

4th November 2021

Pilot Energy Ltd

Renewables bandwagon attracting more riders

Pilot Energy Ltd (ASX:PGY) is a junior oil and gas exploration company that is transitioning to face the new industry paradigm – renewable energy. The company has commenced feasibility studies over its renewable and carbon-capture options, the Mid-West and South-West Projects in Western Australia, which could deliver material findings by end 1QFY22 and may enter a demonstration phase from end-CY22. Pilot is pursuing an integrated wind and solar power generation opportunity with hydrogen manufacture by leveraging its oil production infrastructure and tenements, with multiple commercial outcomes. The company has existing oil production with growth potential and a Tcf scale gas play coincident with its South-West Project. The recent partnering with Warrego Energy (ASX:WGO) and the APA Group (ASX:APA) to jointly fund and undertake the Mid-West Project feasibility studies represents another step forward on the pathway. Although the renewables plays are early stage, the value proposition is beginning to materialise. There is a portfolio of potential, likely worth more than the sum of the parts especially leveraging its acreage and infrastructure assets. The next 12 months, in particular, is looking on-track to deliver a material re-rating on the expectation of successful results.

Business model

Pilot Energy is a junior oil and gas company transitioning to a sustainable renewable energy generator with a portfolio of potential development opportunities. The critical focus of management will be to pursue its transformational growth potential in the renewables and carbon-capture space through its Mid-West and South-West project proposals, which are currently in a feasibility study phase. The company is looking to leverage its acreage and infrastructure base to underpin a strategic blueprint for expansion into the renewable energy, carbon capture and hydrogen generation space, with the diversified revenue streams that could emerge. Financing for the renewable and other downstream opportunities could be provided partly through partnering, which may enter a demonstration phase around end CY22.

The timetable is set and partners are coming on board

Another positive step forward is the company announcing the formation of a consortium with Warrego Energy and APA Group to provide technical and commercial input (and funding) for the Mid-West **Blue** Hydrogen and CCS (MWBHCCS) feasibility study. Both WGO and APA can provide important operational aspects to the project as a gas supplier and project infrastructure. The MWBHCCS study is expected to cost in the order of \$0.6mn and be completed by mid-2022 (See *RaaS Update 3-Nov*). We know the timeline is crystallising with all feasibility studies set to be completed by end-CY22 and initial results towards the end of March 2022. The project could potentially move into a demonstration (pilot) phase in early 2023 for the Mid-West Wind and Solar Project. Feasibility studies are also under way on the South-West Project which are likely to be completed through 1QFY22 to be followed by the drilling of the Tcf scale Leschenault gas prospect before end-CY22. There is the potential for a material de-risking across the portfolio on the delivery of positive conclusions to the economic assessments. Success cases should also provide the platform for financing and formal partnering arrangements, making 2022 potentially a very important year for the company.

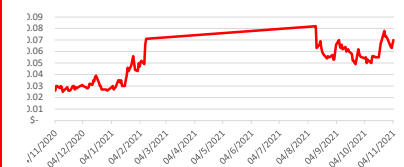
Our valuation remains \$0.27/share (\$136mn)

We retain a risked valuation of \$136mn (**\$0.27/share**) to the portfolio against a reference share price of **\$0.067/share**. We note the renewables and carbon-capture options are still early-stage and subject to significant change through the feasibility and evaluation process, which should be completed by end-CY22. The move to pilot/demonstration operations should provide a tangible NAV-based valuation platform.

Share details

ASX code	PGY
Share price (4-Nov)	\$0.065
Market capitalisation	\$31.7M
Shares on issue	501.6M
Net cash (30 Sep)	~\$5.5M

Share Price Performance (12-months)



Upside Case

- Materially de-risking commercial cases for Mid-West and South-West renewable and CCS projects through finalisation of feasibility studies and securing suitable partners
- Further commodity price (oil) upside
- Above-expectation production rates at Cliff Head driving strong net operating cashflows

Downside Case

- No tangible progress on renewable energy development options allowing competing projects to push ahead in the timeline
- Potential equity financing becomes highly dilutive to per-share growth opportunities
- Commodity (oil) prices retrace historical lows

Board of Directors

Brad Lingo	Executive Chairman
Tony Strasser	Managing Director/CEO
Bruce Gordon	Non-Executive Director
Daniel Chen	Non-Executive Director

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FINANCIAL SERVICES GUIDE

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AFSL 456663

Effective Date: 6th May 2021

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- our services
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- how we are paid, and
- complaint processes

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