

CORNERSTONE INVESTOR

Investment Highlights

- Pilot Energy (PGY) 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 asset portfolio, management team, and approach to business have attracted a significant investment (A\$3.6m) in the Company by an investor group. We view this investment as supportive of our view on the Company and maintain our Speculative Buy recommendation.**
- Cornerstone investment** – The investor group is comprised of four Australian and Hong Kong-based private companies, with a joint purpose of investing in the Australian oil and gas sector. The investment of A\$3.6m is intended to be structured over two tranches. Tranche 1 represents an investment of A\$800k to acquire 400m new ordinary shares at A\$0.002/share (a 34% premium to the Company's 30day VWAP). Tranche 2, is subject to shareholder approval, and represents an investment of A\$2.8m to acquire 933.34m new ordinary shares at A\$0.003/share (a 100% premium to the Company's 30 day VWAP). Upon the successful completion of both tranches, the investor group would collectively hold 45.4% of the issued capital of the Company.
- Use of funds** – PGY intends to use the additional funds to meet its firm commitments on existing projects, and provide for further working capital. It is expected that up to A\$2m will be required for the existing commitments on WA-507-P and WA-503-P, as well as some work intended on the South Perth blocks, with the remainder available as additional working capital.
- 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.
- WA-503-P Prospective Resources** – On 3 March 2016, PGY announced the independent audit of prospective oil resources for its WA-503-P exploration permit (80% Working Interest (WI)) had been completed by Gaffney, Cline & Associates (GCA). GCA estimate the gross Prospective Resources vary in the high case from 14.0MMBbl to 72.8 MMBbl.
- Catalysts** – With the question of funding having been addressed, 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.

31 March 2016		
12mth Rating	Speculative Buy	
Price	A\$	0.002
RIC: PGY.AX	BBG: PGY AU	
Shares o/s	m	1605.5
Free Float	%	84.1
Market Cap.	A\$m	3.2
Net Debt (Cash) – est.	A\$m	(0.43)
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	
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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 being supportive. These can change at short notice. Recommendations are current at the time of publication.

12 Month Share Price Performance



EXECUTIVE SUMMARY

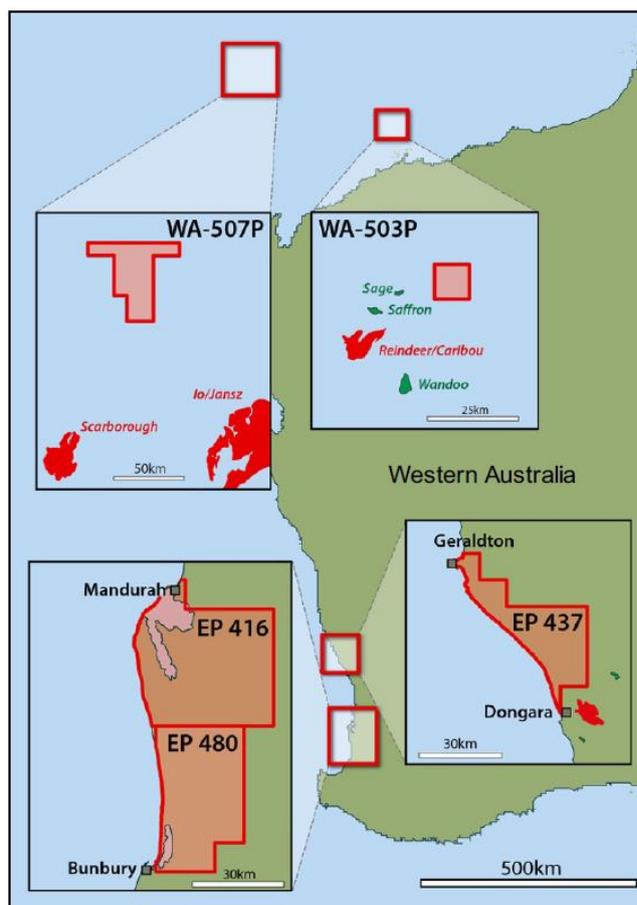
PGY (formerly Rampart Energy Ltd) is a junior oil and gas explorer with a diversified portfolio of projects representing both onshore and offshore Western Australia, with the potential for both oil and gas. The Company underwent a complete Board and management restructure during late 2014 which was followed 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).

The recent announcement of a cornerstone investor group investing A\$3.6m for a 45.4% equity stake is expected to fund the Company's firm commitments on existing projects, and provide for further working capital.

Figure 1: Location of exploration projects



Source: Pilot Energy

CORNERSTONE INVESTOR

Today's announcement indicates the investor group is comprised of four Australian and Hong Kong-based private companies, with a joint purpose of investing in the Australian oil and gas sector. The investment of A\$3.6m is intended to be structured over two tranches. Tranche 1 represents an investment of A\$800k to acquire 400m new ordinary shares at A\$0.002/share (a 34% premium to the Company's 30day VWAP). Tranche 2, is subject to shareholder approval, and represents an investment of A\$2.8m to acquire 933.34m new ordinary shares at A\$0.003/share (a 100% premium to the Company's 30day VWAP). Upon the successful completion of both tranches, the investor group would collectively hold 45.4% of the issued capital of the Company.

