

## **Announcement to ASX**

**29 April 2022**

# **MARCH 2022 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B**

## **HIGHLIGHTS**

- Completion of Renewable Energy and Hydrogen Technology Feasibility Studies.
- Positive results confirm multi-staged development pathway in the Mid West region to commence Carbon Capture & Storage development and viability to produce globally competitive clean hydrogen.
- Next steps for Pilot are to progress into the permitting and approvals process and front-end engineering and design (FEED) for a staged development of commercialising CCS and blue hydrogen leveraging 8 Rivers technology.
- Post quarter end:
  - on 4 April 2022, NOPTA provided final approval of Pilot's acquisition of the 40% interest in WA 481P previously held by Key Petroleum Limited. This final approval confirms Pilot as the 100% (legal) owner and operator of the WA 481P offshore exploration permit.
  - on 19 April 2022, Cliff Head Joint Venture (CHJV) confirms new oil sale and export arrangements via the Port of Geraldton, enabling continued Cliff Head oil production and the opportunity for other Perth Basin producers to export through CHJV facilities.
  - on 26 April 2022, CHJV announced to the ASX that Pilot and Triangle had reached agreement to restructure the existing joint venture ownership arrangements for the Cliff Head Joint Venture (CHJV) and the proposed Cliff Head Carbon Capture and Storage Project (CH CCS Project).

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 March 2022 (and post quarter events to date).

## OPERATIONS REPORT

### Cliff Head Joint Venture

The Cliff Head Joint Venture is effectively held by the following group entities:

- Triangle Energy (Global) Limited (ASX: TEG) ("Triangle"): 78.75%
- Pilot Energy Limited: 21.25%\*\*\*

#### a. Operations

The key operational statistics for the quarter for the CHJV (100% basis) are set out in the table below.

1 January - 31 March 2022	CHJV (100%)	Pilot (21.25%)
Production (bbls)	58,317	12,392
Average daily production (bopd)	648	138
Sales revenue ( bbls)	-	-
Average oil price received \$ per bbl		
Sales revenue (\$'000)	-	-
Oil Inventory (124,481 bbls) (\$'000)*	4,064	864
Routine operating costs (\$'000)	(2,345)	(498)
<b>Operating Margin (\$'000)</b>	<b>1,719</b>	<b>365</b>
Trucking, storage & handling (\$'000)	(807)	(171)
<b>Routine Profit (\$'000)</b>	<b>912</b>	<b>194</b>
Non-routine operating costs (\$'000)	(831)	(177)
<b>Gross Profit (before tax, \$'000)</b>	<b>81</b>	<b>17</b>

#### Notes:

\*Crude oil delivered and stored at BP Kwinana recorded as inventory until bill of lading. Quarterly figures represent a movement in a value of the cumulative barrels stored.

\*\*Figures may differ immaterially to Triangles reported numbers due to the exchange rate applied to sales revenue (if applicable), methodology in valuing inventory and classification of non-routine costs.

\*\*\* Pilot (via its 100% subsidiary, Royal Energy) holds a 50% interest in Triangle Energy (Operations) Pty Ltd ("TEO") which itself holds a 42.5% direct interest in WA -31 L and the Cliff Head Oil Field project. In accordance with applicable accounting standards, Pilot accounts for this investment on an equity accounting basis.

The Cliff Head Joint Venture ("CHJV") continued to produce and deliver crude oil to BP Refinery (Kwinana) Pty Ltd ("BP Kwinana") during the March 2022 quarter. Crude oil delivered to BP Kwinana is recorded as oil inventory until sold. Operating costs continue to be in line with budget estimates.

**b. Oil Sales and New Perth Basin oil export route established**

As announced to the ASX on 19 April 2022, the CHJV:

- will complete a sale of an estimated 140,000 barrels of oil stored at Kwinana in early May 2022 to BP, taking advantage of current high oil prices. The resulting payment in June from this sale will be approximately US\$14 million net to the CHJV (approximately US\$3 million/A\$4 million net to Pilot); and
- advised that plans for a Perth Basin Oil export route for the Cliff Head oil production is nearly complete. CHJV is to commence work on the refurbishment, upgrade and return to service two oil tanks at the onshore Arrowsmith Stabilisation Plant (ASP). Upon completion of the refurbishment, there will be a total of 30,000 barrels oil storage at ASP. The CHJV will spend AUD\$2.35 million on upgrading these two oil storage tanks.

From the beginning of May 2022, the CHJV, will store up to 30,000 barrels of oil in its three tanks at ASP, which will then be transported north to the Port of Geraldton and transported to refineries in Asia on a tanker chartered by the CHJV. Final details on the Perth Basin oil export arrangements are in the process of being completed with BP Singapore Pte Limited signing a new agreement in April 2022 to purchase the CHJV crude oil via the new Port of Geraldton export arrangements.

