

Pilot Energy Limited

Leading the renewables push

Pilot Energy Ltd is a junior oil and gas exploration company that is embracing a bold new ventures programme. To that end the company is evaluating the potential growth opportunities in renewable energy by submitting an Expression of Interest (proposal) to the WA Government under its Oakajee Strategic Industrial Renewable Hydrogen programme, to develop the Cliff Head & Mid-West Wind and Solar Project (CH-MWWSP) leveraging and complimenting material working interests in the Cliff Head oil production facilities and WA-481-P offshore WA. Pilot is looking over the horizon, identifying that a renewable energy project could support an interconnected development strategy with multiple commercial outcomes. There is a portfolio of potential, likely worth more than the sum of the parts especially leveraging its acreage and infrastructure assets.

The Projects

The company holds an upstream portfolio of production and early-stage exploration assets in the mid-west of WA. Whilst the E&P portfolio provides growth opportunities it's not the transformational investment driver. The company is looking to transition into the renewable energy space, leveraging its advantageous position through WA-481-P and infrastructure facilities at Cliff Head into a multi optioned development portfolio. To that end the company is well advanced on a feasibility study (the Cliff Head & Mid-West Wind and Solar Project – CH-MWWSP) to underpin a submission to the WA State Government seeking Expressions of Interest to develop a major integrated renewable project with hydrogen manufacture in the mid-west. The opportunity is conceptual at this stage but up- and mid-stream assets provides PGY with a significant, cost-advantaged opportunity to pursue an integrated development with multiple commercial outcomes. This is not simply a power generation play, in our view.

The opportunity

We live in a new energy paradigm – there is more pressure and focus on the traditional models of energy supply and companies must adapt. Driven by an increasing need to address climate change issues related to carbon emissions, renewable energy alternatives are now firmly set on the societal agenda as evidenced by recent publications and initiatives from the Federal Government and in this specific case, the WA State Government. The Oakajee strategic hub could host up to 1.25GW of wind power and up to 270MW of large-scale solar generation. The mid-west region of W.A. already hosts numerous wind and solar farms; and is recognised for its world-class wind and solar energy potential as outlined in numerous studies. In this regard PGY's holdings in WA-481-P with the associated Cliff Head oil production facilities provide the company with a strategic location and infrastructure advantage. The potential to combine a sustaining, high quality offshore wind resource and manufacturing opportunity with existing offshore and onshore infrastructure and if necessary, supply from existing, large-scale gas production operations underpins the company's project premise and strategy. The proposal is supported by a tangible pathway to commercialisation.

Making 'H' while the sun shines

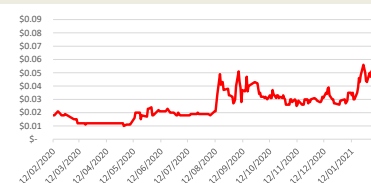
PGY will also be investigating the potential for the establishment and integration of a hydrogen production plant using the natural gas resources within the hub. An integrated project provides multiple ways to market and multiple revenue streams...as an electricity (power) provider, a hydrogen seller and with commercial potential from the CO₂ stream formed as a natural product of the hydrogen process. Interestingly, in its recent results presentation (ASX:APA 23 Feb 2021), APA Group highlighted that it had launched its Pathfinder Program to unlock next generation energy solutions including seeking out pilot projects and strategic partnerships that focus on scalability. APA Group's is readying 43km of its Parmelia Gas Pipeline in WA (which connects to the Oakagee hub) to be 100% hydrogen ready.

Share details

ASX Code	PGY
Share Price (10 Feb)*	\$0.082
Market Capitalisation	\$17.9M
Number of shares	218M
Net cash at 31 st Dec	~\$1.5M

*In Voluntary suspension

Share price performance (12 months)



Upside Case

- De-risking the CH-MWWSP proposal through partnering and better defining the greater renewable power opportunities.
- Recovery in commodity (oil) prices
- Above model production rates at Cliff Head delivering strong net operating cashflow

Downside Case

- No material progress on renewable energy development options over the next 12 months
- Commodity (oil) prices retracing historical lows
- Cliff Head underperforms risking earlier than expected abandonment with the potential for a working capital raise

Catalysts

- Positive progress on the CH-MWWSP proposal
- Securing partnering or financing for first stage FEED evaluation

Comparative companies (Australia & NZ)

ASX:APA, ASX:HZR

Company contacts

Brad Lingo (Exec Chair) +61 408 601 080
blingo@pilotenergy.com.au

RaaS contacts

Andy Williams +61 417 880 680
andrew.williams@raasgroup.com
Finola Burke +61 414 354 712
finola.burke@raasgroup.com

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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 - Securities
- deal on behalf of retail and wholesale clients in relation to
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