

BUILDING A DIVERSIFIED ASSET PORTFOLIO

Investment Highlights

- Pilot Energy (PGY) (formerly Rampart Energy Ltd) is a junior oil and gas explorer with a diversified portfolio of projects representing both onshore and offshore Western Australia, with the potential for both oil and gas. The Company underwent a significant Board and management restructure during 2015 which was followed closely by a complete restructure of the business. This restructure entailed the disposal of previous assets and the adoption of a new strategy of counter-cyclical investment in oil and gas assets that the Company believes will yield significant shareholder value over time. In our opinion, while the projects acquired are all early stage, we consider the prospective potential, relative to the stocks current market capitalisation, as deserving of a Speculative Buy recommendation.**
- Change of strategy and exit of old projects –** During the course of 2015 the Company announced a change in strategy which stemmed from a complete change to the Board and management, this also prompted the Company name change to reflect a new direction. The new strategy culminated in the decision to dispose of its 30% Working Interest (WI) in the Alaskan North Slope asset and exiting Alaska entirely, by agreeing terms with its Joint Venture (JV) partner Royale Energy. Under the terms of the agreement, the parties agreed to release each other from all current and future claims relating to the ongoing dispute within the JV and furthermore, Royale agreed to pay PGY the sum of up to US\$500,000 (these funds have subsequently been received).
- New Projects –** During the course of 2015, and in tandem with the asset disposal mentioned above, PGY focused on its new asset acquisition strategy. This new strategy has seen the Company acquire a Working Interest (WI) in five permits across four projects. Of the four projects, two are offshore WA and the other two are onshore WA. The offshore projects comprise an 80% WI and Operatorship in each of WA-507-P and WA-503-P, while the onshore projects comprise a 60% WI and Operatorship (subject to government approval) in EP 416 & EP 480 and the final project is a 13.058% WI in EP 437.
- Valuation -** While it is premature to attempt a valuation on PGY based on any potential cash flows, an examination of the existing independent assessment of the prospective resources for WA-507-P conducted by Gaffney Cline & Associates gives us to conclude that the current share price represents a cheap entry into this junior explorer with an attractive diversified portfolio of onshore and offshore WA, oil and gas, early stage projects
- Corporate –** PGY has 1,605.5m shares on issue and 294.1m options at various strike prices (the majority are substantially above the current spot price), and 45.0m performance rights. As at 31 December 2015 the Company had \$763,000 in cash and receivables and no debt. PGY indicated that it expected total expenditure for the March Quarter 2016 to be \$230,000. The top 20 shareholders currently comprise 40.33% of the shares in issue, and notably, the Board and management hold approximately 15.9%.
- Catalysts -** We consider the primary short term catalyst as being the potential success in attracting a suitable farm-in partner for WA-507-P and WA-503-P. Further short term catalysts include the announcement of the GCA assessment of prospective resources on WA-503-P, and the final results of the airborne geophysical survey on EP416 & EP480.

3 February 2016

12mth Rating **Speculative Buy**

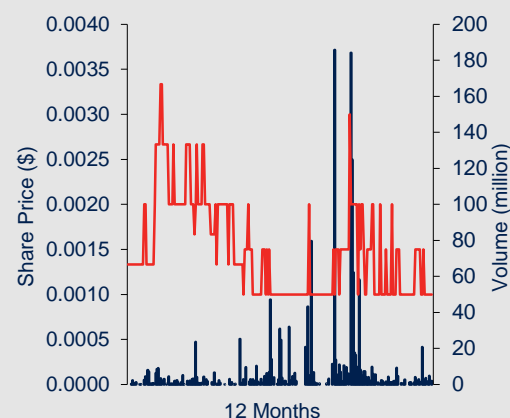
Price	A\$	0.001
RIC: PGY.AX		BBG: PGY AU
Shares o/s	m	1,605.5
Free Float	%	84.1
Market Cap.	A\$m	1.6
Net Debt (Cash)	A\$m	(0.763)
3m Av. D. T'over	A\$m	0.01
52wk High/Low	A\$	0.003 / 0.001

Analyst: Jason Chesters, CFA
Phone: 08 9263 1144
Email: jchesters@psl.com.au

Disclosure: Patersons Securities acted as Joint Lead Manager and Underwriter to a fully underwritten 2:1 Rights Issue in July 2015 at a price of A\$0.001/share, which collectively raised A\$1.06m.

