

Pilot secures convertible note funding to raise \$1.1 million

Pilot Energy Limited (**ASX: PGY**) (**Pilot** or **Company**) is pleased to announce that it has entered into a binding convertible note facility (**Facility**) with a group of sophisticated investors including Discovery Investments Pty Ltd (**Investor Group**), for an investment in the Company of up to \$1.1 million (**Face Value**).

The Facility provides for an issue of convertible notes (**Notes**) to be issued for the Face Value, subject to and conditional upon shareholder approval being obtained for the issue of the Notes under ASX Listing Rule 7.1 (**Condition**). The initial tranche of \$1.1 million of the total Face Value to be subscribed for by the Investor Group under the Facility has been advanced to the Company as an unsecured advance payment, repayment of which will be offset against the subscription amounts under the Notes. Subject to satisfaction of the Condition, the corresponding Notes up to the Face Value will be issued to the members of the Investor Group (initial and subsequent tranches). The key terms of the Notes are summarized in the attached Appendix.

Whairo Capital Pty Ltd acted as Lead Arranger for the Facility and the placement of the Notes. In addition to the investors arranged by Whairo Capital, the Investor Group includes Discovery Investments Pty Ltd investor syndicate (**Discovery**, led by Mr. Greg Columbus (non -executive Chair of Pilot and former chair of Warrego Energy Limited). This is the Company's fifth convertible note facility supported by the Discovery investor syndicate since May 2023.

The proceeds of the Transaction (net of the issue costs) are to be used to: (1) to fund the on-going operation and maintenance of the Cliff Head Oil Field operating assets; (b) to undertake the conversion of the Cliff Head Oil Field into a CCS project; and (c) general working capital for the Company.

Pilot continues to pursue a number of corporate and financing initiatives which have the potential to materially enhance the value of the Company.

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This announcement has been authorised for release to ASX by the Board of the Company.

Enquiries

For more information contact:

Brian Siddall

Chief Executive Officer

Pilot Energy

bsiddall@pilotenergy.com.au

+61 (0) 431 943 030

About Pilot Energy

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 permits WA-481-P and G-12 AP, located offshore Western Australia.

APPENDIX A

KEY TERMS OF CONVERTIBLE NOTES

Investment Amount	<p>Up to \$2,000,000 (Face Value) invested as follows:</p> <ul style="list-style-type: none"> - \$1,100,000 to be advanced to the Company within 7 Business Days of the execution date of the Convertible Note Terms Sheet (Facility Agreement) with no rights of conversion; and - \$900,000 contingent on the Arranger securing placement to additional sophisticated investors and subject to the Condition (defined below) being satisfied.
Condition Precedent	<p>The issue of all the Notes is conditional upon shareholders approving the issuance of the Notes or the Company having the capacity to issue the Notes under ASX Listing Rule 7.1. The Company proposes to convene a general meeting of shareholders (GM) following the closing of the first tranche under the Facility Agreement following which the Company anticipates issuing the Notes. If the shareholders do not approve the issue of the Notes at the GM, the Company will issue the Notes out of its available capacity under ASX Listing Rule 7.1 following the GM.</p>
Investor Syndicate	<p>Under the Facility Agreement, the Company has agreed that the Arranger (as lead of the Investor Syndicate) may novate the right to subscribe for the Notes to members of the Investor Syndicate. All members of the Investor Syndicate are sophisticated investors.</p>
Payment of face value of Convertible Notes and issue of Convertible Notes	<ul style="list-style-type: none"> - The applicable Investors (tranche 1) will advance \$1,100,000 to the Company within 3 business days following the execution of the Facility Agreement without any rights of conversion (Advance Funds). - The remaining amount of the Face Value (i.e. Notes valued up to \$900,000) will be paid to the Company within 7 days following satisfaction of the Condition, subject to the Arranger placing the Notes to additional sophisticated investors. - Subject to the Company satisfying the Condition and receiving payment of the Face Value, the Company will issue the Notes to the Investors. - In the case of the Investors who contributed the Advanced Funds to the Company upon execution of the Facility Agreement, all amounts so advanced will be offset against the subscription amounts they are due to pay under the Facility Agreement.
Term	<p>The term of the Notes is 12 months from the date the Company receives the Subscription Amounts.</p>
Coupon Rate	<ul style="list-style-type: none"> - rate of 15% per annum, accruing daily and payable quarterly in arrears. - Interest in respect of the Advanced Funds will be calculated from the date on which such amounts were paid to the Company.

