PILOT ENERGY LIMITED

ACN 115 229 984

NOTICE OF GENERAL MEETING

PROXY FORM

AND

EXPLANATORY STATEMENT

Date of Meeting

Wednesday 12 July 2017

Time of Meeting

10.00 am (WST)

Place of Meeting

Level 1, 31 Cliff Street,
Fremantle, Western Australia.

PILOT ENERGY LIMITED

ACN 115 229 984

NOTICE OF GENERAL MEETING

Notice is hereby given that a Meeting of Shareholders of Pilot Energy Limited (**Company**) will be held at 10.00 am on 12 July 2017 at Level 1, 31 Cliff Street, Fremantle, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 4.00 PM (WST) on 11 July 2017.

An Explanatory Statement containing information in relation to each of the Resolutions to be put to the meeting accompanies this Notice.

AGENDA

To consider and, if thought fit, to pass the following Resolutions.

Ordinary Resolution 1: Approval of issue of New Shares

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

> "*That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Subscriber to acquire 240,000,000 Shares under the terms and conditions of the SSA in consideration for an investment of $720,000 and subject to the terms and conditions set out in the Explanatory Statement.*"

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by the Subscriber, the Principals and any of their associates or any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report (IER): Although not required pursuant to the Corporations Act or the ASX Listing Rules, the Directors of the Company deemed it prudent to have an Independent Expert's Report (**IER**) completed. The Company engaged BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) to prepare the IER. The IER comments on the fairness and reasonableness of the transaction that is the subject of Resolution 1 to Shareholders who are not associated with the Subscriber. A copy of the IER is attached as Annexure A to the Explanatory Statement accompanying this Notice.

Ordinary Resolution 2: Consolidation of Capital

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

> *"That, for the purpose of Section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:*
>
> *(a) Every fifty (50) Shares be consolidated into one (1) Share; and*
>
> *(b) Every fifty (50) Options be consolidated into one (1) Option,*
>
> *and otherwise on the terms and conditions set out in the Explanatory Statement."*

By Order of the Board

D M McARTHUR
Company Secretary

Dated: 10 June 2017

ENTITLEMENT TO ATTEND AND VOTE

PROXIES

Please note that:

(a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;

(b) a proxy need not be a member of the Company; and

(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

(a) if proxy holders vote, they must cast all directed proxies as directed; and

(b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A 'Certificate of Appointment of Corporate Representative' is enclosed if required.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, David McArthur on +61 8 9435 3200 if they have any queries in respect of the matters set out in this document.

PILOT ENERGY LIMITED

ACN 115 229 984

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting (**Notice**) of the Company.

The Directors of the Company recommend Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice.

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1. ORDINARY RESOLUTION 1: Approval of issue of Shares

1.1 General

As announced to ASX on 24 April 2017, the Company entered into a Share Subscription Agreement (**SSA**) with Giant Rainbow Investments Limited (**Subscriber**) to raise $720,000, through the issue of 240,000,000 Shares **(New Shares)** at $0.003 each **(Placement)**. The shares will be issued within one month of the date of this meeting. The funds raised will be used for general working capital purposes.

This Resolution 1 seeks approval for the issue of Shares under the SSA.

1.2 About the Subscriber

Overview

The Subscriber, Giant Rainbow Investments Limited, is a company incorporated in the British Virgin Islands (BVI Company Number 1940051). It is a private investment company controlled by Mr Songqing Ye. Giant Rainbow's current business activities are limited to its proposed investment in Pilot Energy Ltd. The Subscriber and its key principal, Mr Ye, are not formally related to Pilot or its directors, however, Mr Ye and Mr Hui Xiong (Wilson) Xue share a long standing professional relationship.

Given this relationship, Pilot has formed the opinion that the transaction should be approved by Shareholders pursuant to ASX Listing Rule 10.11. Resolution 1 seeks such approval.

The Directors of the Company, excluding Mr Xue, have determined that on the basis the issue of shares to Giant Rainbow is being made on commercial, arm's length terms, Pilot Energy is exempt from the Corporations Act requirements to seek shareholder approval for a related party transaction.

1.3 Independent Expert's Report

Although not required by the Corporations Act or the ASX Listing Rules, the Directors of the Company deemed it prudent to have an Independent Expert's Report (**IER**) completed in relation to the share issue. The IER (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the Placement contemplated by Resolution 1 is fair and reasonable to the Shareholders not associated with the Subscribers.

The IER concludes that the transaction contemplated by Resolution 1 is not fair but reasonable to the Shareholders not associated with the Subscriber.

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2. ORDINARY RESOLUTION 2: Consolidation of Capital

2.1 Background

Resolution 2 seeks Shareholder approval to consolidate the number of Shares and Options on issue on a one (1) for fifty (50) basis **(Consolidation).**

The Board is recommending the Consolidation for the following reasons:

(a) The Board is of the opinion that an excessive number of Shares on issue is detrimental to the future growth strategy of the Company. The Consolidation will better equip the Company to issue new capital and grow the business.
(b) The Board believes that issuing new Shares from a lower share base will reflect a more accurate value to both existing and new Shareholders.
(c) The Consolidation will also assist the Company in reducing its share registry costs.

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number. The ASX Listing Rules also require that the number of options on issue be consolidated in the same ration as the ordinary capital and the exercise price be amended in inverse proportion to that ratio.

The effect which the Consolidation will have on the capital structure of the Company as at the date of this Notice is as follows:

Shares	**Number**
Current	2,938,816,834
Post Consolidation	58,776,336

Options	**Number**	**Exercise Price**	**Post Consolidation Number**	**Post Consolidation Exercise Price**
Unlisted September 17	10,000,000	3.0 cents	200,000	$1.50
Unlisted June 19	45,000,000	0.2 cents	900,000	$0.10
Unlisted December 19	140,000,000	0.4 cents	2,800,000	$0.20

From the date of the Consolidation all holding statements for Shares and Options will cease to have effect, except as evidence of entitlement to a certain number of Shares and Options on a post- Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders and Optionholders. It is the responsibility of each Shareholder and Optionholder to check the number of Shares and Options held prior to disposal.

2.2 Fractional Entitlements and Taxation

Not all Shareholders and Optionholders will hold that number of Shares and Options which can be evenly divided by fifty. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option.

It is not considered that any taxation implications will exist for Shareholders or Optionholders arising from the Consolidation. However, Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Directors accept any responsibility for individual taxation implications arising from the Consolidation.

2.3 Indicative Timetable

If Resolution 2 is passed the reduction of capital will take effect in accordance with the timetable set out in Appendix 7A (paragraph 8) of the ASX Listing Rules. A summary of the timetable is set out below:

EVENT	DATE
Announcement of Consolidation	13 June 2017
Company sends out the notice of meeting	13 June 2017
Company advises the ASX that shareholders have approved the Consolidation	12 July 2017
Last day for trading in pre-Consolidation securities	13 July 2017
Trading in Shares starts on a "deferred settlement basis"	14 July 2017
Last day for Company to register transfers on a pre-Consolidation basis	17 July 2017
New holding statements despatched to Shareholders	24 July 2017
Normal trading of Shares following Consolidation	24 July 2017

GLOSSARY

$ means Australian dollars.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Company means Pilot Energy Limited ACN 115 229 984.

Consolidation means the process by which the Company is proposing to change the structure of its share capital as set out in the Explanatory Statement.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Notice.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by this Notice. .

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of General Meeting including the Explanatory Statement and the Proxy Form.

New Shares means the 240,000,000 Shares which are proposed to be issued by the Company the subject of Resolution 1.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Australian Western Standard Time (Perth, Western Australia).

CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE

Shareholder Details

This is to certify that by a resolution of the directors of:

…….... (***Company***),
Insert name of Shareholder Company

the Company has appointed:

……
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at a General meeting of the members of Pilot Energy Limited to be held on 12 July 2017 commencing at 10.00 am (WST) and at any adjournments of that meeting.

DATED ……

Please sign here

Executed by the Company in accordance with its constituent documents)))	
……..	……...
Signed by authorised representative	Signed by authorised representative
……..	……...
Name of authorised representative (print)	Name of authorised representative (print)
……..	……..
Position of authorised representative (print)	Position of authorised representative (print)

Instructions for Completion

- Insert name of appointing Shareholder Company and the name or position of the appointee corporate representative (eg "John Smith" or "each director of the Company").
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (eg director) of each authorised company officer who signs this Certificate on behalf of the Company.
- Insert the date of execution where indicated.
- Prior to the Meeting, send or deliver the Certificate to the registered office of Pilot Energy Limited at Level 1, 31 Cliff Street, WA 6959 or fax the Certificate to the registered office at +61 8 6444 7408.

Instructions for Completing 'Appointment of Proxy' Form

1. (**Changes to Proxy Voting**): Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Section 250R (5) of the Corporations Act came into effect on 28 June 2012 and will affect the Chair's votes on undirected proxies. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:

   (a) if proxy holders vote, they must cast all directed proxies as directed;

   (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

   Further details on these changes are set out below.

2. (**Appointing a Proxy**): A member with two or more votes entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.

3. (**Proxy vote if appointment specifies way to vote**): Section 250BB (1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

   (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);

   (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;

   (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

   (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

4. (**Transfer of non-chair proxy to chair in certain circumstances**): Section 250BC of the Corporations Act provides that, if:

   (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;

   (b) the appointed proxy is not the chair of the meeting;

   (c) at the meeting, a poll is duly demanded on the resolution; and

   (d) either of the following applies:

      (i) the proxy is not recorded as attending the meeting;

      (ii) the proxy does not vote on the resolution,

   the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

5. (**Signing Instructions**):

   (a) (**Individual**): Where the holding is in one name, the member must sign.

   (b) (**Joint Holding**): Where the holding is in more than one name, all of the members should sign.

   (c) (**Power of Attorney**): If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

   (d) (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

6. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.

7. (**Voting in person**):

   (a) A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the attached proxy form to the Meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the Meeting to facilitate this registration process.

   (b) A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Meeting in accordance with Section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the Certificate is enclosed with this Notice of Meeting

8. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return the Proxy Form (and any Power of Attorney under which it is signed):

   (a) In person to Level 1, 31 Cliff Street, Fremantle, WA;

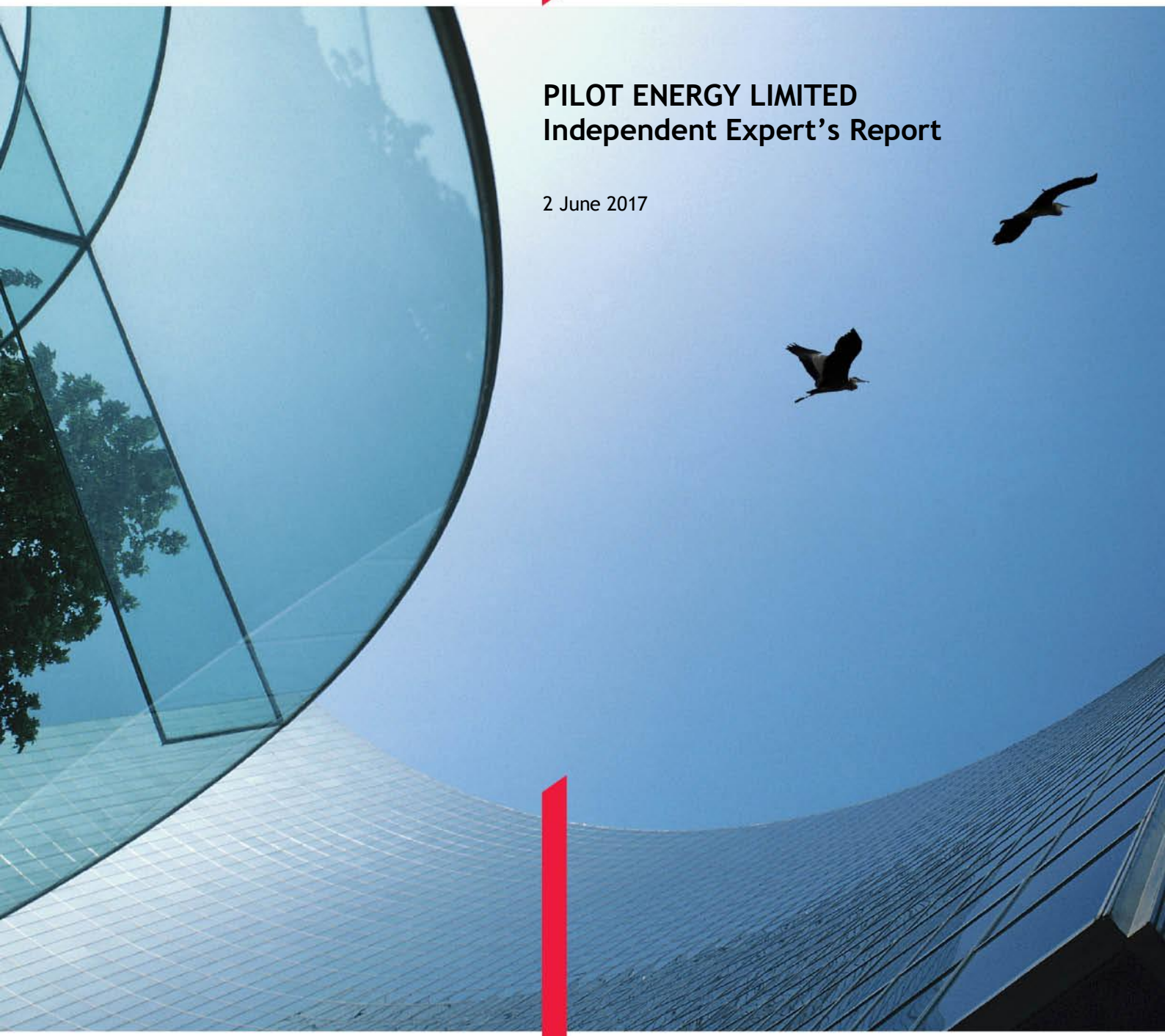
   (b) By mail to PO Box 584, Fremantle, WA, 6959.

   (c) By Facsimile to +61 8 64447408;

   (d) By scan and email to davidm@broadwaymgt.com.au

   so that it is received at least 48 hours prior to commencement of the General Meeting. Proxy Forms received later than this time will be invalid.

ANNEXURE A – INDEPENDENT EXPERT'S REPORT



PILOT ENERGY LIMITED
Independent Expert's Report

2 June 2017

Financial Services Guide

2 June 2017

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (‘**we**’ or ‘**us**’ or ‘**ours**’ as appropriate) has been engaged by Pilot Energy Limited (‘**Pilot Energy**’) to provide an independent expert’s report on the proposal to issue 240 million shares at $0.003 per share to Global Rainbow Investments Limited. You will be provided with a copy of our report as a retail client because you are a shareholder of Pilot Energy.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (‘**FSG**’). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $17,500.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments
BDO Audit and Assurance (WA) Pty Ltd is the appointed Auditor of Pilot Energy. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter. BDO Audit (WA) Pty Ltd has performed work for Pilot Energy over the past two years for a collective fee of $57,990.