An investment in this company should be considered speculative and note assumptions employed are contingent on broader market conditions remaining buoyant. These can change at short notice. Recommendations are current at the time of publication.

12 Month Share Price Performance



EXECUTIVE SUMMARY

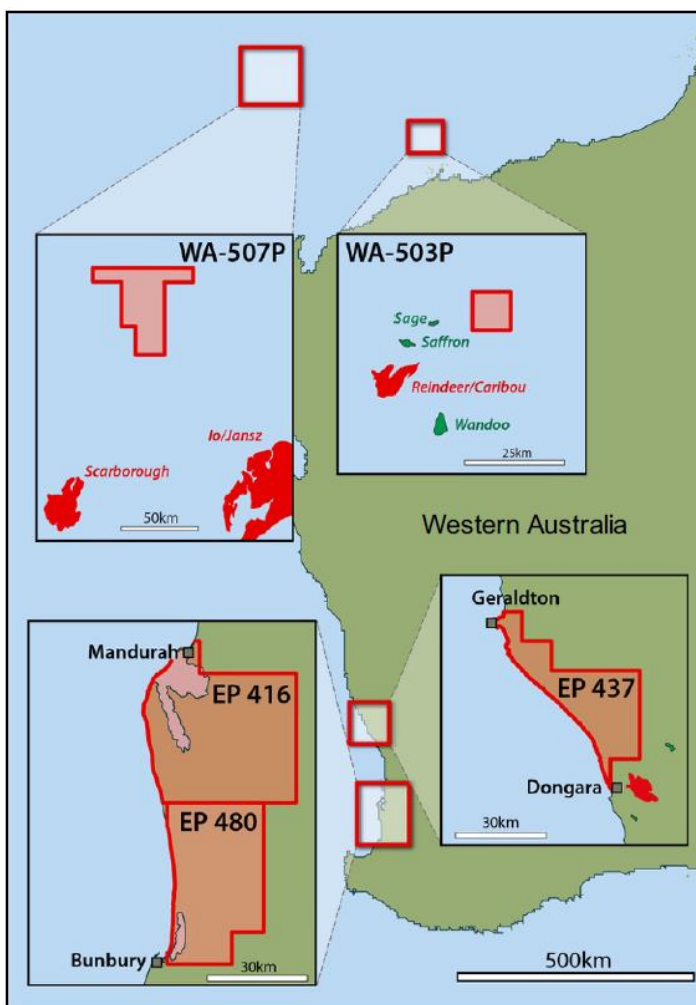
PGY (formerly Rampart Energy Ltd) is a junior oil and gas explorer with a diversified portfolio of projects representing both onshore and offshore Western Australia, with the potential for both oil and gas. The Company underwent a complete Board and management restructure during late 2014 which was followed closely by a complete restructure of the business. This restructure entailed the disposal of previous assets and the adoption of a new strategy of counter-cyclical investment in oil and gas assets that the Company believes will yield significant shareholder value over time.

PGY exited its 30% Working Interest (WI) in its Alaskan North Slope assets, by agreeing terms with its Joint Venture (JV) partner Royale Energy. Under the agreement, the parties agreed to release each other from all current and future claims relating to the ongoing dispute within the JV and furthermore, Royale agreed to pay PGY the sum of up to US\$500,000 (these funds have subsequently been received).

The Company embarked on its new strategy by rapidly building a diversified portfolio of assets with a relatively low initial capital outlay and substantially deferred costs, indicating the advantage of adopting its counter-cyclical approach. The initial acquisition was an 80% WI in WA-507-P and this was followed by the acquisition of WI's and Operatorship in two other projects (WA-503-P and EP416 & EP480) and a minor WI in a fourth project (EP437). All four projects are situated in both offshore and onshore permits in Western Australia (see Figure 1 for project location).