To facilitate this process, the CHJV has executed a Co-Operation Agreement with the Port of Geraldton. The tank refurbishment and the new Perth Basin Oil export route will enable continued CHJV oil production and export and allow other Perth Basin oil producers to export through the CHJV facilities.

**c. Cliff Head JV restructure agreement - provides clear pathway for Carbon Capture and Storage (CCS) development project at Cliff Head**

On 26 April 2022, CHJV announced to the ASX that Pilot and Triangle had reached agreement to restructure the existing joint venture ownership arrangements for the Cliff Head Joint Venture (CHJV) and the proposed Cliff Head Carbon Capture and Storage Project (CH CCS Project).

The key terms of the binding Cliff Head Re-Alignment Term Sheet – entered into between Pilot and Triangle and which are conditional upon Milestone 1\* are:

- Pilot and Triangle (via their wholly owned subsidiaries) will restructure their interests in the WA-31-L Cliff Head project resulting in Pilot holding a direct 57.5% participating interest share in CHJV (oil project) and the CH CCS Project and Triangle holding a direct 42.5% interest in both projects.
- Pilot will become operator of both the CHJV and the CH CCS JV, although Triangle will continue technical operatorship of the CHJV through its oil production life.
- The parties will co-operate and participate in an application to NOPTA for the

declaration of a greenhouse gas storage formation under the Offshore Petroleum and Greenhouse Gas Storage Act of 2006 (OPGGSA).

*\* Milestone 1: having the Cliff Head Oil Field reservoir declared a Greenhouse Gas Storage formation by NOPTA*

This will be the first offshore CCS development in Mid West WA and one of the first CCS projects to be implemented in Australia. Additionally, and of key importance, the implementation of the CH CCS Project will likely significantly extend the working life of substantially all of the CH JV facilities and defer material decommissioning costs well into the future.

Pilot previously announced that the feasibility study results indicate that the Cliff Head oil field and associated wells and infrastructure were both capable of supporting and suitable for a CCS project. Additional discussion of these feasibility results are provided below.

### **WA 481 – P Exploration**

During the quarter, PSDM reprocessing of approximately 2,000 line km of vintage 2D seismic was commenced by Velseis. This work is designed to provide better imaging of faults and stratigraphy which are contaminated by multiples and non-coherent noise on earlier rounds of processing. Lines chosen for the reprocessing are focused around the highly prospective eastern in-board, shallow water area of WA-481-P and leverage off 800 km of existing 2D reprocessing.

Planning for 3D/2D seismic acquisition to satisfy the 3D/2D seismic acquisition commitment (Year 1 to 3 period of the current term consisting of 350 km<sup>2</sup> 3D, 200 km 2D) commenced and included initial scoping of environmental and stakeholder approval and operational planning workstreams. Seismic acquisition is anticipated in 2023.

Note that wherever possible, Pilot will seek to align geophysical survey activities for future clean energy projects (for example CCS and Offshore Wind) in parallel with oil and gas related surveys, thereby leveraging operational programs for technical and financial benefit across assets.

### **EP 416 & EP 480 Exploration**

During the quarter Advanced Energy Transition Pty Ltd (“AET”) continued to work with potential investors and progressing the well engineering work stream for a possible exploration well in the permit/s. In parallel Pilot has completed a review of the required regulatory approvals (for example environmental approvals) and is developing its stakeholder engagement plan.

In addition, Pilot completed reprocessing of approximately 310 line kms (25 lines) of legacy 2D seismic across the permits utilizing a PSDM workflow and has commenced interpretation of the dataset. This work is designed to reduce structural and stratigraphic risk by providing more coherent fault delineation and overall improved reflection information. The reprocessing represents part of work commitments for Year 1 in EP 416 and Year 3 in EP 480.

AI inversion of approximately 60 km of 2D line data chosen from the reprocessed dataset

discussed above was also completed by Velseis during the quarter. Key objectives of this work are to establish reservoir and seal distribution across the area of coverage and forms part of work commitments for Year 1 in EP 416 and Year 3 in EP 480. Interpretation of the inversion work will commence in the next permit year/s.

Preparations continued for a baseline geochemical survey across the Leschenault structural feature which straddles EP 416 and EP 480. A survey layout has been selected and the environmental planning process is well underway. As the survey will be conducted primarily on crown and reserve lands, Pilot is applying for land access permissions from the relevant state government agencies.