BDO Corporate Finance (WA) Pty Ltd has performed work in relation to independent expert's reports in the past two years. Our total fee for work provided was $24,000.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Pilot Energy for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (**'FOS'**). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

2 June 2017

The Directors
Pilot Energy Limited
Level 2, 55 Carrington Street
NEDLANDS WA 6009

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 24 April 2017, Pilot Energy Limited ('**Pilot Energy**' or '**the Company**') announced that it had entered into a Share Subscription Agreement ('**SSA**') with Giant Rainbow Investments Limited ('**Giant Rainbow**' or '**the Subscriber**') to raise $720,000 via the issue of 240 million ordinary shares (pre consolidation) at an issue price of $0.003 per share (the '**Placement**' or the '**Transaction**').

Giant Rainbow is a private entity registered in the British Virgin Islands. Its principal, Mr Songqing Ye, has an association and common business interests with Pilot Energy's Chairman, Mr Hui Xiong (Wilson) Xue ('**Mr Xue**').

As such, Giant Rainbow is regarded as a related party of the Company for the purposes of Australian Securities Exchange ('**ASX**') Listing Rule 10.11. ASX Listing Rule 10.11 restricts the issue of shares to a related party unless the Company obtains shareholder approval.

Additionally, the Company is seeking shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of shares to Giant Rainbow. ASX Listing Rule 7.1 provides that a company must not, without the approval of holders of ordinary securities, issue or agree to issue more equity securities during any twelve month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that twelve month period. As such, if Pilot Energy shareholders approve the Placement, it will allow the Company to issue the shares to Giant Rainbow without using the Company's 15% annual placement capacity.

In addition to the Placement, Pilot Energy is also seeking shareholder approval to consolidate the shares on issue on a 50:1 consolidation basis (the '**Consolidation**'). All references to shares on issue in this report are on a pre-consolidation basis unless specified.

We acknowledge that there is no statutory requirement under ASX Listing Rule 10.11 or ASX Listing Rule 7.1 to obtain an independent expert report however, the directors of Pilot Energy have decided to commission this report to assist the shareholders with their decision when voting on the Placement.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Pilot Energy have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the Transaction is fair and reasonable to non-associated shareholders of Pilot Energy ('**Shareholders**').

Our Report is to be included in the Notice of Meeting for Pilot Energy in order to assist the Shareholders in their decision whether or not to approve the Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of a Pilot Energy share prior to the Transaction on a minority basis compares to the value of a Pilot Energy share following the Transaction on a minority basis;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that, in the absence of an alternative offer, the Transaction is not fair but reasonable to Shareholders.

In our opinion, the Transaction is not fair because the value of a Pilot Energy share following the Transaction is lower than the value of a Pilot Energy share prior to the Transaction. However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, we believe the Transaction will provide the Company with additional funds to continue as a going concern and further develop its exploration projects in the short term.

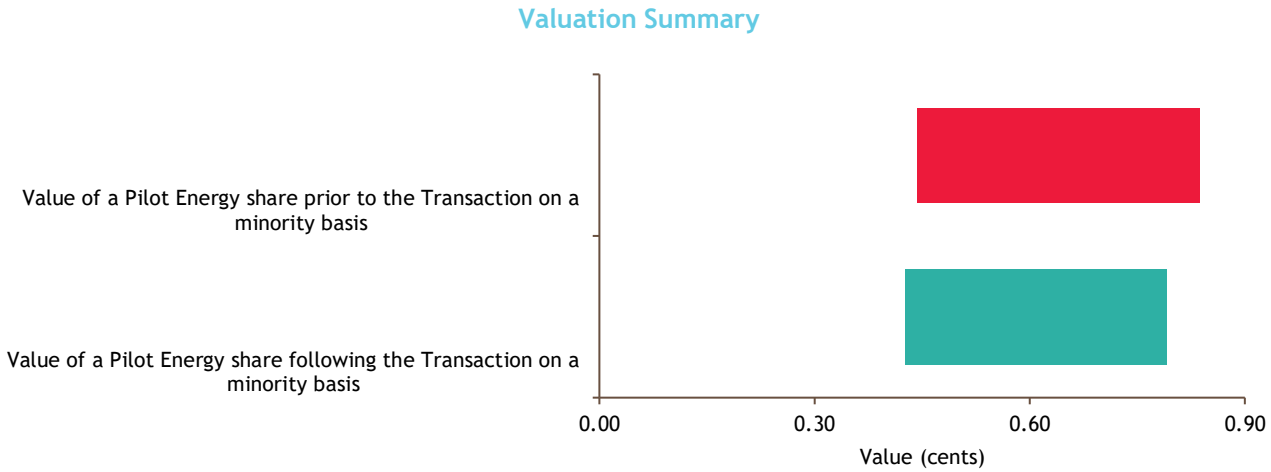
2.4 Fairness

We do not consider this to be a control transaction, as such in section 12 we determined how the value of a Pilot Energy share prior to the Transaction on a minority basis compares to the value of a Pilot Energy share following the Transaction on a minority basis as detailed below:

	Ref	Low cents	Preferred cents	High cents
Value of a Pilot Energy share prior to the Transaction on a minority basis	10.1	0.444	0.632	0.837
Value of a Pilot Energy share following completion of the Transaction on a minority basis	11	0.426	0.601	0.791

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of an alternative offer, the Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- alternative proposals including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	**Advantages**	**Section**	**Disadvantages**
13.3.1	The Transaction provides funds to enable the Company to meet its existing project commitments and working capital	13.4.1	The Transaction is not fair
13.3.2	The 0.3 cent issue price is greater than the high value per share we assessed using the quoted market price methodology	13.4.2	Dilution of existing Shareholders' interest
13.3.3	Strengthens the Company's balance sheet and its continuation as a going concern		
13.3.4	New cornerstone support from a strategic investor		
13.3.5	No current changes to current operating arrangements		
13.3.6	No change of control		

Other key matters we have considered include:

Section	Description
13.1	Alternative proposals
13.2	Consequences of not approving the Transaction

3. Scope of the Report

3.1 Purpose of the Report

There is no requirement under the ASX Listing Rules or the Corporations Act 2001 Cth ('**Corporations Act**' or '**the Act**') for Pilot Energy to engage an independent expert in relation to the Transaction.

Notwithstanding the above, Pilot Energy has engaged BDO to prepare this report for provision to Shareholders to assist them in deciding whether or not to approve the Transaction.

3.2 Regulatory guidance

Neither the ASX Listing Rules nor the Corporations Act define the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Transaction to be a control transaction (see section 4.2). As such, we have used RG 111 as a guide for our analysis but have considered the Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider that the Transaction is a control transaction. As such, we have not included a premium for control when considering the value of a Pilot Energy share.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any alternative options.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between a Pilot Energy share prior to the Transaction on a minority basis and the value of a Pilot Energy share following the Transaction on a minority basis (fairness – see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transaction, after reference to the value derived above (reasonableness – see Section 13 'Is the Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

Giant Rainbow shareholding prior to the Transaction

On 10 March 2017, Pilot Energy entered into a binding term sheet with the Giant Rainbow for Giant Rainbow to purchase ordinary shares in Pilot Energy which amount to less than a 'marketable parcel' (which is defined as a shareholding less than $500). Up to 38,066,324 shares were available for purchase at $0.002 per share. The facility closed on 28 April 2017 with over 800 shareholders with unmarketable parcels selling over 33 million shares to Giant Rainbow for total consideration of $66,887. On completion of the unmarketable parcel share sale facility, the number of Pilot Energy shareholders reduced to 900.

4.1 The Transaction

The Placement

On 24 April 2017, Pilot Energy announced it had entered into a SSA with Giant Rainbow to raise $720,000 through the issue of 240 million shares at $0.003 per share.