We expect initial exploration success and achieving successful farm-in partners on the positions to be the key catalysts for the stock over the coming 12 months.

Figure 1: Location of exploration projects



Source: Pilot Energy

PROJECTS

WA-507-P Exploration Permit (80% WI and Operator)

PGY holds an 80% WI and Operatorship in the WA-507-P exploration permit, located offshore Western Australia (Figure 2). The remaining WI of 20% is held under a carried interest by Black Swan Resources Pty. Ltd. The block covers an area of 1,622km² over the Exmouth Plateau, some 300km offshore in water depths of 1,000 to 1,500 metres and management believe the permit is prospective for both oil and gas, as while the permit is located in a proven gas province, the regional well data and other studies also suggest it may be prospective for oil. The region has attracted significant interest with Shell, Statoil and Eni/Octanex all acquiring adjacent permits in the area.

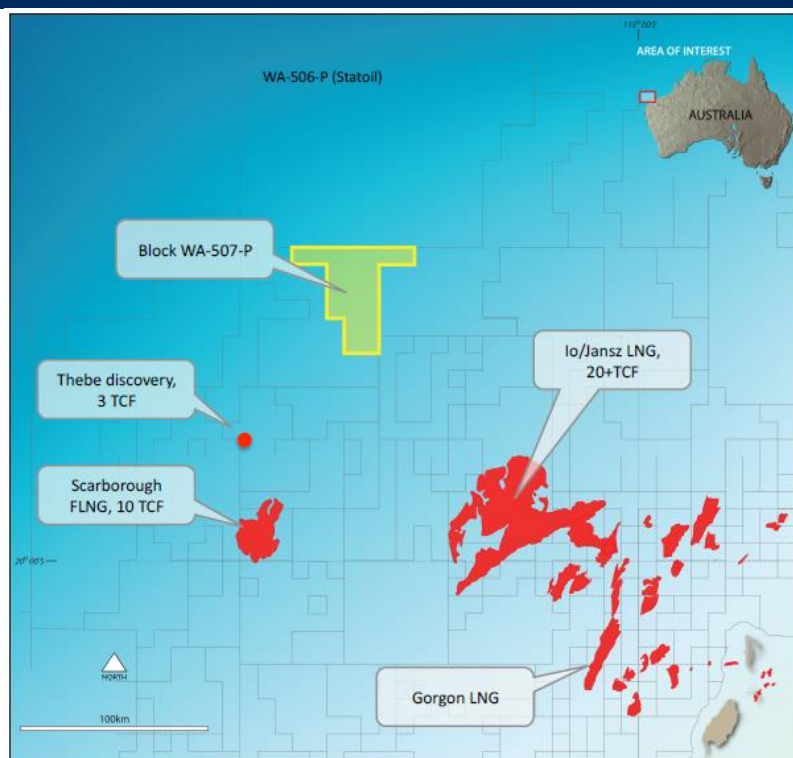
WA-507-P is covered by an existing high quality 3D seismic dataset, which is licensed by PGY, and has led to management identifying three exploration leads ranging in size from 60km² to 280km². The seismic data is under license from TGS NOPEC for an agreed fee of US\$1.3m. Recently, PGY successfully renegotiated the payment terms by paying US\$250k before the end of December 2015 and agreeing to pay a discounted balance of US\$912,500 before the end of December 2016 (payment date previously 18 February 2016).

The permit carries a firm commitment to conduct three years of geological and geophysical studies, and license the existing 3D seismic data. A discretionary well is required to be drilled on or before the sixth year of the permit period.

PGY appointed Gaffney Cline & Associates (GCA) to conduct an independent assessment of the prospective resources for the three prospects identified during 2015. In February 2015 GCA completed the estimate of prospective gas resources over three prospects and this was supplemented in October 2015 with an estimate of prospective oil resources. These on-block and recoverable resources estimates are highlighted in Figure 3. GCA determined that within all three prospects, the Geological Chance of Success (GCoS) of finding hydrocarbons was between 16-18% but furthermore, that within each prospect the chance of finding gas was 70% and the chance of finding oil was 30%.

PGY has commenced marketing of the WA-507-P block in order to attract a farm-in partner. According to management, early indications of interest have been received from a number of potential farminees.