PGY intends to use the additional funds to meet its firm commitments on existing projects, and provide for further working capital. It is expected that up to A\$2m will be required for the existing commitments on WA-507-P and WA-503-P, as well as some work intended on the South Perth Basin blocks, with the remainder available as additional working capital.

It is intended, post the successful completion of the investment, that the cornerstone investors will receive Board and management representation. Mr Benson Wong will be appointed Executive Director and Chief Financial Officer upon completion of Tranche 1. Mr Wilson Xue will be appointed Non-Executive Director upon completion of Tranche 2. Finally, Dr Xingjin Wang will be engaged as Advisor to the Board upon completion of Tranche 2. In order to accommodate these changes, upon the completion of Tranche 2, Mr Conrad Todd and Mr Rory McGoldrick have agreed to step down as directors of the Company.

SUMMARY OF 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. Management believe the permit is prospective for both oil and gas, because, 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.

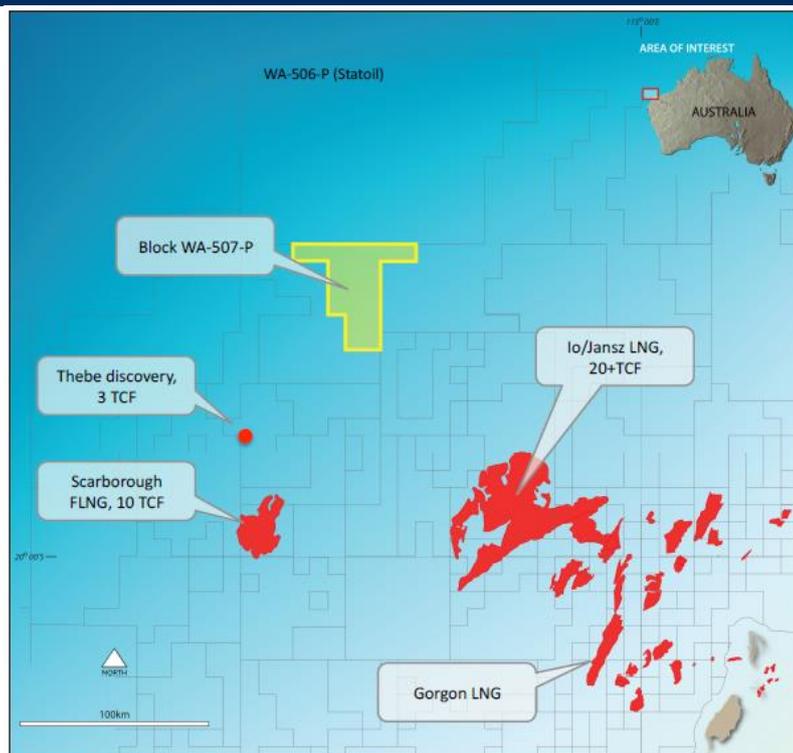
WA-507-P is covered by an existing high quality 3D seismic dataset, which is licensed by PGY, and has led to management identifying three exploration leads ranging in size from 60km² to 280km². The seismic data is under license from TGS NOPEC for an agreed fee of US\$1.3m. Recently, PGY successfully 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

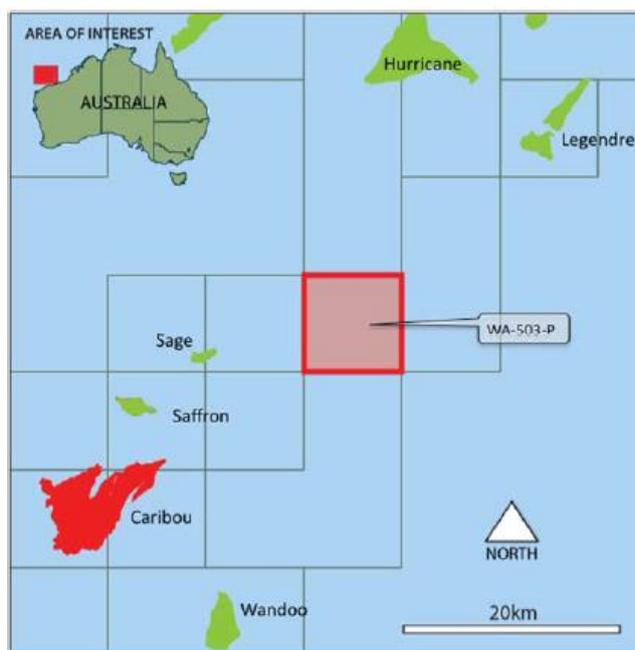
Lead	Low (Bscf)	Best (Bscf)	High (Bscf)	GCoS (%)
Dalia Updip	1,644	4,734	9,639	18
Beta	1,010	2,436	5,674	16
Gamma	1,376	2,877	5,786	16
Total	4,030	10,047	21,099	

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 engaged GCA to conduct an independent assessment of the prospective oil resources for the three identified prospects within the permit. The GCA findings were released on 3 March 2016 and are represented in Figure 5.