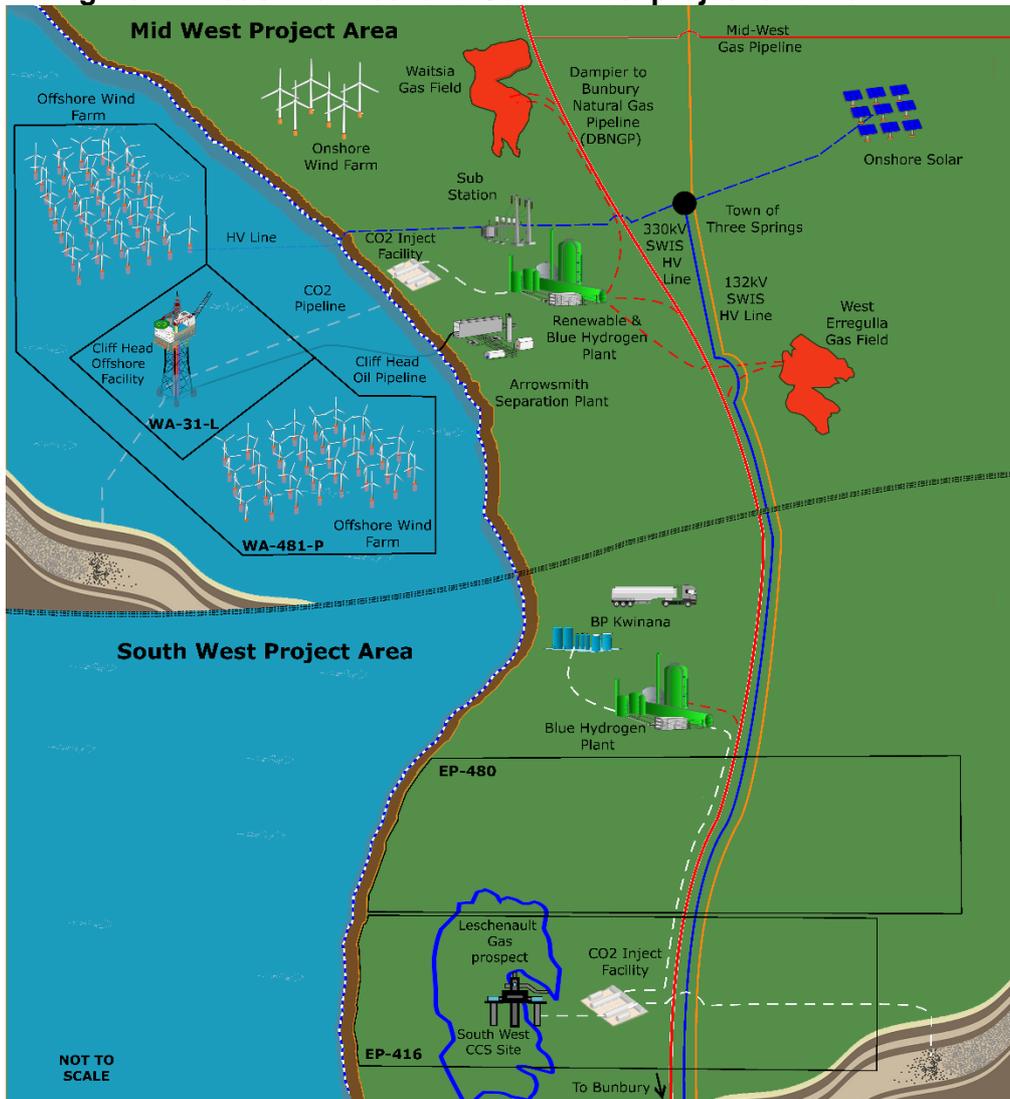
The principal objective of the geochemical survey is to establish the presence, distribution, and composition of hydrocarbons across the Leschenault structural feature via seeps and microseeps and determine the probable hydrocarbon i.e. document the presence of a working petroleum system.

### **CCS, Hydrogen and Renewables Feasibility studies**

During the quarter Pilot continued to assess the feasibility and economics of the development of large-scale CCS and clean hydrogen projects leveraging the Company's existing oil and gas production operations. The feasibility studies include:

- the Mid West Blue Hydrogen and CCS study (**Mid West CCS and Blue H<sub>2</sub> Study**) focused on the Cliff Head Oil field;
- the Mid West Renewable Energy Study (**Renewables Study**);
- the 8 Rivers Blue Hydrogen Technology Study (**8 Rivers Study**) and
- the WA 481P CCS Study (**WA 481P CCS Study**).
- The Company is undertaking a separate assessment of CCS and hydrogen opportunities through its South West Carbon Management study (**SW CCS**).

**Figure 1. Pilot’s Mid-West and South West project overview in WA**



**Figure 1.** above depicts Pilot’s projects and facilities together with infrastructure that Pilot proposes to develop subject to the results of the feasibility studies. Pilot’s future projects anticipate leveraging its existing assets and resources to develop world class clean energy projects across the Mid West and South West regions of Western Australia. The future infrastructure projects may include, as shown above, a CO2 pipeline and injection facility, blue hydrogen plants, CCS sites, offshore and onshore wind, solar, renewable hydrogen plant, substation, transmission lines and hydrogen pipelines.

