareholder approval which may not be obtained.

In keeping with Australian Accounting Standards and the intent of 5B reporting, the Company has chosen to not report any ATM facility amount in item 7.3, to ensure it is giving a true and fair view of facility positions that have conditions precedent for the funding to be attained.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,015)
8.2	Capitalised exploration & feasibility expenditure (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,015)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	3,122
8.5	Unused finance facilities available at quarter end (Item 7.5)	2,400
8.6	Total available funding (Item 8.4 + Item 8.5)	5,522
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	2.74

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?

Answer:

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:

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:

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: 31 January 2025

Authorised by: Bradley W. Ingo
(Name of body or officer authorising release – see note 4)

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.