Shareholder approval is required pursuant to ASX Listing Rule 10.11 because Giant Rainbow is deemed to be a related party. This is due to the fact that:

a) Mr Xue and Giant Rainbow share common business interests; and

b) Giant Rainbow's key principal is Mr Songqing Ye. Mr Songqing Ye and Mr Xue (who is the Non-Executive Chairman of the Company) share a long standing professional relationship.

ASX listing rule 10.11 requires that shareholder approval be obtained prior to the issue of shares by a listed company to related party.

This Report is not required under the Corporations Act or the ASX Listing Rules however, the directors of Pilot Energy have deemed it prudent to have an Independent Expert provide an opinion as to whether the Transaction is fair and reasonable to Shareholders.

The Consolidation

In addition to the Placement, Pilot Energy is also seeking shareholder approval to consolidate the shares on issue on a 50:1 consolidation basis. The impact of the Transaction and Consolidation to the capital structure of the Company is detailed in section 4.2 below.

Conditions precedent of the SSA

A number of conditions precedent were identified in the SSA before completion of the Transaction. These include:

a) **No material adverse change**: there is no material adverse change between the date of the SSA and immediately before completion of the Transaction;

b) **ASX quotation**: at no time before completion of the Transaction, the ASX has indicated or suggested that it will refuse to grant quotation of the 240 million Placement shares or otherwise make quotation conditional (except for any customary conditions);

c) **Warranties**: each of the representations and warranties of the Company as detailed in the SSA are true and correct in all material respects as at Completion of the Transaction;

d) **Regulatory consents**: any regulatory consents or approvals from any government agency that are necessary for the parties to perform their respective obligations under the agreement are obtained; and

e) **Shareholder approval**: the members of the Company in general meeting have approved by the appropriate majority the issue of the Placement shares to Giant Rainbow for all purposes, including the purposes of the Listing Rules and the Corporations Act.

4.2 Giant Rainbow's shareholding in Pilot Energy following completion of the Transaction

The Subscriber's shareholding in Pilot Energy before and after completion of the Transaction is set out in the table below:

Pilot Energy share structure following the Transaction	Giant Rainbow	Other Shareholders	Total
Prior to the Transaction			
Issued shares as at the date of this Report	33,286,985	2,905,529,849	2,938,816,834
% holdings as at the date of this Report	1.13%	98.87%	100.00%
Following the Transaction			
Shares to be issued under the Transaction	240,000,000	-	240,000,000
Total shares on issue following the Transaction	**273,286,985**	**2,905,529,849**	**3,178,816,834**
% holdings following the Transaction	**8.60%**	**91.40%**	**100.00%**
Consolidation of capital on a 50:1 basis	**5,465,739**	**58,110,597**	**63,576,336**

Source: BDO Analysis

At the date of this report, Giant Rainbow holds 33,286,985 ordinary shares which amounts to 1.13% of the issued capital of the Company. Post completion of the Transaction, Giant Rainbow will be issued 240,000,000 ordinary shares which will increase its total holding in the Company to 273,286,985 ordinary shares. This will total 8.60% of the issued share capital of the Company. Giant Rainbow's interest in the Company will not increase above 20%. Accordingly, we do not consider the Transaction to be a control transaction.

The total shares on issue post the 50:1 Consolidation will be reduced from 3,178,816,834 to 63,576,336. The relative percentage holdings will not change as a result of this share consolidation.

5. Profile of Pilot Energy

5.1 History

Pilot Energy, formerly Rampart Energy Limited ('**Rampart**'), was incorporated in February 2006 and officially listed on the ASX on 19 April 2006. The Company is focused on the exploration of oil and gas with both onshore and offshore projects in Western Australia. The current board members and company secretary of Pilot Energy are:

- Mr Hui Xiong (Wilson) Xue, Non-Executive Chairman;
- Mr Iain Smith, Managing Director;
- Mr Benson Wong, Executive Director and CFO; and
- Mr David McArthur, Company Secretary.

Recent company developments

On 31 March 2016, Pilot Energy announced that it had entered into a SSA, with a group of cornerstone investors to raise $3.6 million. The funds were raised in two tranches. Pilot Energy issued 400 million shares in tranche one at 0.2 cents per share to raise $0.8 million. $2.8 million was raised in tranche two at 0.3 per share through the issue of 933,340,000 ordinary shares. These investors collectively held 45.4% of the issued capital of the Company post completion of this capital raising.

On 27 July 2016, Pilot Energy announced that it had acquired a 100% interest in exploration permit WA-481-P, located in the offshore North Perth Basin, Western Australia. The announcement specified that Pilot Energy had identified the opportunity in collaboration with its joint venture partner in the EP437 Permit, Key Petroleum Limited ('**Key Petroleum**'). As a result, Key Petroleum had the right to acquire a 40% interest in the WA-481-P Permit, on the same pro rata terms. On 29 July 2016, Pilot Energy announced that Key Petroleum had exercised its option to acquire a 40% interest in the WA-481-P Exploration Permit.

Set out below is a brief description of the Company's projects. For a full description of Pilot Energy's projects and details of the Company's work programme commitments see Appendix Three.

5.2 Projects

Australia WA-507-P Exploration Permit (80% working interest as operator)

The acquisition of WA-507-P was announced by the Company on 18 November 2014 and covers an area of 1,622 km^2 over the Exmouth Plateau, located approximately 300 km offshore Western Australia. The project area comprises structures which have potential to contain quantities of oil and gas in the Triassic Mungaroo reservoir. Pilot Energy is partnered in the exploration permit by Black Swan Resources Pty Ltd, which owns the remaining 20% interest in the permit.

The permit was granted for a six-year term on 17 November 2014 which carries a commitment by the Company to conduct three years of geological and geophysical studies and licensing of the existing 3D seismic data. A discretionary well is also required to be drilled in or before the six year term.

Australia WA-503-P Exploration Permit (80% working interest as operator)

Pilot Energy announced the acquisition of WA-503-P on 30 March 2015 which is located offshore Western Australia within the Dampier Sub-basin. The permit is approximately 80 kilometres offshore Western Australia in water depths of no greater than 70 metres.

The exploration permit was awarded on 13 May 2014 and through an agreement with Neon Energy Ltd, Pilot Energy acquired an 80% working interest. The Company is partnered in the exploration permit by Black Swan Resources Pty Ltd, which owns the remaining 20% interest.

The exploration permit carries a six year term which involves a commitment to conduct three years of geological and geophysical studies, including the commitment to acquire 80 km^2 of new 3D seismic data across the permit.

Australia WA-481-P Exploration Permit (60% working interest)

In July 2016, Pilot Energy acquired a 60% interest in exploration permit WA-481-P, which is located in the offshore north Perth basin. Key Petroleum is the partner in this project with a 40% interest.

The permit covers an area of 17,475km^2, and has proven oil and gas. Pilot Energy paid no upfront consideration for the permit, instead the previous titleholder will receive 10% of net profits on any future hydrocarbon production from within the permit. Pilot Energy was also assigned the previous titleholder's share of entitlements under the Petroleum Resource Rental Tax ('**PRRT**'). On 16 November 2016, Pilot Energy announced it had received a transfer of the of the PRRT credits, totalling $65.6 million completing the final step in the acquisition of WA-481-P. RISC have considered the PRRT status in their valuation.

Australia EP416 and EP480 (60% working interest as operator)

On 2 September 2015, the Company announced the execution of a farm-in agreement with Empire Oil & Gas NL ('**Empire**'). This agreement gave Pilot Energy rights to perform drilling and exploration within Empire's EP416 and EP480 exploration permits, located in the Perth Basin.