The transition to the production of clean hydrogen requires CCS and renewable power generation. Pilot is well positioned to play a significant role in the energy transition through harnessing the world-class CCS and Renewable resources of Western Australia which overlap the Company’s existing assets and tenements.

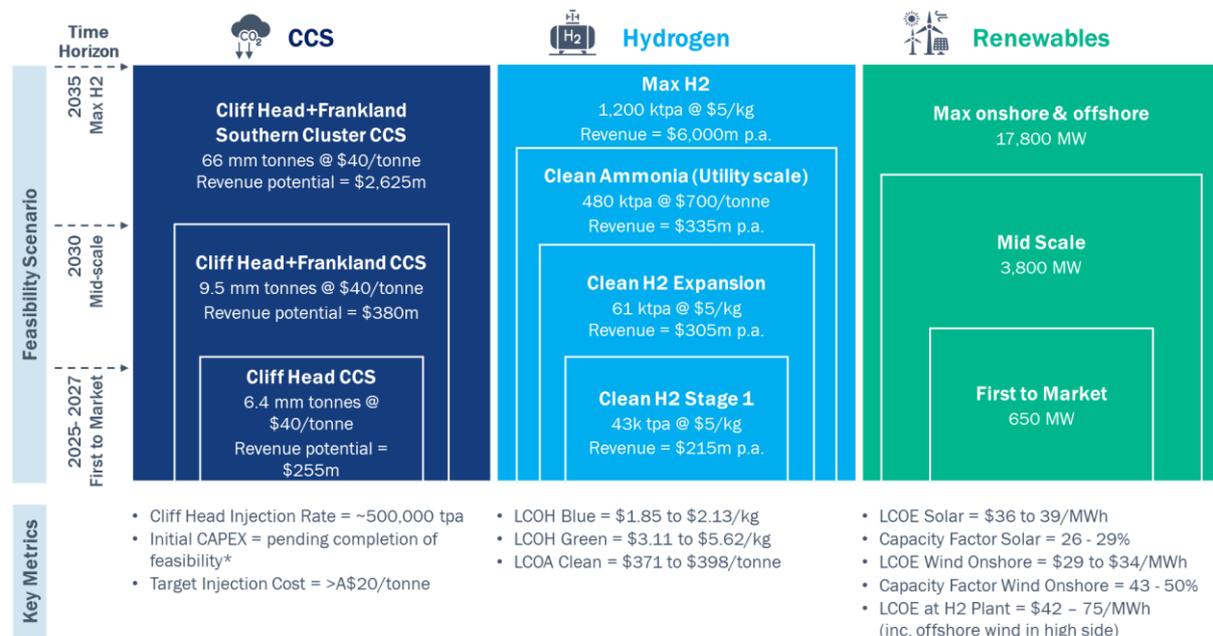
The Renewables Study and the 8 Rivers Study have been completed. The first stage of the WA 481P CCS Study has also completed providing a resource assessment of the CO<sub>2</sub> storage potential of Pilot’s 100% owned WA-481P exploration permit with estimates of both the Contingent and Prospective CO<sub>2</sub> storage resource capacity within the permit. Results of feasibility studies were detailed in separate ASX announcement on 28 March 2022.

The Company is nearing completion of the Mid West CCS and Blue H<sub>2</sub> Study which is assessing

the implementation of a CCS and Blue H<sub>2</sub> project centred on the Cliff Head Oil Field. Within the Mid West CCS and Blue H<sub>2</sub> study the company has also completed a resource assessment of the CO<sub>2</sub> storage potential of WA 31L area (Cliff Head production licence). The company currently expects to complete the studies during the quarter ending June 2022

Each of these feasibility studies have confirmed the significant opportunity to develop a large-scale clean hydrogen production project integrating CCS and renewable energy generation to produce hydrogen and electricity for both domestic and export markets. Figure 1 provides a summary of the Feasibility Study results.

