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Announcement to ASX

25 September 2020

PILOT ENERGY TO ACQUIRE ROYAL ENERGY

Highlights

- **Pilot to acquire 100% of Royal Energy in all-scrip acquisition for 143.9 million Pilot shares subject to Pilot shareholder approval**
- **Through the acquisition Pilot will own a 21.25% economic interest in Cliff Head Oil Field JV and associated infrastructure and assets**
- **Acquisition also gives Pilot joint operational control of Cliff Head Oil Field JV through 50% ownership of the Cliff Head Oil JV operator**
- **Acquisition complements the Company's 100% ownership and operatorship of WA-481-P and the proposed Mid West Wind & Solar Project**
- **Pilot to has secured commitments for a \$2.5 million placement and is now well capitalised to support combined Pilot/Royal Energy focus on Mid West Wind & Solar Project, WA-481-P and Cliff Head Oil Field**
- **Pilot will undertake a Share Purchase Plan to further strengthen the Company's cash resources**

Royal Energy Acquisition

Pilot Energy Limited (**ASX: PGY**) (**Pilot** or the **Company**) is pleased to announce that it has entered into a definitive share sale deed to acquire 100% of the shares of Royal Energy Pty. Ltd. (**Royal Energy**) for 143,939,394 Pilot shares (the **Acquisition**). Royal Energy is a privately owned Australian oil and gas

company. The Acquisition is subject to the approval of Pilot shareholders which will be sought at an extraordinary meeting of shareholders expected to be held in early November 2020.

Royal Energy Assets

Royal Energy holds an indirect 21.25% interest in the Cliff Head Oil Field Joint Venture (**CHJV**) through 50% ownership of Triangle Energy (Operations) Pty. Ltd (**TEO**). TEO is the operator of the Cliff Head Joint Venture and owner of 42.5% interest in the Cliff Head Oil Field Joint Venture. Through the 50% ownership of TEO, Royal Energy holds joint operational control of the CHJV and holds 50% of the Board seats for TEO. Royal Energy's other assets also include approximately \$1 million in cash and a holding of 5,208,488 shares in Vintage Energy Limited (ASX: VEN).

The Cliff Head Oil Field (Cliff Head) is located in the offshore portion of the Perth Basin about 270 kilometres north of Perth and 12 kilometres off the coast of Dongara in Western Australia. Cliff Head resides in the Production License WA-31-L which covers 72km², and the oil field covers 6km² in the Commonwealth Exploration Permit WA-286-P. Cliff Head is located at a water depth of 15-20 metres. Current oil production is approximately 800-900 bopd gross from the Cliff Head field. Oil is produced via five production wells at the offshore Cliff Head A Production Platform. The platform is connected to the onshore Arrowsmith Stabilisation Plant by twin 14km production and injection pipelines.