The permits cover a combined area of 2,310 km^2, and have sparsely explored with two wells drilled in the 1960's and one well drilled in 2012 by the government as part of a carbon geosequestration study. Under the terms of the agreement, Pilot Energy agreed to pay $0.15 million to fund Empire's recently completed airborne geophysical survey of the permits, with a further $0.3 million payable upon amendments to the permit terms being successfully negotiated.

On 23 February 2016, the Company announced results of the airborne geophysical survey acquired over the EP416 and EP480 exploration permits. These results confirmed the presence of two major depo-centres for source maturity, representing potential for gas generation.

On 10 February 2016, Pilot Energy announced that the Western Australian Department of Mines and Petroleum had approved the transfer of title and operatorship to the Company pursuant to its agreement with Empire.

Australia EP437 (13.058% working interest)

On 4 November 2015, Pilot Energy announced the execution of a second Perth Basin acquisition with Caracal Exploration Pty Ltd ('**Caracal**'). This agreement involved the acquisition of Caracal's 13.058% interest in exploration permit EP437 which is located within the northern Perth Basin between the towns of Geraldton and Dongara. This area has a number of wells drilled within it, with results confirming a working petroleum system within the boundaries of the permit.

Under the terms of the acquisition, the consideration to be paid to Caracal for the interest is as follows:

(i) $15,000 cash payment;

(ii) 20 million ordinary shares in Pilot Energy; and

(iii) 20 million options to purchase ordinary shares of Pilot Energy, to be issued to Caracal upon completion of the agreement with an exercise price of 0.2 cents, expiry of 30 June 2019. The options vest upon the condition that Pilot Energy's share price achieves a five-day volume weighted average price of 0.3 cents.

On 20 April 2016, the Company announced that the Western Australian Department of Mines and Petroleum had approved the transfer of title to the Company, pursuant to its agreement with Caracal to acquire a 13.058% interest in the exploration permit EP437.

On 19 December 2016, Pilot Energy announced that the EP437 Joint Venture had approved the work program and budget for drilling the Wye Knot-1 exploration well.

5.3 Historical Balance Sheet

Historical Statement of Financial Position	Reviewed as at 31-Mar-17 $	Audited as at 30-Sep-16 $	Audited as at 30-Sep-15 Restated $	Audited as at 1-Oct-14 Restated* $
CURRENT ASSETS				
Cash and cash equivalents	1,058,168	1,335,196	510,460	2,629,375
Trade and other receivables	54,442	16,102	89,072	42,723
Prepayments	47,700	39,898	35,881	79,784
Assets held in discontinued operations	-	-	606,202	-
TOTAL CURRENT ASSETS	1,160,310	1,391,196	1,241,615	2,751,882
NON CURRENT ASSETS				
Trade debtors and other receivables	66,666	66,666	5,597	5,598
Property and equipment	-	721	2,236	5,500
TOTAL NON CURRENT ASSETS	66,666	67,387	7,833	11,098
TOTAL ASSETS	1,226,976	1,458,583	1,249,448	2,762,980
CURRENT LIABILITIES				
Trade and other payables	85,387	176,763	355,846	1,359,685
Employee entitlements	13,461	19,461	-	-
Borrowings	-	8,131	8,482	7,498,400
Liabilities held in discontinued operations	-	-	1,163,063	-
TOTAL CURRENT LIABILITIES	98,848	204,355	1,527,391	8,858,085
TOTAL LIABILITIES	98,848	204,355	1,527,391	8,858,085
NET ASSETS	**1,128,128**	**1,254,228**	**(277,943)**	**(6,095,105)**
EQUITY				
Issued capital	42,952,930	42,952,930	39,685,932	38,763,813
Reserves	(501,488)	(228,422)	(317,740)	1,756,384
Accumulated losses	(41,323,314)	(41,470,280)	(39,646,135)	(46,615,302)
TOTAL EQUITY	**1,128,128**	**1,254,228**	**(277,943)**	**(6,095,105)**

Source: Audited financial statements for the years ended 30 September 2016, 30 September 2015 and 1 October 2014 and reviewed financial statements for 31 March 2017.

*With effect from 1 October 2015, the directors of Pilot Energy made a voluntary change in accounting and exploration expenditure from capitalisation to expense when incurred. As such, and in accordance with Australian Accounting Standards Board 101.39, a fourth Consolidated Statement of Financial Position has been presented above. The standard requires that the change in accounting policy is shown from the first day of the prior year to which the change is made, being 1 October 2014.

We note that for the half year ended 31 March 2017, the Company's auditor issued an emphasis of matter paragraph in the audit report. The auditor outlined the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

We note the following in relation to Pilot Energy's historical statement of financial position:

- Cash and cash equivalents decreased from $1,335,196 as at 30 September 2016 to $1,058,168 as at 31 March 2017. The decrease is primarily attributable to a cash outflow of $814,912 for payments to suppliers and employees and a cash outflow of $264,038 for the purchase of other non-current assets.
- Non-Current trade debtors and receivables comprised of deposits and bonds.
- Assets held in discontinued operations of $606,202 as at 30 September 2015 relate to Rampart Alaska, a wholly owned subsidiary, from the investment in the Alaskan Western Block which has since been discontinued.
- Trade and other payables have been decreasing in each period illustrated above. This balance has also decreased from $176,763 as at 30 September 2016 to $85,387 as at 31 March 2017 primarily due to the continued corporate cost reduction measures which were implemented during the year ended 30 September 2015.
- Liabilities held in discontinued operations of $1,163,063 as at 30 September 2015 relate to trade and other payables attributable to Rampant Alaska which has since been discontinued.

5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Mar-17	Audited for the year ended 30-Sep-16	Audited for the year ended 30-Sep-15 Restated*	Audited for the year ended 30-Sep-14
	$	$	$	$
Revenue				
Research and development tax refund	805,455	-	-	-
Revenue from continuing operations	-	7,027	11,903	21,474
Other income	5,735	11,981	-	19,644
Expenses				
Personnel expenses	(329,769)	(659,061)	(340,765)	(540,270)
Administrative expenses	(170,622)	(173,201)	(218,596)	(369,884)
Professional fees	(207,929)	(338,341)	(255,222)	(588,651)
Finance expenses	(755)	(2,037)	(1,899)	(1,017,791)
Exploration expenses	(264,038)	(2,026,236)	(477,378)	(5,869,986)
Other expenses	(13,486)	(45,320)	(26,898)	(79,221)
Loss before income tax expense	**(175,409)**	**(3,225,188)**	**(1,308,855)**	**(8,424,685)**
Income tax expense	-	-	-	(413,300)
Loss for the year from continuing operations	(175,409)	(3,225,188)	(1,308,855)	(8,837,985)
Profit for the year from discontinued operations	-	1,360,875	6,807,167	-
Profit/(loss) for the year	**(175,409)**	**(1,864,313)**	**5,498,312**	**(8,837,985)**
Other comprehensive income				
Foreign currency translation difference of foreign operations	-	48,222	(791,886)	(7,037)
Total comprehensive profit/(loss) for the year	**(175,409)**	**(1,816,091)**	**4,706,426**	**(8,845,022)**

Source: Audited financial statements for the years ended 30 September 2016, 30 September 2015 and 30 September 2014 and reviewed financial statements for 31 March 2017.

*Refer to the restated accounts comment in section 5.3 for information about this change.

We also note that the amounts stated for the year ended 30 September 2014 have not been restated to account for the discontinuation of Pilot Energy's investment in the Alaskan Western Block leases. In the accounts for the years ended 30 September 2015 and 30 September 2016, the expenses and losses from discontinuation of this subgroup have been eliminated from the profit or loss arising from the Company's continuing operations.