<p>Conversion Price</p>	<p>The price to convert the Notes into shares in the capital of the Company (Share) is the lower of:</p> <ul style="list-style-type: none"> – (i) \$0.075 per Share; and – (ii) a 10% discount to the 15-day VWAP of the Shares immediately preceding the Conversion Date.
<p>Conversion</p>	<ul style="list-style-type: none"> - No conversion may occur unless and until Shareholder Approval has been obtained by the Company under the ASX Listing Rules to approve: (1) the issue of the Notes; and (2) the issue of the Shares and options on conversion. - If converted prior to the end of the Term, each Note will convert into that number of Shares as is determined by dividing the face value of the applicable Note by the Conversion Price. - Until the Condition has been satisfied, the Convertible Notes remain on foot as debt instruments and are not convertible by the Investor. - Conversion on the expiry of the Term may be (at the Investor’s election) by any of the following options: <ul style="list-style-type: none"> (i) cash in the amount of the face value of the Notes; or (ii) Shares.
<p>Security</p>	<p>Subject to the consent of Triangle Energy (Group) Limited (TEG) as the holder of an existing first ranking security interest, the Company will negotiate in good faith with the Arranger and, following the GM, enter into a general security deed (GSD) under which the Company will grant the Arranger (as agent for and on behalf of each Investor) a first lien general security interest over the Company’s interest in the WA-481P petroleum exploration license.</p> <p>For the avoidance of doubt in respect to the grant of security referred to above, the Company shall retain the right to farmout and transfer interests in title to WA-481P to unrelated third parties through bona fide arm’s length commercial transactions for fair value free and clear of the security interest granted to the Investor and the Investor will provide written consent to such transfers and any necessary release of such security to the extent of such transfer in the ordinary course.</p>
<p>Investor Options</p>	<ul style="list-style-type: none"> – Subject to satisfaction of the Condition, Investors will be issued 10 options for every \$1 invested under the Notes (Investor Options). For the avoidance of doubt, to the extent the Arranger participates as an Investor, it will be entitled to Investor Options issued on the same basis as the Investor Options. – The key terms of the Investor Options are as follows: <ul style="list-style-type: none"> (i) Exercise Price: \$0.05 per option (ii) Expiry Date: 3 years from issue; and (iii) Each Investor Option is exercisable into one fully paid ordinary Share.

	<ul style="list-style-type: none"> – Investor Options may be issued directly to Investors or to a nominee or custodian nominated by the Arranger on behalf of Investors.
Arranger Options	<ul style="list-style-type: none"> – Subject to receiving Shareholder Approval, the Company will issue the Arranger 15,000,000 options as consideration for arranging the Capital Raise (Arranger Options). – The Arranger Options will be issued on the same terms as the Investor Options. – In the event that the issue of the Arranger Options is not approved by shareholders at the GM as provided for in Item 6 of the Facility Agreement, the Company will issue the Arranger Options at such time as the Company has capacity to issue under ASX Listing Rule 7.1.
Fees	<ul style="list-style-type: none"> - A fee equal to 6% of the aggregate Investment Amount payable, at the Arranger’s election, in fully paid ordinary Shares (subject to the Company having capacity to issue such shares under ASX Listing Rule 7.1 and 7.1A) or in cash, to the Arranger (or its nominee) subject to Shareholder Approval and compliance with the ASX Listing Rules. - For the avoidance of doubt, the fee is payable to the Arranger in its capacity as Arranger and is separate from any securities issued to the Arranger as an Investor.
Other terms	<ul style="list-style-type: none"> - The Investor Options and the Arranger Options will not be quoted on ASX. - On conversion of the Notes, the Company will apply to have the Shares quoted on ASX. - The Convertible Note Agreement contains customary investor protections.