Figure 2: Location of WA-507-P Exploration Permit



Source: Pilot Energy

Figure 3: Estimate of prospective resources (on-block and recoverable)

Estimate of prospective oil resources

Lead	Low (MMBbl)	Best (MMBbl)	High (MMBbl)	GCoS (%)
Dalia Updip	250	764	1,743	18
Beta	151	381	931	16
Gamma	203	436	926	16
Total	604	1581	3600	

Estimate of prospective gas resources

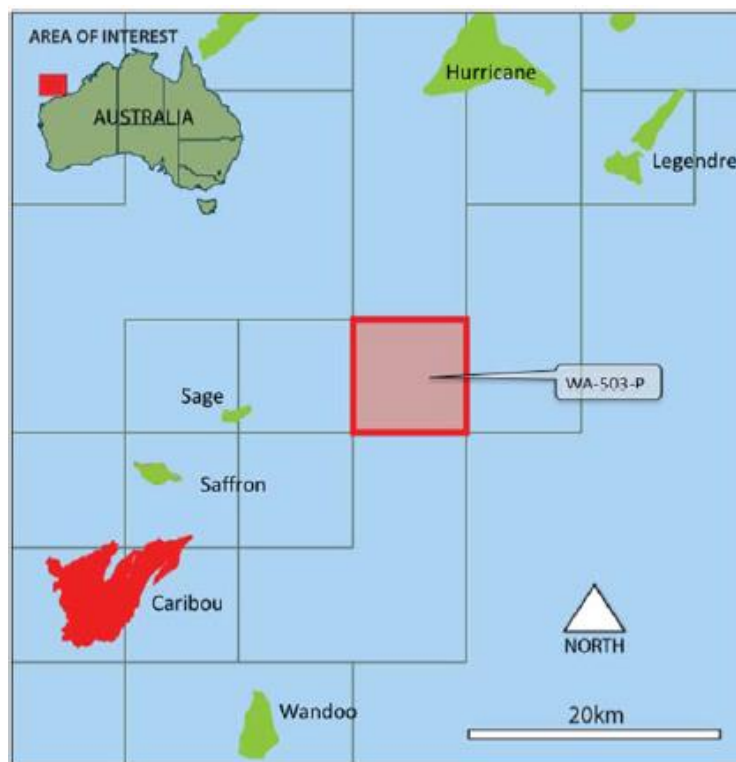
Lead	Low (Bscf)	Best (Bscf)	High (Bscf)	GCoS (%)
Dalia Updip	1,644	4,734	9,639	18
Beta	1,010	2,436	5,674	16
Gamma	1,376	2,877	5,786	16
Total	4,030	10,047	21,099	

Source: Pilot Energy and Gaffney Cline & Associates

WA-503-P Exploration Permit (80% WI and Operator)

PGY holds an 80% WI and Operatorship in the WA-503-P exploration permit, located offshore Western Australia (Figure 4). The remaining WI of 20% is held by Black Swan Resources Pty. Ltd. The block covers an area of 80km², some 90km offshore and lies within the Dampier Sub-basin of the Carnarvon Basin, inboard of the Northwest Shelf complex, in water depths of 60-70 metres (this would allow for lower cost drilling using jack-up rigs).

Figure 4: Location of WA-503-P Exploration Permit



Source: Pilot Energy

The primary exploration focus on the permit is the Lower Cretaceous to Upper Jurassic sandstone reservoirs within the oil rich Legendre Trend, situated along the eastern flank of the Lewis Trough. The decommissioned Legendre field lies some 20km northeast and produced over 40MMbbl of oil over its production life.

PGY has until May 2017 to complete the work commitments associated with the permits primary term, involving the acquisition of a small 3D seismic survey and the completion of various geological and geophysical studies. The Company has engaged GCA to conduct an independent assessment of the prospective oil resources for the three identified prospects within the permit. The GCA findings are expected to be announced in February 2016.