We note the following in relation to Pilot Energy's historical statement of profit or loss and other comprehensive income:

- The research and development tax refund of $805,455 received in the six months to 31 March 2017 is primarily related to an offset pertaining to the technical studies in progress on the WA-507-P exploration permit.
- Other income for the six month period ended 31 March 2017 relates to interest received.
- Exploration expenses increased from $477,378 in the twelve months to 30 September 2015 to $2,026,236 in the twelve months to 30 September 2016 primarily due to the accounting policy change from 'capitalisation' to 'expensed as incurred' which was effective from 1

October 2015. We also note that the exploration expenses have decreased to $264,038 in the six months to 31 March 2017.

- Profit from discontinued operations of $1,360,875 in the twelve months to 30 September 2016 and $6,807,167 in the twelve months to 30 September 2015 relates to the discontinued investment in the Alaskan Western Block leases.

5.5 Capital Structure

The share structure of Pilot Energy as at 12 May 2017 is outlined below:

	Number
Total ordinary shares on issue	2,938,816,834
Top 20 shareholders	1,876,402,320
Top 20 shareholders - % of shares on issue	63.85%

Source: Share registry information

The range of shares held in Pilot Energy as at 12 May 2017 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	58	22,785	0.01%
1,001 - 5,000	45	99,857	0.03%
5,001 - 10,000	22	161,098	0.06%
10,001 - 100,000	63	2,906,125	1.15%
100,001 - and over	712	2,935,626,969	98.75%
TOTAL	**900**	**2,938,816,834**	**100.00%**

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 12 May 2017 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
GS Energy Pty Ltd	740,747,000	25.21%
Billion Power Capital Investment Limited	370,380,000	12.60%
Sunpex International Limited	185,187,000	6.30%
Pershing Australia Nominees Pty Ltd	99,000,000	3.37%
Rosetti Super Holdings Pty Ltd	86,270,000	2.94%
Total	**1,481,584,000**	**50.41%**

Source: Share registry information

The current unlisted company options on issue as at 12 May 2017 are outlined below. We have also illustrated the effects of the Consolidation on the number of options on issue and the exercise price.

	Number	Exercise price	Post consolidation	Post consolidation exercise price
		cents	number	$
Unlisted options exercisable on or before 30 September 2017	10,000,000	3.0	200,000	$1.50
Unlisted options exercisable on or before 30 June 2019	25,000,000	0.2	500,000	$0.10
Unlisted options exercisable on or before 30 June 2019	20,000,000	0.2	400,000	$0.10
Unlisted options exercisable on or before 31 December 2019	140,000,000	0.4	2,800,000	$0.20

Source: Share registry information

6. Profile of the Subscriber

Giant Rainbow is a company incorporated in the British Virgin Islands (BVI Company Number 1940051) and is a private investment company controlled by Mr Songqing Ye.

Giant Rainbow's current business activities are limited to its investment in Pilot Energy. Mr Songqing Ye is not legally related to Pilot Energy or its directors however, Mr Songqing Ye and Mr Xue share a long standing professional relationship.

7. Economic analysis

7.1 Global

Overall, the global economy is continuing to grow at a moderate level, entering 2017 with more momentum than was originally anticipated. Labour market conditions in advanced economies have improved over the past year, with growth in global industrial production and trade also picking up.

In China, growth was stronger over the second half of 2016 which was supported by higher spending on infrastructure and property construction. This has come as a result of China shifting away from an economy dependent on manufacturing, to one driven by consumer demand. High and rising debt, combined with excess capacity in some sectors remains a risk to its medium-term outlook for growth.

Global financial markets have seen improved sentiment following a period of increased volatility. However, uncertainty regarding the global economic outlook and policy settings for major jurisdictions continues. Globally, monetary policy remains accommodative.

Commodity prices

Commodity prices have increased significantly in recent months, following a steep decline over the past few years. The increase in commodity prices is partly attributable to factors such as increased Chinese demand for bulk commodities. Chinese authorities have also restricted domestic production to reduce overcapacity, which has further contributed to the appreciation of prices. These higher price levels are unlikely to be sustained, with forecasts assuming that much of the recent increase in commodity prices will be unwound over the next couple of years.

The increase in commodity prices has seen a consequent increase in Australia's terms of trade. The increase bucks a declining trend in Australia's terms of trade, which have steadily declined over the past four years.

7.2 Australia

Domestic growth

In Australia, the available information suggests that the economy is growing moderately. The Australian economy has experienced a large decline in mining investment. However, this is being offset by growth in other areas such as residential construction, government expenditure and exports. Despite higher commodity prices boosting the profits of resource firms, the increase is expected to be temporary. Consequently, it is unlikely that stronger commodity prices will translate into materially higher investment or employment in the resource sector.

Inflation is expected to increase as the effects of some factors that have been weighing on domestic cost pressure dissipate, including earlier declines in the terms of trade and falling employment in mining related industries. The increase in underlying inflation is likely to be gradual.

Recent data indicates that conditions in the labour market have softened, with the unemployment rate moving a little higher and employment growth subdued.

Financial markets

Australian government bond yields have been stable over recent months. Equity markets have increased and are visibly higher than twelve months ago. Prices of resource companies have declined while share prices of companies in other sectors, particularly the financial sector, have increased.

Credit growth

Credit growth has picked up over the last three months, partly due to a number of large privatisations being financed by business credit. Furthermore, loan approvals data suggests that lending to investors has risen over the past few months, which is consistent with the increase in investor housing loan approvals.

Conditions in the established housing market have strengthened recently, although there is substantial variation across the country.

Overall, financial conditions remain accommodative, with funding costs for creditworthy borrowers remarkably low.

Currency movements

The recent increase in the terms of trade have been associated with an appreciation of the Australian dollar. An overall depreciating Australian dollar since 2013 has assisted the ongoing adjustment of the economy towards non-resource sectors following the end of the mining boom; an appreciating exchange rate could complicate that process.

Source: www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision 2 May 2017*

Implications for Pilot Energy

Over the past month, the risk appetite of investors in Australia has shifted away from the resources sector into other sectors, predominantly, the financial sector market. This change may impact the ability of Pilot Energy to source additional funding in the future however, we also acknowledge the steady increase of oil prices over the last few months which could also attract new investors.

8. Industry analysis

8.1 Overview of the oil and gas exploration industry

The oil and gas industry represents an integral part of the overall Australian economy; with resources supplied both domestically and internationally. Companies which operate within the oil and gas exploration industry provide both onshore and offshore drilling and exploration services. Larger corporates which have integrated, global operations normally operate on a larger scale, whilst smaller junior exploration companies are more active at the smaller end of the industry. In Australia, major companies include Woodside Petroleum Limited, Santos Limited, Chevron Australia Holdings Proprietary Limited and Shell Energy Holdings Australia Limited.

8.2 Key external drivers

The most influential external drivers which impact upon the operations of oil and gas exploration companies include, but are not limited to exchange rates , world price of natural gas and world price of crude oil.

The strength of the Australian dollar against the US dollar is an important key external driver for the industry. When the Australian dollar appreciates against the US dollar, oil and gas extraction companies generate a lower level of income for their oil and gas reserves. For junior explorers, this means that future exploration activities may be restricted if the Australian dollar price of oil falls.

The world price of natural gas and crude oil are also important key external drivers. As the world price of natural gas increases, the incentive to explore for unproven gas resources also heightens. In regards to the world crude oil price, a decrease in the price leads to limited oil and gas exploration activities as the financial incentives of extracting prospective oil resources decline. For junior explorers, these effects may be magnified as their scales of operations are smaller compared to larger firms who occupy a larger percentage of the industry's market share. Furthermore, firms which are purely exploration companies may struggle to attract funds, as investors take a more negative view of the future financial prospects of such companies.