**Figure 1 Feasibility Study Results Summary**



\*Refer to Annexure A for further details on the CCS and Blue H<sub>2</sub> Study. Gross (100%) CCS Resource

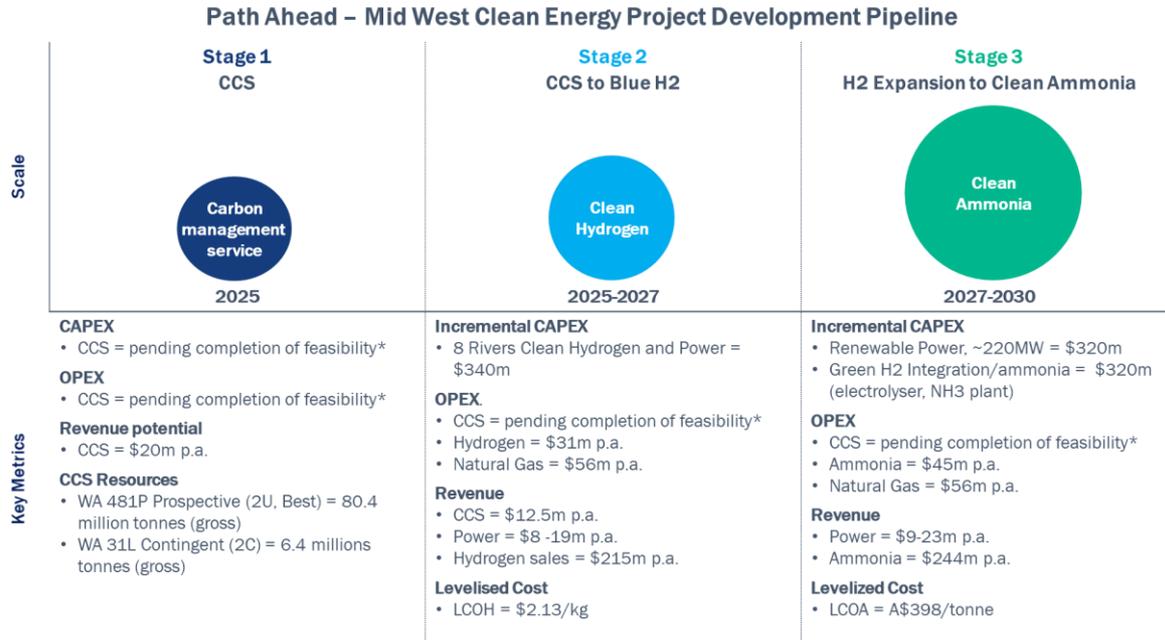
So far, the WA 481P and WA 31L CCS resource assessments have confirmed the significant carbon capture and storage potential (refer to the Contingent and Prospective Resources presented in the following section), with a total 10.8 million tonnes 2C Contingent resources and best estimate Prospective resources of 80.4 million tonnes. Subject to further assessment, these resources represent a potentially significant resource base for Pilot to develop its Carbon Management business providing CCS services to third parties and Pilot's own blue hydrogen plants.

Subject to the completion of the Mid West CCS and Blue H<sub>2</sub> Study, to date the study has also confirmed that the Cliff Head Oil Field reservoir can accommodate the injection of CO<sub>2</sub> at a rate of approximately 500,000 tonnes per annum utilizing the existing Cliff Head Oil Field offshore and onshore production facilities, wells and pipelines. A detailed review of the offshore and onshore production facilities, existing production and injection wells and the oil production and water injection pipeline is also being conducted. This review has confirmed that these production facilities are suitable for the implementation of a carbon sequestration operation. Further analysis in the next stage of the project will examine the specific actions required to repurpose the equipment for CCS operations.

Based on the completed studies, a recommended development pathway for the projects under

consideration is outlined in Figure 2 based on phased development over three stages:

**Figure 2 Path ahead – Mid West Clean Energy Project Staged Development<sup>1</sup>**



\*Refer to 28 March 2022 ASX release for further details on the Mid West CCS and Blue H<sub>2</sub> Study

- **Stage 1 - Carbon Capture & Storage** - development of a carbon capture and storage operation to provide CCS services to third parties and to support the subsequent production of blue hydrogen and clean gas-fired power;
- **Stage 2 - Hydrogen Production** – development of a blue hydrogen generation project utilizing the 8 Rivers clean hydrogen technology (<sup>8</sup>RH<sub>2</sub>) and clean power technology to produce ~43,000 tpa of blue hydrogen with near zero emissions; and
- **Stage 3 - Renewables\* and Green Hydrogen Project** – integration into the Mid West Blue Hydrogen Project of approximately 220 MW of renewable power generation from both wind and solar to produce a further 18,000 tpa of green hydrogen.

\*Subject to re-compliance conditions imposed by ASX

Upon completion of the 3-stage development, the Studies confirm (with feasibility-stage level confidence) that the Company will be able to produce approximately 61,000 tpa of clean hydrogen to produce approximately 350,000 tpa of clean ammonia to supply into Asian clean ammonia export markets.