EP 416 & EP 480 – Exploration Permits (60% WI and Operator)

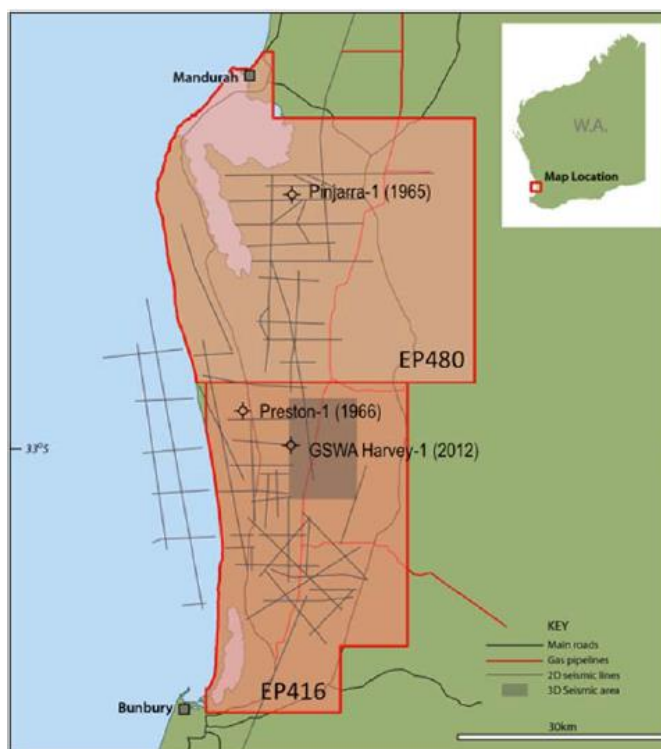
In September 2015, PGY acquired the right to farm-in for a 60% WI and Operatorship in EP416 and EP480 from Empire Oil & Gas. The farm-in is subject to approval by the WA Department of Mines & Petroleum and constitutes the payment of \$450,000 in two instalments (the first instalment of \$150,000 has already been paid) and providing Empire a free-carry through the first two years of expenditure, excluding any field-based operations.

The two permits are contiguous, and cover an area of 2,310km², located in the southern portion of the Perth Basin between the towns of Mandurah and Bunbury in Western Australia (Figure 5).

Exploration of the southern part of the Perth Basin has been limited, despite the considerable exploration success to the North. Historic drilling on the permits consists of three wells (two drilled in the 1960's and one, part of a carbon geo-sequestration pilot program in 2012), which confirms the presence of good quality sandstone reservoir formations. The primary reservoir target across the permits is the Permian Sue Sandstone, with a further target, the overlying Lesueur Sandstone. It is currently thought that the reservoirs are sourced by gas generated within the coal measures within the Sue Formation. PGY, in analysing the available 2D seismic data has identified the potential of a 200km² structural prospect and has an estimated (by PGY management) prospective gas resource as indicated in Figure 6.

PGY, as part of the JV, is currently processing the final data received from Empire's "Black Swan" airborne geophysical survey acquired during 2015. Early indications suggest that the data supports prospectivity within the permits.

Figure 5: Location of EP480 & EP 416 Exploration Permits



Source: Pilot Energy

Figure 6: Estimated prospective gas resource

Target	Low Case (Bscf)	Best Case (Bscf)	High Case (Bscf)
Sue Sandstone	30	130	300
Lesueur Sandstone	60	140	300