8.3 Price trends

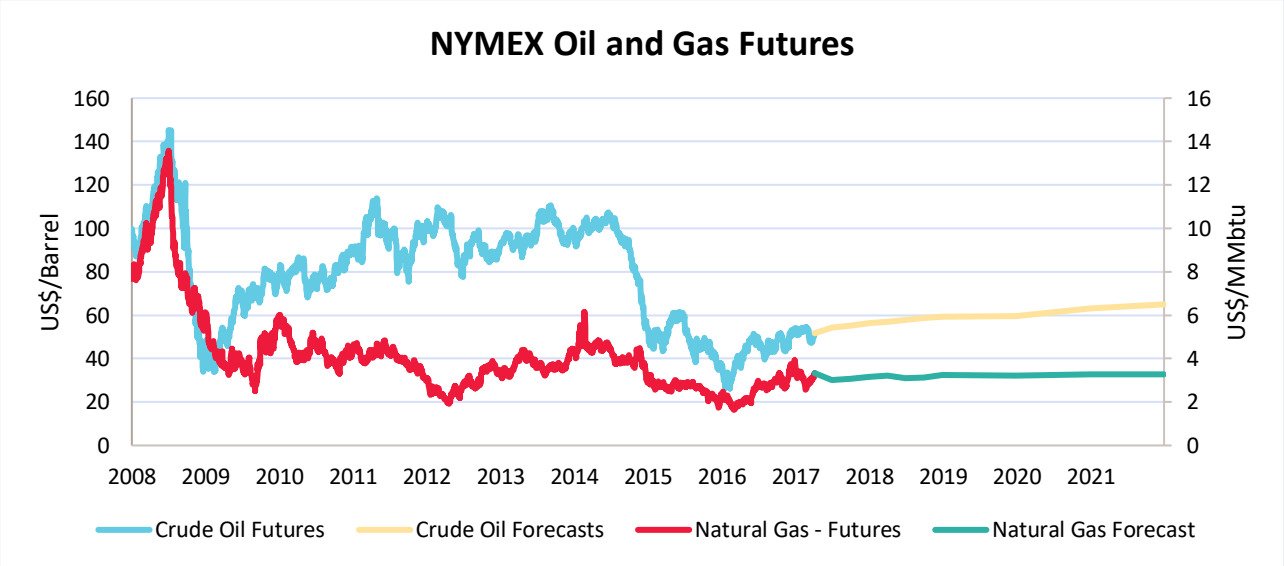
Prior to the 2008 global financial crisis, crude oil and natural gas prices began to soar due to the decrease in spare capacity, alongside strong speculation in the futures market. In the six months from June 2008 onwards, the price of oil peaked at approximately US$140 a barrel and then plummeted towards a low of US$30 a barrel due to reduced demand and accumulated stockpiles.

Supply and demand factors are important in driving fluctuations in oil and gas prices. For example, meetings held by the Organisation of Petroleum Exporting Countries ('**OPEC**') to determine short term oil supply are often followed by periods of volatile price movements. Following an OPEC cut of 4.2 million b/d in January 2009, as well as increased demand in Asia, oil prices began to rise. In February 2011, prices increased further following the loss of Libyan exports due to the Libyan civil war. This unrest caused major concerns amongst Middle Eastern and North African producers, therefore supporting the oil price during this period.

Between 2007 and 2010 there was a high correlation between the oil and natural gas prices, however a divergence between these prices occurred in 2011. This divergence can be attributed to large developments in shale gas production, leading to discounts in natural gas prices.

During 2015, there was a significant fall in the world price of crude oil due to various contributing factors. One key factor was Iran's return to the international oil market following the lifting of sanctions against the country under an international agreement. In addition to this the United States almost doubled its domestic production with imports forced to find another market. This meant that Saudi Arabian, Nigerian and Algerian oil that was first sold in the US market, was suddenly competing for Asian markets and as a result, producers were forced to cut prices.

Oil prices have increased over the last few months, as the result of OPEC and non-OPEC members agreeing to reduce oil production by around by roughly 1.8 million barrels per day for six months, beginning in January 2017. Although prices have increased, they are below the 2014 oil price highs. The increase in oil prices has contributed to higher prices of liquefied natural gas exports.



Source: Bloomberg and Consensus Economics

8.4 Outlook

Oil and gas continue to remain key sources of energy growth, despite significant changes occurring in the global economy. Energy consumption is forecast to increase between 2017 and 2035 due to expected growth of the world economy and growing population, further supporting increased revenue. Production volumes are also expected to increase, which may be attributed to a number of projects that are nearing completion or which have recently commenced operations.

Over the long run, shifts in global supply and demand are expected to restrict the overall growth in global commodity prices. In the near term, world prices of crude oil and natural gas are expected to grow moderately. In terms of natural gas, information suggests that there will be growth in the global supply in the coming years which could put a dampener on the world price of natural gas in the medium to long term. Industry profit is expected to grow in the future, as a result of export demand growth and pricing.

Source: IBISWorld Petroleum Exploration in Australia 2017

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('**FME**')
- Discounted cash flow ('**DCF**')
- Quoted market price basis ('**QMP**')
- Net asset value ('**NAV**')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Pilot Energy shares we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary valuation methodology.

We have chosen these methodologies for the following reasons:

- The Company does not currently have any producing assets so there is a lack of reliable long term forecasts available for a DCF approach to be undertaken. Additionally, Pilot Energy is not earning any revenue or cash flow from these assets because the Company only has exploration projects. As such, there is no reliable production data or plan to provide sufficient reasonable grounds to produce a net present value for the Company's projects using a DCF approach;
- Pilot Energy is not currently generating any income nor are there any historical earnings that could be used to represent future earnings. As such, the FME approach is not appropriate;
- the QMP method is a relevant methodology to consider as Pilot Energy's shares are traded on the ASX. This means that there is a regulated and observable market where Pilot Energy's shares can be traded. In order for QMP to be considered an appropriate methodology, as per RG 111.69(d), we have considered whether there is a liquid and active market for Pilot Energy's shares.
- the NAV on a going concern basis is considered an appropriate valuation approach. To supplement this valuation, we have relied on the independent market valuation of Pilot Energy's exploration assets that was completed by RISC Operations Pty Ltd ('**RISC**'). RISC's report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets 2015 ('**VALMIN Code**'). The valuation report prepared by RISC can be found in Appendix 3. Additionally, we have considered the remaining value of any assets and liabilities not included in the value of the Company's exploration assets.

Valuation of a Pilot Energy share prior to the Transaction

We have employed the NAV method in estimating the fair market value of Pilot Energy prior to the Transaction by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the:

- Value of Pilot Energy's exploration assets (reliance on the valuation carried out by RISC as the independent technical expert); and
- value of other assets and liabilities of Pilot Energy (using their carried value under the NAV method) (refer to section 5.3).

Valuation of a Pilot Energy share post completion of the Transaction

In our assessment of the value of Pilot Energy shares following the Transaction we have chosen to employ the following methodology:

- NAV as our primary valuation methodology.

The net asset value of Pilot Energy shares following the Transaction will involve the following items:

- The value of Pilot Energy prior to the Transaction;
- Incorporate the effects of the Transaction in the context of Pilot Energy's other assets and liabilities on a NAV basis; and
- The number of shares on issue will incorporate the shares to be issued as part of the Transaction. We have also displayed the post Transaction valuation on a pre-consolidation and post-consolidation (50:1) basis for illustrative purposes.