### SW CCS Project

The SW CSS study is assessing the opportunity to provide carbon management services to the industrial precincts of WA South West region in addition to storing the CO<sub>2</sub> associated with a potential blue hydrogen project. The SW CCS Study is considering alternatives to provide a solution to the regions flue gas emissions which include:

- permanently storing a CO<sub>2</sub> or flue gas stream at the SW Hub CCS site; or

<sup>1</sup> Analysis assumes \$6.5/GJ Natural gas cost price; \$40/tonne CO<sub>2</sub> revenue; \$55 – 150MWh electricity revenue; \$5/kg Hydrogen revenue; \$700/tonne ammonia revenue

- transport the CO<sub>2</sub> stream to the Mid West as part of Pilots project planned for that region.

The Company expects to report the results of the SW CCS study in July 2022.

## CORPORATE ACTIVITIES

### Cash on hand

Cash on hand as at 31 March 2022, was \$2.437 million.

It is noted that during the March 2022 quarter there was no oil sale by the CHJV. As noted in this report, the next oil sale by the CHJV will be in early May, with payment due to be received in early June 2022 from BP Singapore, in the amount of approximately US\$14 million (net US\$3 million attributable to Pilot).

### Share Capital

During the March 2022 quarter the following shares and options were issued:

- 454,545 ordinary shares pursuant to an exercise of \$0.033 options issued on 21 January 2022.
- a total of 2,334,066 ordinary shares issued on 21 January 2022 to consultants to the Company who have provided services to Pilot between January - December 2021 and elected to take or part of their fees rendered in shares in lieu of cash payment of fees.
- on 1 February 2022: 10 million options issued to Whairo Capital expiring on 1 February 2024 with an exercise price of \$0.10
- on 18 March 2022: 17.5 million options were issued to board and management expiring on 28 February 2025, with an exercise price of \$0.10.

At 31 March 2022, the Company had the following capital structure:

- 504,390,312 shares on issue
- 105,499,971 outstanding (unlisted) options

There have been no shares or options issued post 31 March 2022.

### WA-481-P Termination of Sale Agreement with Triangle

On 9 November 2020 Pilot announced that it had entered into an agreement with Triangle Energy (Global) Limited (ASX:TEG) (Triangle) to, amongst other things, sell a 78.75% interest in, and operatorship of, the offshore Perth Basin exploration permit WA- 481-P. As previously disclosed, the sale and transfer of interest to Triangle is conditional on receipt of regulatory approval.

On 4 January 2022, Pilot received notice from the National Offshore Petroleum Titles Administrator (NOPTA) that, based on the information that it had received to date, NOPTA is proposing to refuse to approve the transfer to Triangle. Given the position expressed by NOPTA regarding the unlikely approval of the transfer to Triangle and the passing of the cut-off date, Pilot advised Triangle, as per the ASX release dated 2 February 2022, that it was terminating the Sale Agreement on the basis that the Conditions have not been satisfied or waived by the cut-off date.

As a result Pilot retains:

- (1) operatorship of and 100% beneficial interest in WA-481-P;
- (2) operatorship and 100% ownership of the Cliff Head wind and solar Project (a subset of Pilot's proposed Mid West Renewables project area); and
- (3) an interest in the Cliff Head Joint Venture, which owns the Cliff Head infrastructure, through its 50% interest in Triangle Energy Operations Pty Ltd, the operator of the Cliff Head Oil Field.

PGY has confirmed in writing to NOPTA its commitment to, and intentions and proposals with regards to, the satisfaction of the work commitments associated with WA-481-P. Pilot also confirmed (on 4 April 2022), in its release to the ASX, that it had increased its registered interest in the WA 481P offshore exploration permit to 100% following receipt of final approval from the NOPTA of Pilot's acquisition of the 40% interest previously held by Key Petroleum Limited. This final approval confirms Pilot as the 100% owner and operator of the WA 481P offshore exploration permit (refer to the Pilot Oil and gas asset map below).

## **Contingent and Prospective resources**

### **(i) Oil & Gas**

The Company confirms, and as per the 2021 Annual Report, that there are no changes to the WA 31-L and WA 481-P Contingent Resource (Oil and Gas) information which was previously presented to the market in the Company's ASX Announcement "Resources Update" dated 23 April 2021.

The Cliff Head Oil field Contingent Resources have not been re-assessed since the estimate dated 31 March 2021. However, the Company notes that during the period 1 April 2021 through to 31 March 2022, 247,301 bbls (Pilot share 52,551 bbls) of oil have been produced.

The Company confirms that there are no changes to the Contingent Resource estimates set out in 2021 Annual Report based on (1) the Cliff Head independent resources report prepared by RISC Advisory Pty Ltd (RISC) dated 16 April 2021 and (2) an Independent Technical Specialist Report prepared by RISC dated 28 January 2021 relating to the Company's Australian exploration assets.