Source: Pilot Energy

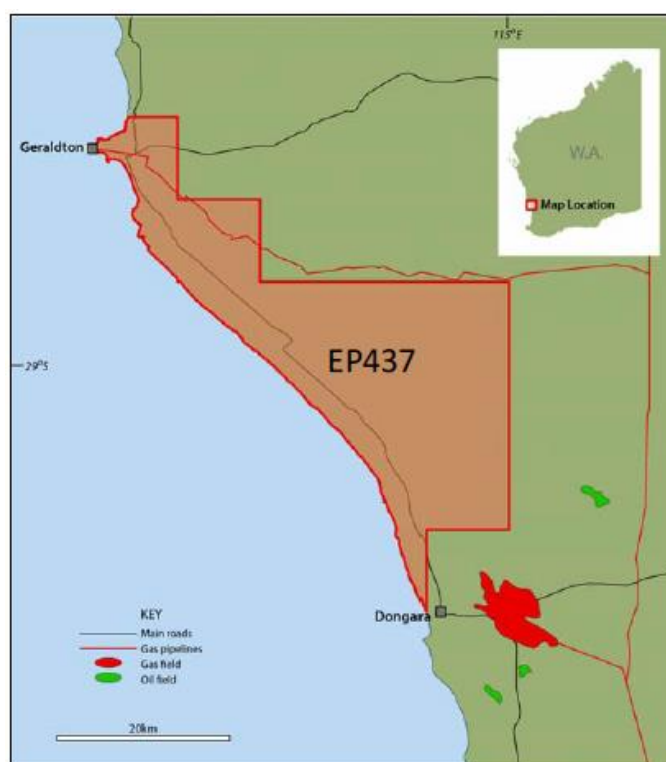
EP 437 – Exploration Permit (13.058% WI)

On 4 November 2015, PGY announced the acquisition of Caracal Exploration Pty Ltd.'s 13.058% interest in EP437 exploration permit (subject to the approval of the WA Department of Mines & Petroleum) located within the northern Perth Basin between the towns of Geraldton and Dongara (Figure 7). The remainder of the WI in the permit is held by Key Petroleum (43.471% and Operator) and Rey Resources (43.471%).

Previous exploration on the permit includes a number of wells, the results of which confirm a working petroleum system exists within the permit. PGY's initial interpretation of the existing well and seismic data is that there are a number of shallow depth prospects within the Bookara and Arranoo sandstones.

The shallow depth and proximity to infrastructure result in any reasonable oil discovery being a relatively low cost and easily commercialised possibility. Management hold the view that participation in the permit offers mid-term, low-cost, drilling opportunities and could form the basis for possible future expansion in the northern part of the Perth Basin.

Figure 7: Location of EP437 Exploration Permit



Source: Pilot Energy

CORPORATE

PGY has 1,605.5m shares on issue and 294.1m options at various strike prices (the majority are substantially above the current spot price), and 45.0m performance rights.

As at 31 December 2015, the Company had \$763,000 in cash and receivables and no debt. PGY indicated that it expected total expenditure for the March Quarter 2016 to be \$230,000. It is noted that the new management team has successfully achieved major cost restructuring, with reduced executive costs, substantially reduced corporate office rental expenses, and savings stemming from outsourcing other various support functions. In addition, management have been successful in deferring and renegotiating certain costs, like the TGS 3D seismic license fee on WA-507-P and the transitional work program variation for WA-503-P.

The current top shareholders include:

Pershing Australia Nominees Pty Ltd (Argonaut Account)	6.17%
Mr Conrad Dante Todd	4.24%
Mr Iain Peter Smith	3.74%
Petra Cotes Pty Ltd (Macondo A/C) (Rory McGoldrick)	3.33%
Mr John Henderson Manson & Mrs Karen Ann-Marie Manson (Mayflower A?C)	3.11%
Mr Sebastian Robert Moore	3.11%
New Energy Solutions (Gavin Harper)	3.11%
Mr Gavin William Harper	1.50%
Top 20 Shareholders	40.33%

The Board and management have indicated its support for and belief in PGY's new strategic direction by acquiring approximately 15.9% of the shares on issue.

VALUATION

While it is premature to attempt a valuation on PGY based on any potential cash flows, it is interesting to note the size of the prospective resources for WA-507-P alone, as independently assessed by GCA. The GCA assessment represented earlier was an un-risked opinion of on-block prospective resources (i.e. those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations). Applying the GCoS risking and the 80% WI owned by PGY provides a low case total prospective oil estimate of 77.3 MMBbl (604MMBbl x 80% x16%) and a total prospective gas estimate of 515.8 Bscf (4,030 Bscf x 80% x16%).

The next step is to apply a probability for Commercial Chance of Success (CCoS). In the case of WA-507-P, even applying a 10% (pre-drill probability) CCoS to the GCoS risked low case prospective resource estimate provides a sizable potential resource which even at the most conservative assessment of in-situ value, provides a valuation many times that of the current market capitalisation.