Figure 5: Summary of Prospective Oil Resources in WA-503-P

Lead	Reservoir	Gross Prospective Resources (MMbbl)			Net Prospective Resources (MMbbl)			GCoS
		Low	Best	High	Low	Best	High	
Updip Janus	Legendre	3.0	6.9	13.5	2.4	5.5	10.8	17%
	Eliassen	1.5	3.1	6.2	1.2	2.5	5.0	24%
Updip Orion	Legendre	7.6	25.1	63.5	6.1	20.1	50.8	15%
	Eliassen	0.6	1.1	2.1	0.5	0.9	1.7	17%
	M Australis	0.6	2.9	7.2	0.5	2.3	5.8	17%
Bojangles	Angel	1.5	3.4	6.9	1.2	2.7	5.5	17%
	M Australis	1.5	3.5	7.1	1.2	2.8	5.7	17%

Source: Pilot Energy

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

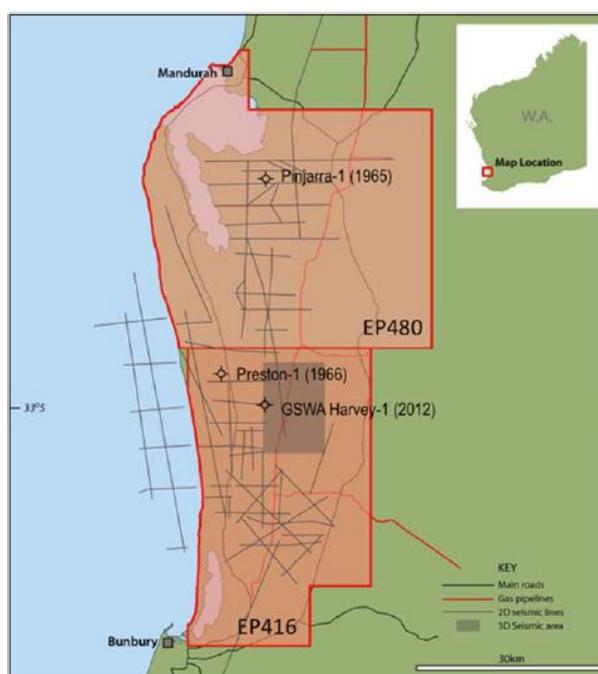
In September 2015, PGY acquired the right to farm-in for a 60% WI and Operatorship in EP416 and EP480 from Empire Oil & Gas. The farm-in is subject to approval by the WA Department of Mines & Petroleum and constitutes the payment of \$450,000 in two instalments (the first instalment of \$150,000 has 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 6).

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 7.

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 6 Location of EP480 & EP 416 Exploration Permits



Source: Pilot Energy

Figure 7: 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

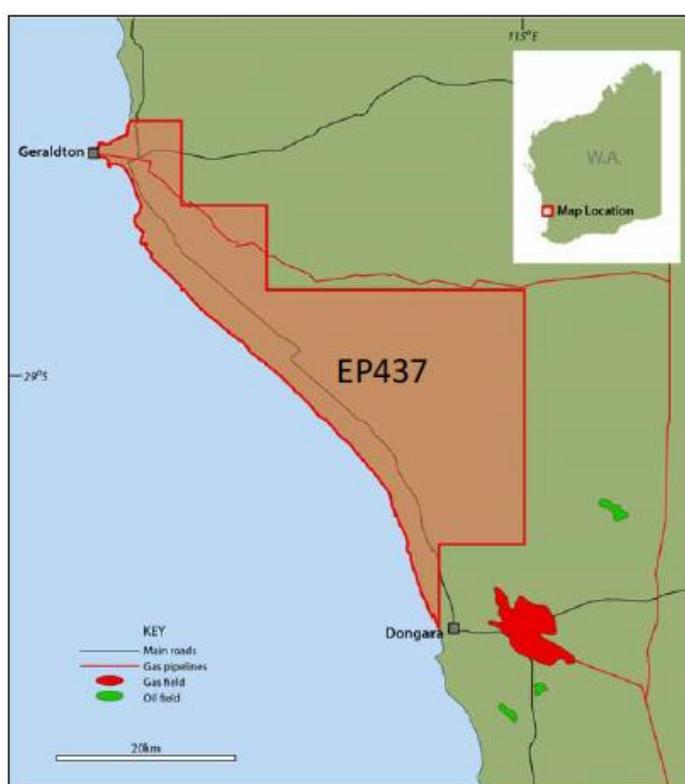
EP 437 – Exploration Permit (13.058% WI)

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 8). 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 8: Location of EP437 Exploration Permit



Source: Pilot Energy

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. The announcement of the A\$3.6m investment reduces this risk over the short term.

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.



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