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Announcement to ASX **14 July 2021**
ASX: PGY

PILOT SECURES FARMIN TO EXPLORATION PERMITS EP 416 & EP 480 BY ADVANCED ENERGY TRANSITION PTY LTD

Highlights

- **Indicative Farmin terms agreed with Advanced Energy Transition Pty Ltd ("AET") ACN 650 365 727 to fully fund the drilling of one exploration well in Pilot's 100% owned South Perth Basin Exploration Permits EP 416 and 480**
- **AET will drill and fully fund the exploration well to test the Leschenault Gas Prospect to earn a 50% in the Leschenault Gas Prospect**
- **The Leschenault Gas Prospect has been independently assessed to have a Gross Prospective Resource of 725 BCF (Best Estimate) and up to 1.595 TCF (High Estimate)[1]**
- **The Leschenault Gas Prospect is located in South West Western Australia in close proximity to the Kwinana Industrial Hub and the Dampier-to-Bunbury Gas Pipeline**
- **Pilot's EPs 416/480 overlie the area of the Western Australian Government-sponsored South West Hub Carbon Capture & Storage Project**
- **The exploration well will also assess the suitability of reservoirs for carbon sequestration including the Triassic-age Lesuer Sandstones**
- **Subject to regulatory approvals and land access, drilling operations for the Leschenault Gas Prospect exploration well are forecast to commence within the next 12 months**

[1] The Prospective Resource estimates contained in this announcement are based on the Independent Technical Specialist Report prepared by RISC Advisory Pty Ltd (RISC) dated 28 January 2021 relating to the Company's Australian exploration assets which was provided with the Notice of Meeting, Explanatory Memorandum, Independent Experts Report and Proxy Form issued by the Company in connection with the General Meeting of Shareholders held on 28 May 2021.

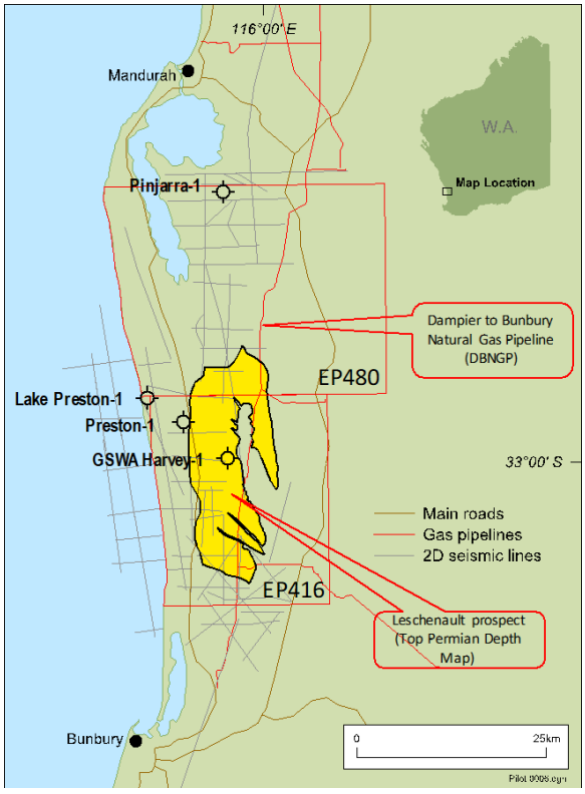
Pilot Energy Limited ("**Pilot**" or the **"Company**") is pleased to announce that it has reached agreement with Advanced Energy Transition Pty Ltd **("AET")** to a farmin by AET into a 50% interest ("**Farmin Interest**") in a future retention lease or future production licence granted to Pilot by fully funding the drilling of one exploration well in Exploration Permit EP 416 or EP 480 (collectively, the "**Permits"**) to test the natural gas potential of the Leschenault Gas Prospect (see map below) in the primary reservoir target of the Permian Sue Group sandstone and the Triassic age Lesueur sandstones.

The Company's Executive Chairman, Brad Lingo noted "*the transaction with AET is absolutely aligned with Pilot's business plan of leveraging off its existing oil & gas assets and diversifying into new competitive energy production streams. The development of carbon capture and storage at our existing gas permits complements the expansion of our footprint in the South West Western Australia energy market and can form the core of a significant blue hydrogen and CCS project for South West Western Australia*."