In our opinion the current share price represents a cheap entry into this junior explorer with an attractive diversified portfolio of onshore and offshore WA, oil and gas, early stage projects.

CATALYSTS

We consider the primary short term catalyst as being the potential success in finding a farm-in partner for WA-507-P and WA-503-P. Further short term catalysts include the announcement of the GCA assessment of prospective resources on WA-503-P, and the final results of the airborne geophysical survey on EP416 & EP480.

BOARD OF DIRECTORS

Gavin Harper – Non-Executive Chairman

Gavin has over 39 years of experience in the energy industry, including a variety of operational and leadership roles in his 25 years with Chevron Corporation.

Gavin has particular strengths in business development strategies, corporate-government and other major stakeholder interactions and working within complex business and joint venture environments. Gavin has been a director of a number of ASX listed companies and is currently Non-Executive Director of ASX 300 Sino Gas and Energy Holdings. Gavin holds a BA (Sociology/Anthropology) from the University of Kent, and a Diploma Business Administration from the University of Strathclyde. He is a Member of the Australian Institute of Company Directors.

Iain Smith – Managing Director

Iain has 26 years of experience of the upstream petroleum sector, in both technical and commercial roles within Australia and overseas. After a number of years within the New Ventures team of Premier Oil, Iain spent ten years in sales and general management roles within the geophysical technology/services sector in the UK, Australia and India. He subsequently held commercial advisory roles within the Exploration/New Ventures and Browse LNG business units of Woodside Energy, before joining Neon Energy as Commercial Manager. Iain was instrumental in the merger between Neon Energy Pty Ltd and Salinas Energy Ltd, and managed the farmout of Neon's high profile Vietnamese exploration assets to KrisEnergy Ltd and Eni SpA., and the sale of Neon's Californian assets.

Iain holds an MSc in Petroleum Geology and Geophysics from Imperial College London, and a Graduate Diploma in Business Administration from the University of Western Australia.

Conrad Todd – Non-Executive Director

Conrad is a geoscientist with over 34 years industry experience, having worked in senior roles with various international Exploration and Production companies including LASMO, Lundin and Occidental. He was Exploration Manager of Cooper Energy between 2004 and 2010, during which time Cooper Energy substantially increased its resource base and production level. In addition to Conrad's technical skills, he brings valuable experience in the fields of resource certification, asset valuations and M&A advisory to Pilot Energy.

Rory McGoldrick – Non-Executive Director

Rory graduated from the University of Western Australia where he completed his law degree in 2003. He is admitted as a barrister and solicitor of the Supreme Court of Western Australia and has been practicing as a lawyer for approximately 10 years. Rory has advised public companies on a wide range of corporate matters, and has broad experience in Corporations Act and ASX Listing Rules compliance, corporate governance matters, capital raisings, and mergers and acquisitions. Rory is also a director of Omega Resources Limited.

INVESTMENT RISKS

The key investment risks for PGY include:

Exploration risk – The risk that PGY is unable to prove up sufficient Resources and Reserves across its various exploration permits to support its growth strategy.

Geological risk – the actual reservoir characteristics of an oil and gas prospect may differ significantly from initial interpretations and expectations.

Funding Risk – the ability of PGY to fund its exploration programme and pay administrative overhead expenses when due.

Farm-out risk – The considerable capital required to progress the various projects requires PGY to seek farm-in partners for its projects. There is a risk that appropriate farm-in partners cannot be found in a timely manner or that the terms accepted are overly onerous for PGY given the current depressed macro environment.

Commodity Price and Exchange Rate risk – as with most oil and gas exploration companies, commodity price and exchange rate risk should also be considered.