## (ii) Carbon Capture and Storage

Pilot announced on 28 March 2022 the results of the Mid West Integrated Renewables and Hydrogen Project feasibility studies which included the WA 481P CCS Study undertaken by CO2Tech, the Company's principal feasibility consultant for CCS. The WA 481P CCS Study and the additional CCS feasibility study covering the Cliff Head Oil Field in the adjacent WA 31L production license area confirmed the CCS potential for both areas with the Contingent and Prospective Resources summarised below

### Greater Cliff Head & WA 481P CCS Storage Contingent & Prospective Resources\*

Contingent Storage Resource (million tonnes)	1C	2C	3C
WA 481P (Pilot share, 100% basis)	2.8	4.4	7.2
WA 31L (100 % basis)	1.0	6.4	15.8
Prospective Storage Resource (million tonnes)	1U	2U	3U
WA 481P (Pilot share, 100% basis)	46.2	80.4	144.2

\*Determined in accordance with the SPE SRMS Guidelines for estimating CO<sub>2</sub> storage resources

## 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.

## Feasibility Study Reporting

During the Mid-West Wind and Solar renewables feasibility period (through to September 2022), the Company is required by the ASX to provide the following additional information on the allocation of expenditure between its oil and gas activities and Mid West Wind and Solar feasibility activities.

Expenditure Category	Quarterly Expenditure for the period 1 January - 31 March 2022 (\$'000)	Proportion of total expenditure
<b>Oil &amp; Gas Activities</b>	<b>1,287</b>	<b>80%</b>
<ul style="list-style-type: none"> <li>Cliff Head operations and capex*</li> </ul>	895	56%
<ul style="list-style-type: none"> <li>Other exploration and feasibility expenditure</li> </ul>	392	24%
<b>Mid-West Wind and Solar</b>	<b>321</b>	<b>20%</b>
<b>Total</b>	<b>1,608</b>	<b>100%</b>

Notes:

\*Pilot (via its 100% subsidiary, Royal Energy) holds a 50% interest in TEO which itself holds a 42.5% direct interest in WA -31 L and the Cliff Head Oil Field project. In accordance with applicable accounting standards, Pilot accounts for this investment on an equity accounting basis. As such Pilot's expenditures in the above table represent Pilot's proportionate share of operational/capex expenditure incurred by CHJV. The figures reported in the Appendix 5B sections 2.3, 3.5 & 3.6 reports only net cashflows to/from TEO.

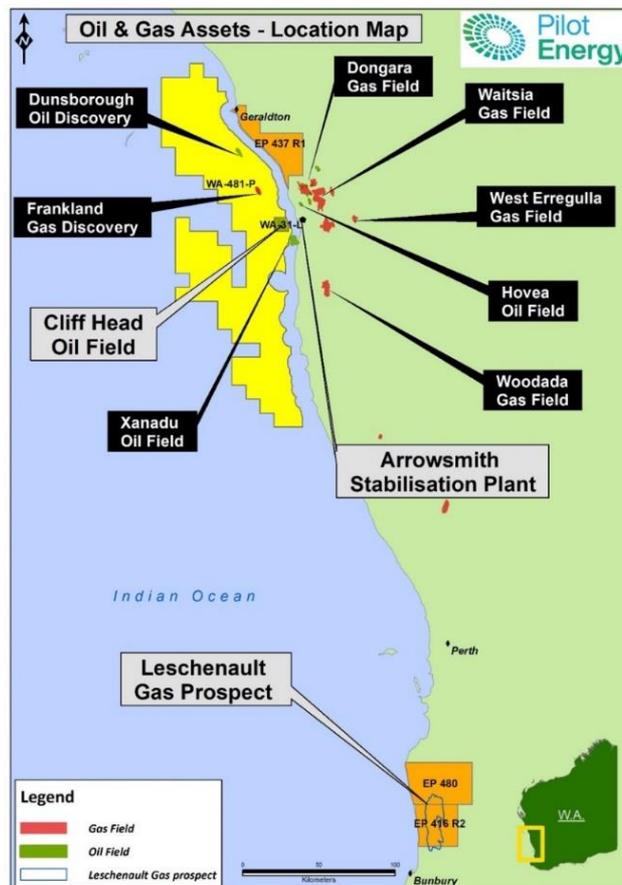
### ASX Listing Rule 5.3.3: Tenement Details

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
WA-31-L <sup>(i)</sup>	Western Australia – Offshore Commonwealth Waters	21.25%	21.25%
WA-481-P	Western Australia – Offshore Commonwealth Waters	100%	100%
EP416	Western Australia – Onshore	100%	100%
EP480	Western Australia – Onshore	100%	100%
EP437	Western Australia – Onshore	13.058%	13.058% <sup>(ii)</sup>

i) The Company holds a 50% interest in TEO which has a 42.5% direct interest in WA-31L.