Leschenault Gas Prospect

The Leschenault Gas Prospect is a large faulted anticlinal structure mapped on existing 2D seismic and straddles both EP 416 and 480. Pilot is the operator of EP 416 and EP 480 and currently holds a 100% interest in the Permits.

Location Map



Leschenault Gas Prospect in EP 416 and EP 480 and SW Hub CCS Project Harvey-1 CO2 Sequestration Injection Test Well

The contiguous Permits have a combined area of 2,310 km2 and have only been sparsely explored with only two wells drilled in the 1960's and the GSWA Harvey-1 well (2012) and Harvey–2,3 and 4 wells (2015) drilled by the Western Australian Government as part of a carbon sequestration study to assess the potential of the South Perth Basin, as part of the assessment of the South West Hub Carbon Capture and Storage (CCS) Project.

In addition to encompassing the location of the South West Hub CCS Project, the Leschenault Gas Prospect is also transected by the Dampier to Bunbury Natural Gas Pipeline and is in close proximity to the Kwinana, Pinjarra and Wagerup industrial areas – all located within approximately 100 km of the prospect.

The limited drilling in the Permits has confirmed the presence of a Permian petroleum system with the primary reservoir target being the Permian Sue Group sandstones and the Triassic age Leseur sandstones with the gas having been generated from mature Permian coal measures located within the Permits.

Existing 2D seismic confirms the Leschenault Gas Prospect, which is a large faulted anticlinal structure straddling both Permits, with up to 240 km2 of mapped areal closure at the Top Permian Sue Group sandstone level. The reservoir target is at a depth of 2,250 to 2,500 metres. Regional gravity data shows the presence of a depocenter in the north eastern and eastern part of the Permits. The Leschenault Gas Prospect is located up dip of these possible "gas kitchens" on the flank of the regional gravity high. The Sue Coal Measures are known to be a source for gas in the South Perth Basin with TOC of up to 54% and would have been generating hydrocarbons at the time of the Jurassic uplift and are likely to be generating at the present day.

The Leschenault Gas Prospect Prospective Resource estimates are summaried in Table 1.

Table 1 - Leschenault Gas Prospect Prospective Resource Estimates

Target Reservoir	**Gross (100%) BCF**			
	Age	**Low**	**Best**	**High**
Lesueur sandstone	Triassic	150	435	970
Sue sandstone	Permian	120	290	625
Total		270	725	1595

- Probabilistic methods have been used.
- Leschenault Prospect is prospective for gas.
- Volumes are rounded to the nearest 5 BCF

With respect to the Prospective Resources associated with the Leschenault Gas Prospect set out above in Table 1, the estimated quantities of petroleum that may potentially be recovered by