Cliff Head A Production Platform

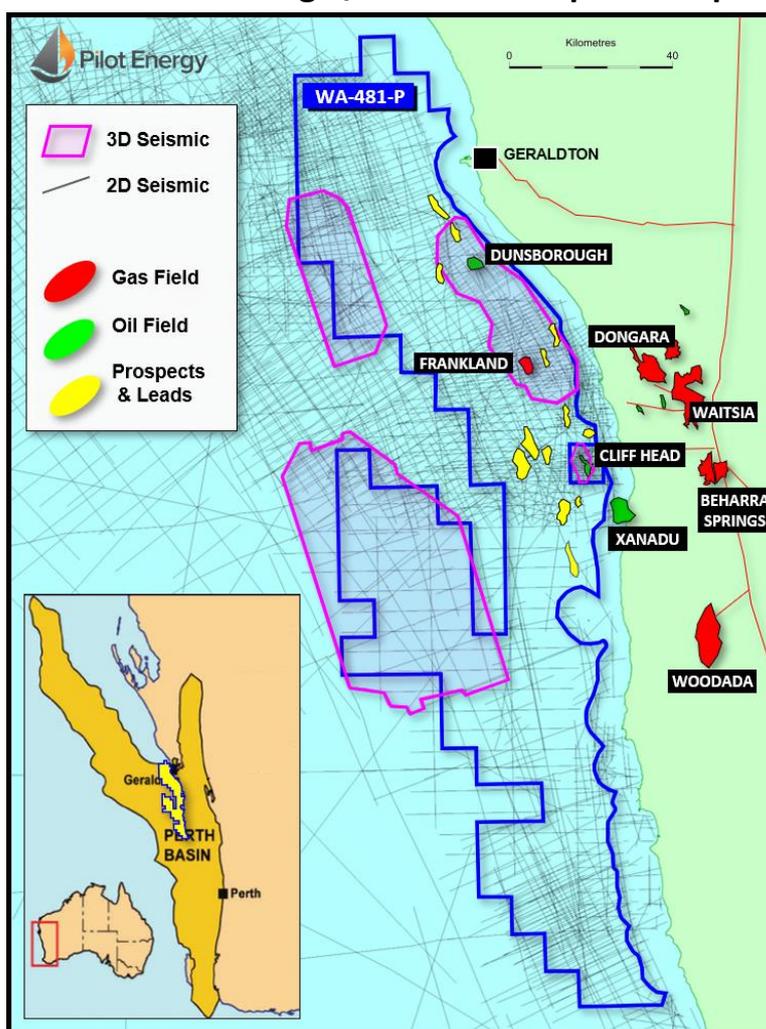


The Cliff Head facilities are the only offshore and operating onshore infrastructure in the Perth Basin, and therefore, important for any development in the surrounding area. Cliff Head was the first commercial oil discovery developed in the offshore Perth Basin. The development cost of the field was A\$327m with first oil production commencing in May 2006. To-date the field has produced over 14.8 million barrels and continues to produce at above originally forecast rates.

Royal Energy Acquisition Highly Complimentary

Pilot sees Royal Energy's assets and management highly as complementary to Pilot's focus on the development of the Mid West Wind & Solar Project (see PGY ASX announcement 4 September 2020) and Pilot's 100% ownership and operatorship of WA-481-P (see PGY ASX announcement 8 September 2020) which is located immediately adjacent to and surrounds the Cliff Head Oil Field offshore production area, facilities and license. (see map below)

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



Becoming part of the CHJV, compliments both the Mid West Wind & Solar Project but also the upstream oil and gas exploration and development opportunities in the highly prospective WA-481-P license area.

Cliff Head Offshore compliments proposed Mid West Wind & Solar Project - As outlined in the ASX announcement of 4 September 2020 announcing Pilot's intention to focus on the Mid West Wind & Solar Project, the Company has identified that the area of WA-481-P has significant potential for the commercial development of a large scale offshore wind farm and that anchoring the potential

development around the Cliff Head Oil Field offshore facilities can greatly simplify and accelerate the project through leveraging off both the existing offshore facilities, offshore easements and shore crossing and the onshore facilities and infrastructure but also leveraging off the significant marine, geotechnical, environmental and wind and climatic information built up over the development of the Cliff Head Oil Field and 14-years of operations since production operations commenced in May 2006.

It is estimated by BVG Associates, a leading strategic consultant in renewable energy with significant experience in offshore wind and in advising the oil and gas industry seeking to diversify into renewable energy, that based on an analysis of multiple offshore wind projects located offshore the UK that the cost of offshore substation is approximately 3.5% of the total offshore wind project total cost. The structural component of an offshore substation is approximately GBP 60,000/MW (AUD 106,000/MW) and that the other offshore substation facilities (excluding electrical systems) is an additional GBP 20,000/MW (AUD 35,000/MW).

On this basis the ability to potentially multitask the Cliff Head Oil Field offshore facilities for the Mid West Wind & Solar Project represents a capital cost component of over AUD 150 million based on the notional 1.1 GW offshore wind project. The Company will make a major focus of the Mid West Wind & Solar Project feasibility study to identify all of the opportunities to integrate the offshore wind project into the existing Cliff Head Oil Field offshore and onshore facilities and operations. The Company believes that the potential integration synergies and cost savings both in development and operation of the offshore wind project are likely to be significant and have the potential to materially improve the projects overall economic attractiveness. Multitasking the CHJV facilities to allow concurrent oil production with offshore wind farm operations, should result in the facilities fixed costs to be allocated across a broader asset base therefore potentially lowering the economic threshold for Cliff Head extension opportunities.