ii) Since the end of the last quarter, on 20 April 2022, the Company concluded an agreement with Triangle Energy (Global) Limited (**TEG**) to transfer Pilot's 13.058% participating interest in EP 437 to TEG. Under the agreement and subject to NOPTA approval TEG assumes all of Pilot's obligations and liabilities in respect of the Permit, arising prior to and after the effective date



**Pilot Oil and Gas asset map**

**Competent Person Statement:**

This announcement contains information on conventional petroleum resources which is based on and fairly represents information and supporting documentation reviewed by Dr Xingjin Wang, a Petroleum Engineer with over 30 years' experience and a Master in Petroleum Engineering from the University of New South Wales and a PhD in applied Geology from the University of New South Wales. Dr Wang is an active member of the SPE and PESA and is qualified in accordance with ASX listing rule 5.1. He is a former Director of Pilot Energy Ltd and has consented to the inclusion of this information in the form and context to which it appears. This announcement has been authorised for release to ASX by Bradley Lingo and Tony Strasser on behalf of the Board of Directors of Pilot Energy Limited.

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**Enquiries**

Cate Friedlander, Company Secretary, email: [cfriedlander@pilotenergy.com.au](mailto:cfriedlander@pilotenergy.com.au)

**About Pilot:** Pilot is currently 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 by leveraging its existing oil and gas tenements and infrastructure to cornerstone these developments. Pilot holds a 21.25% interest in the Cliff Head Oil field, 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 clean energy projects in Western Australia.

**Annexure 1 Feasibility Study Reporting Conditions**

1. The Company must continue to spend funds on its existing and proposed oil and gas projects.
2. The Company must disclose in each quarterly activities report until September 2022, the proportion of expenditure incurred in relation to exploration and evaluation on the oil and gas projects and the Mid West Wind and Solar Project.
3. The Company must disclose as separate line items in each quarterly activities report until September 2022, expenditure incurred in relation to exploration and evaluation on the oil and gas projects and the Mid West Wind and Solar Project.
4. Proceeding beyond the feasibility study stage of the Project (or incurring expenditure in excess of the budgeted feasibility expenditure in relation to the Project) constitutes a change in the nature and scale of the Company's activities in terms of Listing Rule 11.1 and as such the Company will be required to comply with all of the requirements of Chapters 1 and 2 of the Listing Rules before it proceeds beyond the feasibility study or incurs expenditures in excess of the budgeted feasibility expenditure on the Project.

## Appendix 5B

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

Name of entity

PILOT ENERGY LIMITED

ABN

86 115 229 984

Quarter ended ("current quarter")

31 Mar 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	257
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(489)	(819)
	(e) administration and corporate costs	(649)*	(984)
1.3	Dividends received (See note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,138)</b>	<b>(1,546)</b>

\*includes payments of \$437k for legal fees and \$61K for audit & accounting part relating to past costs re ASX relisting.

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & feasibility expenditure (if capitalised)	(713)	(1,341)
	(e) investments	-	-
	(f) other non-current assets	-	-

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

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	(891)	(320)
2.4	Dividends received (see note 3)	-	-
2.5	Other (Consortium receipts)	203	203
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,401)</b>	<b>(1,458)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	(14)
3.5	Proceeds from borrowings	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>(14)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,976	5,455
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,138)	(1,546)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,401)	(1,458)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(14)

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,437</b>	<b>2,437</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,437	4,976
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,437</b>	<b>4,976</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

457

-

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

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

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

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,138)
8.2 Capitalised exploration & feasibility expenditure (Item 2.1(d))	(713)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,851)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,437
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,437
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	1.3

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

- 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:

No. The Company expects cash from operating activities to increase over the coming quarters for several reasons:

- The Company did not receive any revenue from oil sales during this quarter. Revenue for this March 2022 quarter will be received in early June. The next oil sale by the CHJV will be in early May, with payment due to be received in early June 2022 from BP Singapore, with net US\$3 million attributable to Pilot.
- Revenue from sales of oil production will be received on a two monthly cycle from June onwards rather than the extended period between oil sales under the previous arrangements which saw the last crude oil sales occur in November 2021.
- There is also an expected production increase of approximately 150 BOPD (100% basis) from the planned Cliff Head-10 well workover and production reinstatement.
- Monthly corporate costs are also now expected to decrease as the company is now project focused and there were significant past legal costs in this period relating to ASX reinstatement.

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

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

Answer:

Yes, the Company is reviewing various arrangements to continue to fund its operations, including advanced discussions with strategic partners, farm-in plans and potential equity raising. The company is very confident that funding arrangements will be secured in the coming months.

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

Answer: Yes – on the basis of revised oil sales arrangements (ie to receive revenue on two monthly basis) as well as raising additional funds to meet our ongoing obligations.

**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: 29 April 2022.....

Authorised by: By the Board.....  
(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.