the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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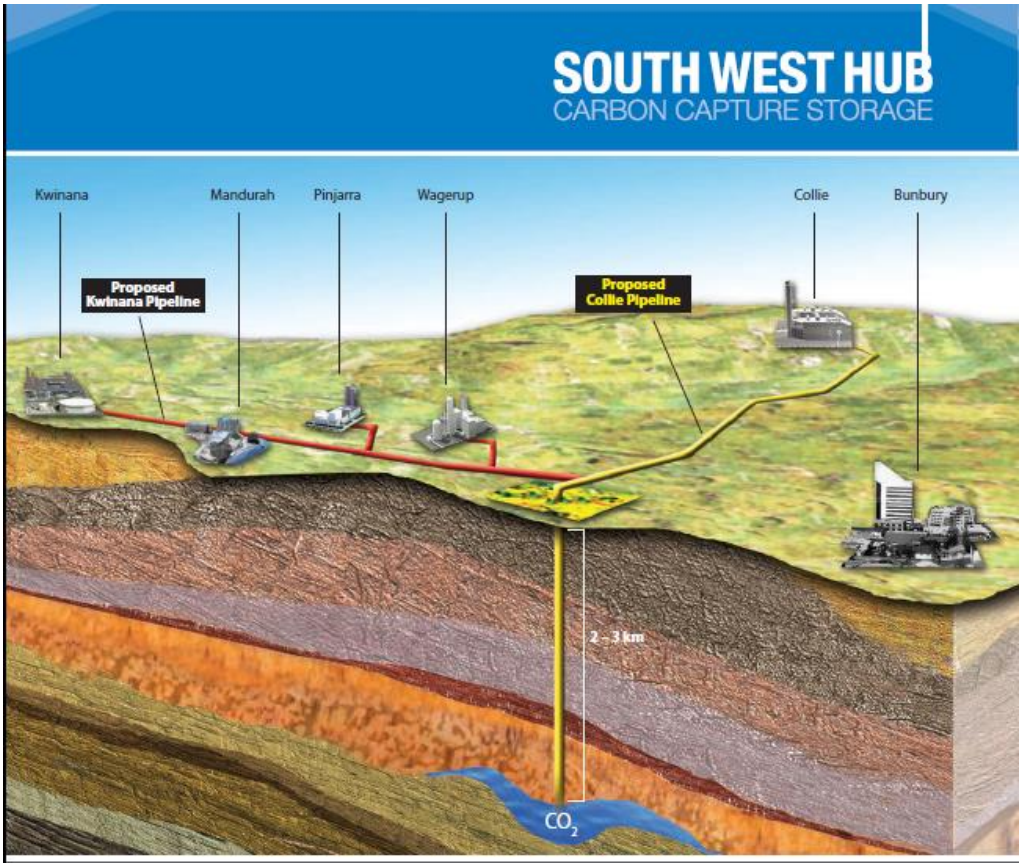
South West Hub Carbon Capture and Storage Project

The South West Hub Carbon Capture and Storage (CCS) Project is led by the Western Australian Government Department of Mines, Industry Regulation and Safety (DMIRS) and is a leading Government-sponsored initiative to address greenhouse gas emissions in Western Australia by establishing the feasibility of storing industrially generated carbon dioxide (CO2) deep underground in the Lesueur Sandstone formation. More information on the project can be found on the Government of Western Australia Department of Mines, Industry Regulation and Safety (DMIRS) website at http://www.dmp.wa.gov.au/South-West-Hub-CCS-1489.aspx.



Above image sourced from Government of Western Australia Department of Mines and Petroleum South West CO2 Geosequestration Hub Project and Activity Progress Report for the Global Carbon Capture and Storage Institute (May 2012)

Pilot notes that the South West Hub CCS Project has been progressed to a mature stage through some $50 million of federal and state funding to date. Since 2011, led by DMIRS, four wells have been drilled to test the suitability of the target reservoirs for carbon sequestration and 2D and 3D seismic surveys have been completed. Four generations of reservoir modelling confirm a base case for the Wonnerup reservoir to capture 24 million tonnes of CO2 over a 30-year period with injection rates of up to 800,000 tonnes p.a. and to remain in the reservoir for over 1000 years. Extensive reservoir modelling has demonstrated that the 1,500 metre-thick Wonnerup sandstone represents a major carbon storage resource that is perfectly located due to its proximity to local industry and infrastructure, and an absence of the regional aquifer.[2]

As a secondary target of the Leschenault Gas Prospect exploration well, Pilot and AET also intend to confirm that the key carbon sequestration reservoirs focussed on as part of the South West Hub CCS Project are also present in the exploration well and suitable for carbon sequestration as part of the overall project. The Company sees establishing the suitability of the exploration well location for carbon sequestration and as part of the overall South West Hub CCS Project as a key step in assessing the feasibility of the development of the company's previously outlined South West Blue Hydrogen and Carbon Management Project.

Pilot notes that the existing Petroleum and Geothermal Energy Resources Act 1967 (WA) provides tenement holders with certain rights to explore for hydrocarbons, however exploration for CCS resources is not currently addressed in any of the Western Australian current legislation. As such any assessment of potential CCS reservoirs will be incidental to the proposed petroleum exploration activities. Potential future development by the Company of a carbon capture and storage project within the Permits will be subject to a yet to be determined regulatory regime.