Cliff Head Offshore compliments WA-481-P opportunities – Securing a position in the CHJV and the associated facilities also greatly enhances the opportunities for both the exploration and development potential within the highly prospective WA-481-P offshore exploration permit. The permit covers a very large area over the offshore extension of the Northern Perth Basin, on trend with numerous oil and gas discoveries. WA-481-P is already well covered by both 3D and 2D seismic data, which confirms the presence of fourteen structural prospects across a variety of geological plays, three of which have been identified as priority targets for future exploration.

WA-481-P also contains two undeveloped discoveries in close proximity to the Cliff Head A Production Platform – the Frankland Gas and Dunsborough Oil discoveries (see map above). Access to the CHJV facilities greatly enhances the commercialisation potential for these discoveries as well as the multiple oil and gas leads and prospects already identified in WA-481-P that surround the Cliff Head A Production Platform (see map above).

The exploration potential of WA-481-P and the leads and prospects within the permit are outlined in the Company's ASX release of 17 August 2020. A detailed review of the Frankland and Dunsborough discoveries and the other leads and prospects in WA-481-P is included in the Independent Technical Specialist Report prepared by RISC Operations Pty Ltd lodged with the ASX on 13 June 2017 as part of the Notice of Meeting and Explanatory Memorandum.

Royal Energy Management Team and Combined Management of Pilot

Royal Energy has an experienced management team which is highly complementary to the Pilot Board and management team. Royal Energy is headed up by Mr. Tony Strasser, CEO and Managing Director. Mr. Strasser has extensive oil and gas company leadership and management experience in both listed and unlisted oil and gas companies. He has a strong record of project management having successfully led the first non- ESSO/BHP offshore FPSO development in the Bass Strait. He is a qualified Chartered Accountant with extensive experience in corporate finance, M&A, capital raising with a strong pedigree in capital management and corporate governance. He led Anzon Energy to successful IPOs on the ASX and London's AIM stock exchange. Tony was the co-founder of Bridgeport Energy Limited and Royal Energy.

Upon completion of the acquisition of Royal Energy, Mr. Tony Strasser will become the Managing Director of the Company and be responsible for the overall day-to-day executive management of the Company. In the role of Executive Chairman, Mr. Lingo will specifically focus on driving the Company's focus on the Mid West Wind and Solar Project. The Managing director's remuneration will include \$350,000 plus superannuation & annual STI (Short Term Incentive) bonus subject to performance criteria & LTI (Long Term Incentive) Shares to be agreed under the LTI plan, the amount of STI and LTI bonus will be confirmed by the Board of Directors.

The Board of Pilot will be comprised of Mr. Brad Lingo, Executive Chairman, Tony Strasser, Managing Director, Bruce Gordon, Non-Executive Director and Daniel Chen, Non-Executive Director. Michael Lonergan, Dr Walker Li and Mr Guoping Bai will retire from the Pilot Board prior to completion of the acquisition.

The Board of Pilot would like to thank Messers Lonergan, Li and Bai for their efforts in building the Company's position in the Perth Basin and supporting the plan to maximize the Company's position in the offshore Perth Basin through both the Royal Energy acquisition and the Company's focus on pursuing the World-class offshore wind resource of the offshore Perth Basin.

Capital Raising Program

Equity Placement - In conjunction with the Royal Energy acquisition, the Company advises that it has received firm commitments from sophisticated and professional investor to subscribe for 75,757,576 shares at an issue price of \$0.033 per share to raise \$2.5 million before costs (**Placement**). The Company will also issue a total of 37,878,788 options (**Options**) on the basis of one Option for every two shares acquired in the Placement. The Placement will proceed in two tranches as follows:

- Tranche 1 will raise A\$525,000 via the issue of 15,909,091 shares and 7,954,545 Options pursuant to the Company's existing placement capacity under ASX Listing Rules 7.1 and 7.1A (**Tranche 1**). The Tranche 1 shares will settle on 30th September, 2020; and
- Tranche 2 will raise A\$1,975,000 via the issue of 59,848,485 shares and 29,924,242 Options (**Tranche 2**). The issue of the Tranche 2 shares and Options and the Tranche 1 Options is subject

to the approval of Pilot shareholders which will be sought at an extraordinary meeting of shareholders expected to be held in early November 2020.

The Options will be unlisted, have an exercise price of \$0.066 and have an expiry date of two years from their date of issue.

Bridge Street Capital acted as Lead Manager of the Placement. The Placement is not underwritten.