1300 582 256

patersons@psl.com.au

www.psl.com.au

Research

Rob Brierley - Head of Research	Phone: (+61 8) 9263 1611	Email: rbrierley@psl.com.au
Hira Sakrani - Research Assistant	Phone: (+61 3) 9242 4052	Email: hsakrani@psl.com.au
Mia Wang - Research Assistant	Phone: (+61 8) 9263 1650	Email: mwang@psl.com.au

Strategy & Economics

Tony Farnham - Economist	Phone: (+61 2) 9258 8973	Email: tfarnham@psl.com.au
Andrew Quin - Research Strategy Coordinator	Phone: (+61 8) 9263 1152	Email: aquin@psl.com.au
Kien Trinh - Senior Quantitative Analyst	Phone: (+61 3) 9242 4027	Email: ktrinh@psl.com.au

Commodities

Jason Chesters - Analyst	Phone: (+61 8) 9263 1144	Email: jchesters@psl.com.au
Simon Tonkin - Senior Analyst	Phone: (+61 8) 9225 2816	Email: stonkin@psl.com.au
Matthew Trivett - Analyst	Phone: (+61 7) 3737 8053	Email: mtrivett@psl.com.au

Industrials

Martyn Jacobs - Analyst	Phone: (+61 3) 9242 4172	Email: mjacobs@psl.com.au
Conor O'Prey - Analyst	Phone: (+61 2) 8238 6214	Email: coprey@psl.com.au
Jon Scholtz - Analyst	Phone: (+61 8) 9225 2836	Email: jscholtz@psl.com.au

Institutional Dealing

Dan Bahen	Phone: (+61 8) 9263 1274	Email: dbahen@psl.com.au
Michael Brindal	Phone: (+61 8) 9263 1186	Email: mbrindal@psl.com.au
Artie Damaa	Phone: (+61 2) 8238 6215	Email: adamaa@psl.com.au
Paul Doherty	Phone: (+61 3) 8803 0108	Email: pdoherty@psl.com.au
Chris Kelly	Phone: (+61 3) 9242 4078	Email: ckelly@psl.com.au
Stuart Murray	Phone: (+61 2) 8238 6210	Email: smurray@psl.com.au
Jeremy Nugara	Phone: (+61 3) 8803 0166	Email: jnugara@psl.com.au
George Ogilvie	Phone: (+61 8) 9263 1627	Email: gogilvie@psl.com.au
Phil Schofield	Phone: (+61 2) 8238 6223	Email: pschofield@psl.com.au
Josh Welch	Phone: (+61 8) 9263 1668	Email: jwelch@psl.com.au
Sandy Wylie	Phone: (+61 8) 9263 1232	Email: swylie@psl.com.au

Disclosure: The preparation of this report was funded by the Company in accordance with the terms of an agreement with Patersons.

This report was prepared by Patersons and not by the Company.

Important Notice: Copyright 2015. The contents contained in this report are owned by Patersons Securities Limited ('Patersons') and are protected by the Copyright Act 1968 and the copyright laws of other countries. The material contained in this report may not be copied, reproduced, republished, posted, transmitted or distributed in any way without prior written permission from Patersons. Modification of the materials or use of the materials for any other purpose is a violation of the copyrights and other proprietary rights of Patersons.

Disclaimer: Patersons believes that the information or advice (including any financial product advice) contained in this report has been obtained from sources that are accurate at the time of issue, but it has not independently checked or verified that information and as such does not warrant its accuracy or reliability. Except to the extent that liability cannot be excluded, Patersons accepts no liability or responsibility for any direct or indirect loss or damage caused by any error in or omission from this report. You should make and rely on your own independent inquiries. If not specifically disclosed otherwise, investors should assume that Patersons is seeking or will seek corporate finance business from the companies disclosed in this report.

Warning: This report is intended to provide general securities advice, and does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your adviser, on whether any relevant part of this report is appropriate to your individual financial circumstances and investment objectives.

Disclosure: Patersons, its director and/or employees may earn brokerage, fees, commissions and other benefits as a result of a transaction arising from any advice mentioned in this report. Patersons as principal, its directors and/or employees and their associates may hold securities in the companies the subject of this report, as at the date of publication. These interests did not influence Patersons in giving the advice contained in this report. Details of any interests may be obtained from your adviser. Patersons as principal, its directors and/or employees and their associates may trade in these securities in a manner which may be contrary to recommendations given by an authorised representative of Patersons to clients. They may sell shares the subject of a general 'Buy' recommendation, or buy shares the subject of a general 'Sell' recommendation.

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.