Farmin Terms

The Indicative Farmin Term Sheet entered into with AET will be used as the basis to negotiate and finalise all commercial terms into the legally binding transaction agreements between the parties and is to be concluded by 15 August 2021. The Indicative Farmin Term Sheet includes the following key terms:

- AET will earn the Farmin Interest by undertaking and fully funding the drilling of one exploration well in the Leschenault Gas Prospect (**Leschenault Well**) within the area of either of the Permits (**Farmin Work Program**);

[2] The above materials for the South West Hub CCS Project are taken from the Government of Western Australia Department of Mines, Industry Regulation and Safety South West Hub web page at http://www.dmp.wa.gov.au/South-West-Hub-CCS-1489.aspx and https://wapims.dmp.wa.gov.au/WAPIMS/Search/SwHubCarbonStorage

- the Leschenault Well is to be spudded within 12 months of the parties entering the definitive farmin agreements or Pilot may terminate the farmin;

- if the Leschenault Well is a gas discovery AET will, at its cost, test and complete the Leschenault Well as a gas producer;

- if no gas discovery is made in the Leschenault Well, AET must, at its cost, case and suspend the Leschenault Well as a potential carbon sequestration appraisal injection well and Pilot and AET will negotiate and agree whether to proceed to assess the potential of the Leschenault Well to qualify as carbon capture and storage (CCS) reservoirs (subject to necessary licences and authorisations being obtained under the applicable legislation);

- if the Leschenault Well contains two or more CCS reservoirs, AET may elect to participate to participate as a joint venture partner in a 20% interest in the licences or permits that would allow the well to be used for carbon sequestration; and

- If no gas discovery is made in the Leschenault Well and the Leschenault Well does not qualify as two CCS reservoirs under the relevant legislation, then (1) Pilot must reimburse AET for the costs of drilling and casing the Leschenault Well and (2) AET must assign all its rights and obligations (if any) in respect of the Leschenault Well to Pilot.

As part of the overall farmin transaction terms outlined above, Pilot has also agreed that upon the execution of definitive binding agreements for the farmin, the Company will issue to AET (or its nominee) 2,500,000 3-year options with an exercise price of (1) $0.10 per share if the binding farmin agreements are entered into prior to the recommencement of trading of the Company on ASX; or (2) 150% of the 5-day VWAP, if the legally binding farmin agreements are entered into after the reinstatement of securities in the Company on ASX.

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's 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 Limited 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 the Board of Directors of Pilot Energy Limited.

Enquiries:
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About Pilot: Pilot Energy Limited ACN 115 229 984 is a junior oil and gas exploration and production company that is aggressively pursuing the diversification and transition to the development of integrated renewable energy, hydrogen and carbon management projects leveraging existing oil and gas assets to cornerstone these developments. The Company's focus on the energy transition has resulted in the Company undertaking the acquisition of Royal Energy Pty Ltd as the holder of a 50% interest in the operator of the Cliff Head Oil Field and commencing detailed feasibility studies for the development of the Mid West Wind and Solar Project and the South West Blue Hydrogen and CCS Project. The Company holds material working interests in WA-481-P and EP416/480 exploration permits, located offshore and onshore Western Australia, which form foundation assets for the potential development of the Mid-West Wind and Solar and the South West Blue Hydrogen and CCS Projects.

About AET: Advanced Energy Transition Pty Ltd ACN 650 365 727 is a newly-established Western Australian based company focused in the energy transition sector. AET is mobilising a shallow water jack-up ("**SWJU**") to Australia and is marrying this with advanced drilling capabilities to support our clients in the following areas:

- Late life field extension enabling funding for decommissioning and/or repurposing of offshore facilities to support clean energy;
- Decommissioning of shallow water oil and gas facilities with low-emission innovative equipment and technologies;
- Installation of offshore wind power utilising proven oil and gas technologies and capabilities.

The drilling package which has previously operated in Western Australia under DMIRS-approved Health and Safety Management System can be deployed onshore and on the SWJU providing versatility for our clients operating across these sectors.

AET is delighted to have the opportunity to support Pilot on their EP416/480 permit areas targeting the Leschenault gas prospect and the important ongoing analysis of the CCS potential of this region, previously established by DMIRS and CSIRO.