Use of Proceeds - The proceeds from the Placement, together with the cash and cash equivalent assets acquired through the Royal Energy acquisition will be utilised as follows:

Sources and Uses of Funds			
Sources of funds		Uses of Funds	
Equity Placement	\$2.5m	Wind and Solar Project Feasibility	\$1.2m
Royal Cash/Equivalents	\$1.4m	Cliff Head Project Extension Capex	\$1.0m
		Pilot permit work program commitments	\$0.5m
		Corporate costs & working capital	\$1.2m
Total Sources	\$3.9m	Total Uses	\$3.9m

Pilot's Chairman, Brad Lingo, said "We are pleased that the Equity Placement was supported by a diverse group of institutional and sophisticated investors, the majority of which are new to the Pilot share registry. With the funds raised from this transaction, potentially bolstered by additional capital from a Share Purchase Plan, the Company is now fully funded to pursue the feasibility study for the Mid West Wind and Solar Project and capex at Cliff Head designed to extend to life of this highly strategic asset. Importantly, with the additional working capital, Pilot now has sufficient runway to allow it to add significant value to these exciting projects".

Share Purchase Plan - The Company will also undertake a Share Purchase Plan (**SPP**) following completion of Tranche 1 of the Placement. The SPP will be offered to eligible shareholders to enable the Company to raise additional funds and provide an opportunity for shareholders to participate in the capital raising program of the Company. Details of the SPP will be advised in due course.

Pilot will give eligible shareholders who were on the Company's share register at 7.00pm (AEST) on Thursday 24th September 2020 and having a registered address in Australia or New Zealand an opportunity to subscribe for new fully paid ordinary shares (**SPP Shares**) and Options. Eligible shareholders will be entitled to acquire up to \$30,000 of SPP Shares and Options on identical terms as the Placement, being \$0.033 per share and one Option for every two shares acquired.

Participation in the SPP is optional but will give eligible shareholders the opportunity to increase their shareholding without paying brokerage fees or transaction costs, irrespective of the size of their shareholding. Full details of the Share Purchase Plan, including offer letters and the entitlement and acceptance form, will be mailed to eligible shareholders on or around Friday 2nd October 2020. A copy of the SPP documentation will also be lodged with the ASX.

Pilot's Chairman, Brad Lingo, said "The Company recognizes the value of both the potential of the offshore wind resource of the Western Australian Mid West Region and the offshore upstream Perth Basin. The Company strongly believes that by bringing both these together with the Cliff Head Oil Field offshore operations and infrastructure it can demonstrate the value of bringing both these elements together. Successfully doing this will create tremendous opportunity for the Mid West Region of Western Australia and creating tremendous amount of value for shareholders.

Mr. Lingo added "The development of the Mid West Wind and Solar Project based on the offshore wind resources associated with the Company's positions in both the Cliff Head Oil Field and WA-481-P is well suited to satisfy the Western Australian Government's call for 1.5 GW of clean energy and the commitment to develop of the Oakajee Strategic Industrial Area based on the renewable resource potential of the Mid West Region."

"As the Company previously announced, we believe that the Company has the unique opportunity to bring together and integrate three critical platforms essential to the successful delivery of the energy transition."

"Focussing on bringing these elements together around the Mid West Wind and Solar Project provides the opportunity to deliver strong growth and significant shareholder value".

Regal Energy's CEO, Tony Strasser, said "Royal Energy is pleased with the Acquisition and excited by the complementary asset base the combination provides. The highly prospective WA-481-P exploration permit surrounding Cliff Head greatly improves the scope of the Cliff Head life extension project, whilst simultaneously enabling the Company to capitalise on the energy transition with the exciting Mid West Wind and Solar Project."

"The Acquisition provides shareholders the opportunity to realise the significant latent value of the CHJV's infrastructure."

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

Enquiries

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About Pilot Energy: Pilot Energy Ltd is an emerging junior oil and gas exploration company that is implementing a low-cost, counter-cyclical strategy to develop a portfolio of high quality oil, gas and energy assets. The Company's aggressive new ventures program has resulted in the proposed Mid West Wind and Solar project and material working interests in WA-481-P, WA-503-P and EP416/480

exploration permits, located offshore and onshore Western Australia, in addition to a minor working interest in the EP437 permit.