

Pilot Energy Limited

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Announcement to ASX

ASX: PGY

15 December 2023

PILOT ENTERS BINDING CONVERTIBLE NOTE AGREEMENTS TO RAISE \$3.5 MILLION

Pilot Energy Limited (ASX: PGY) (**Pilot** or **Company**) is pleased to announce that it has entered into six binding Convertible Note agreements (**Convertible Note Agreements**) with a syndicate of sophisticated investors led by Discovery Investments Pty Ltd (**Investor Syndicate**), for an investment in the Company valued at a total of \$3.5 million.

The Convertible Notes will be issued in two tranches. Each of the convertible notes to be issued under the Convertible Note Agreements (**Convertible Notes**), is subject to and conditional upon the Company holding its 2024 annual general meeting (**AGM**) (**Condition**) at which shareholder approval will be sought in respect of the issue of the convertible notes under ASX Listing Rule 7.1 (**Shareholder Approval**). If Shareholder Approval is not granted the Company proposes to issue the convertible note under its available capacity under ASX Listing Rule 7.1. The Company proposes to hold the AGM on 6 February 2024, but this date will be confirmed and announced separately by notice of meeting (**Notice of Meeting**).

The first five notes (**Convertible Notes A**) will be for a total value of \$1,000,000 and will be issued to members of the Investor Syndicate. The amounts payable under these Convertible Notes A, will be paid to the Company in advance of the issue of the Convertible Notes, within 7 business days of the Convertible Note Agreements being executed, subject to the condition that the Company will issue the Convertible Notes A following the satisfaction of the Condition. The remaining Convertible Note is for face value of \$2,500,000 (**Convertible Note B**) and will be issued to Discovery Investments Pty Ltd (as lead of the Investor Syndicate) once the Condition has been met.

The key terms of the Convertible Note Agreements are the same except for the provision for the early payment of the face value of the Convertible Notes A and all terms are summarised in the attached Appendix. Further details in respect of the Convertible Note Agreements will be set out in the Notice of Meeting.

The Investor Syndicate is being led by Mr Greg Columbus (**Investor**). Mr Columbus has over 30 years of experience in the Energy and Oil & Gas industries including technical, commercial, executive and non-executive roles and is also an experienced investor in listed companies. Currently Non-executive Chairman of ASX listed Talon Energy and previously, he was also the Non-executive Chairman of ASX listed Warrego Energy Limited, both being a developer of natural gas resources in the Perth Basin, Western Australia. Talon Energy is currently completing a Scheme of Arrangement with Strike Energy and Warrego Energy was taken over by the Hancock Prospecting Group in March 2023.

This is the second occasion on which this Investor Syndicate led by Mr. Columbus has participated in the issue of convertible notes during 2023 – with the first being the Convertible Note announced on ASX on 4 May 2023.

The funding received pursuant to these Convertible Notes will provide ongoing development capital to progress the Company's flagship Mid West Clean Energy Project (MWCEP), including the CO2 Storage Project FEED, pre-FEED preparatory work for the broader MWCEP in Western Australia, as well as general working capital for corporate overheads, whilst Pilot concludes partnering arrangements for the Project.

ENDS

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

Enquiries

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

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

APPENDIX A

Investment Amount	<p>\$3,500,000 invested as follows:</p> <p>(a) \$1,000,000 to be paid to the Company within 7 Business Days of the execution date of the Convertible Note Agreements for Convertible Notes A; and</p> <p>(b) \$2,500,000 pursuant to the Convertible Note Agreement for Convertible Note B, to be paid to the Company within 7 days of the Condition being satisfied.</p>
Condition Precedent	<p>The issue of all the Convertible Notes A and Convertible Note B are conditional upon the Company successfully holding its 2024 annual general meeting on or about 6 February 2024 (AGM) at which shareholder approval for the issue of the Convertible Notes A and B will be sought. If shareholder approval is not obtained, then the Company will issue all of the Convertible Notes A and B within 7 days of the close of the AGM (Condition).</p>
Investor Syndicate	<p>Convertible Notes A – each of these Convertible Notes A are being subscribed for by members of the Investor Syndicate, all of whom satisfy the sophisticated investor rule.</p> <p>Convertible Note B will be issued to Discovery Investments Pty Ltd as lead of the Investor Syndicate and the Company has agreed the Investor may novate a portion of the Investor’s obligations under this convertible note to members of the Investor Syndicate.</p>
Payment of face value of convertible notes and issue of convertible notes	<ul style="list-style-type: none"> - Convertible Notes A: the applicable Investors will pay to the Company the face value of their respective Convertible Notes A within 7 business days following the execution of the Convertible Note Agreements. - Convertible Note B: Discovery Investments Pty Ltd will pay to the Company the face value of the Convertible Note B within 7 days following the satisfaction of the Condition. - Subject to the Company receiving payment from each Investor of the face value of their respective convertible notes and the Condition being satisfied, the Company will issue Convertible Note A or B to each Investor as applicable.
Term	<p>24 months from the issue of the Convertible Notes A and B (7 days following satisfaction of the Condition).</p>

<p>Coupon Rate</p>	<ul style="list-style-type: none"> - interest will be payable in respect of the Convertible Notes A and B at the rate of 12% compounding, payable quarterly. - Interest in respect of the Convertible Notes A will be calculated from the date on which the face value of those convertible notes is paid to the Company and will be paid in cash quarterly in the first 2 quarters of the Term; thereafter the Investor may elect to receive this payment in cash or via an issue of Shares for value equivalent the Coupon value. - Interest in respect of the Convertible Note B will be payable in cash in the first 2 quarters of the Term; thereafter the Investor may elect to receive this payment in cash or via an issue of Shares for value equivalent to the value of the Coupon Rate.
<p>Conversion Price</p>	<p>\$0.03</p>
<p>Conversion</p>	<p>None of the Convertible Notes A nor Convertible Note B may be converted during the six month period commencing on the date of issue. Thereafter the Investor may convert the note at any time during the Term.</p> <ul style="list-style-type: none"> - On conversion, each convertible note will convert into that number of ordinary, fully paid shares in the capital of the Company (Shares) as is determined by dividing the face value of the applicable convertible note by the Conversion Price. - Conversion prior to the end of the Term will be paid in the form of an issue of Shares. - Following expiry of the Term, an Investor may elect to convert the face value of the applicable convertible note into a cash amount or receive an issue of Shares.
<p>Other terms</p>	<ul style="list-style-type: none"> - The Convertible Notes A and B are unsecured. - The Convertible Notes A and B will not be quoted on ASX. - On conversion the Company will apply to have the Shares quoted on ASX. - Each Convertible Note Agreement contains customary investor protections.