10. Valuation of Pilot Energy prior to the Transaction

10.1 Net Asset Valuation of Pilot Energy

The value of Pilot Energy assets on a going concern basis is reflected in our valuation below:

	Notes	Reviewed as at 31-Mar-17 $	Low value $	Preferred value $	High value $
CURRENT ASSETS					
Cash and cash equivalents		1,058,168	1,058,168	1,058,168	1,058,168
Trade and other receivables		54,442	54,442	54,442	54,442
Prepayments		47,700	47,700	47,700	47,700
TOTAL CURRENT ASSETS		1,160,310	1,160,310	1,160,310	1,160,310
NON CURRENT ASSETS					
Trade debtors and other receivables		66,666	66,666	66,666	66,666
Exploration, evaluation and development assets	1	-	16,516,100	23,004,500	29,624,100
TOTAL NON CURRENT ASSETS		66,666	16,582,766	23,071,166	29,690,766
TOTAL ASSETS		1,226,976	17,743,076	24,231,476	30,851,076
CURRENT LIABILITIES					
Trade and other payables		85,387	85,387	85,387	85,387
Employee entitlements		13,461	13,461	13,461	13,461
TOTAL CURRENT LIABILITIES		98,848	98,848	98,848	98,848
TOTAL LIABILITIES		98,848	98,848	98,848	98,848
NET ASSETS		**1,128,128**	**17,644,228**	**24,132,628**	**30,752,228**
Discount for minority interest	2		**26%**	**23%**	**20%**
Value of Pilot Energy (minority interest basis)			**13,056,729**	**18,582,124**	**24,601,782**
Shares on issue (number)		2,938,816,834	2,938,816,834	2,938,816,834	2,938,816,834
Value per share ($) minority interest basis			$0.004	$0.006	$0.008
Value per share (cents) minority interest basis			0.444	0.632	0.837
POST CONSOLIDATION					
Shares on issue (number) post consolidation	3		58,776,336	58,776,336	58,776,336
Value per share ($) minority interest basis and post consolidation			$0.22	$0.32	$0.42

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Pilot Energy since 31 March 2017. The table above indicates the net asset value of a Pilot Energy share (pre consolidation) is between 0.444 and 0.837 cents with a preferred value of 0.632 cents.

The following adjustments were made to the net assets of Pilot Energy as at 31 March 2017 in arriving at our valuation.

Note 1: Valuation of Pilot Energy's oil and gas interests

We instructed RISC to provide an independent market valuation of the exploration assets held by Pilot Energy. RISC considered a number of different valuation methods when valuing the exploration assets of Pilot Energy. In valuing Pilot Energy's exploration assets, RISC considered the DCF methodology to be inappropriate due to the early stage of the mineral assets. RISC elected to use notional farm-in terms by a

farminee into the assets to estimate a market value under the requirements of the VALMIN code. RISC also benchmarked these values against comparable transactions where they exist.

Notional farm-in values are based on the promote/premium a farminee is prepared to pay the farminor for their equity. For example, a promote factor of 2 for 1 implies a 100% premium on the farminor's equity share of the future exploration costs and carries the farminor through those exploration costs. The market value, therefore to the farminor, is the value of the share of its costs that are being carried by the farminee. In the current depressed market RISC has generally used a range of 1.15 - 1.75 to 1 promote on drilling expenditures (15%-75% uplift) and up to 4 to 1 for the initial lower cost exploration costs that give an option to participate in a well at 1 for 1 (no promote).

We are satisfied with the valuation methodologies adopted by RISC which are in accordance with industry practices and compliant with the requirements of the VALMIN Code. The range of values for each of Pilot Energy's exploration assets as calculated by RISC is set out below:

Exploration assets valuation	Equity interest %	Low value US$m	Preferred value US$m	High value US$m
WA-507-P	80%	2.9	10.0	15.0
WA-503-P	80%	0.6	1.2	9.0
WA-481-P*	60%	1.2	5.1	7.7
EP416 & EP480	60%	0.7	1.2	3.6
EP437	13.058%	0.03	0.05	0.14
Pilot Energy's Exploration Permit Value (US$m)		5.4	17.6	35.4
Pilot Energy's interest in exploration assets on a portfolio basis		12.6	17.6	22.6
($US:$A as at 31 March 2017 1.3108)				
Pilot Energy's interest in exploration assets on a portfolio basis - (A$m)		**16.5**	**23.0**	**29.6**

Source: RISC's Independent Technical Specialist Report for Pilot Energy Limited May 2017
*We note that RISC has considered the PRRT status in their valuation of the WA-481-P project above.

RISC has determined the low and high values of the portfolio of exploration assets at an estimated one standard deviation from the total midpoint value of the portfolio.

RISC previous completed a technical valuation of Pilot Energy's exploration assets in March 2016. This technical valuation was required to accompany an IER that BDO prepared to assist shareholders in deciding whether or not to approve the $3.6 million placement to the cornerstone investors in March 2016. According to RISC, the farmout market has weakened since the March 2016 report so they have lowered some of the promote factor expectations in the May 2017 report.

RISC stated that exploration projects are difficult to farmout at the traditional 2:1 carry for major expenditures such as wells and have set the maximum carry at 1.75:1 to reflect this. RISC also lowered the mid case to 1.25:1 except for WA-507-P where the scale of the prospects should attract a premium farmout to a major player and WA-481-P where proximity to infrastructure and existing contingent resources will help create a premium.

RISC's low side valuation is typically related value or a carry on seismic and geological and geophysical costs which can attract higher premiums. RISC also used a 1.15:1 farmin promote on the onshore well commitments in EP 416/480 and EP 437.

The table above indicates RISC has determined a range of values between $16.5 million and $29.6 million, with a midpoint value of $23 million. RISC's independent valuation report can be found in Appendix Three.

Note 2: Minority interest

The values of Pilot Energy using the NAV methodology represents a controlling interest value. As this is a non-control transaction, we have applied a minority discount to convert these values to a minority interest holding.

A minority interest discount is the inverse of a premium for control and is calculated using the formula 1-(1÷ (1 + control premium)). Below is the calculation of the control premium we have adopted:

Control Premium

Oil and Gas Companies

We have reviewed the control premiums paid by acquirers of oil and gas companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (A$m)	Average Control Premium (%)
2015	3	124.34	18.01
2014	6	524.85	47.47
2013	-	-	-
2012	4	55.40	35.97
2011	3	348.39	42.64
2010	5	794.42	46.09
2009	3	343.87	62.01
	Median	**346.13**	**44.36**
	Mean	**365.21**	**42.36**

Source: Bloomberg and BDO analysis

All Ordinaries Index

We have also reviewed the control premiums paid by acquirers of companies in the All Ordinaries Index listed on the ASX due to the small sample size of oil and gas companies in the control premium above.

We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (A$m)	Average Control Premium (%)
2017	1	83.57	27.46
2016	27	757.02	46.48
2015	37	940.05	41.72
2014	42	518.19	34.56
2013	38	206.79	51.55
2012	49	345.13	46.38
2011	62	743.04	53.38
2010	64	841.15	42.12
2009	61	456.18	49.48
	Mean	**543.46**	**43.68**
	Median	**518.19**	**46.38**

Source: Bloomberg and BDO analysis

The mean and median figures above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed we have also calculated the mean and median of the entire data set comprising control transactions from 2009 onwards, as set out below:

Entire Data Set Metrics	Average Deal Value (A$m)	Average Control Premium (%)
Mean	**603.56**	**46.02**
Median	**94.49**	**35.95**

Source: Bloomberg and BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The entire data set metrics table above indicates that the long term average control premium paid by acquirers of companies listed on the ASX is approximately 46% since 2009. However, in assessing the sample of transactions that were included in the All Ordinaries Index table, we noted transactions within the list that appear to be extreme outliers. These outliers include 29 transactions in which the announced control premium was in excess of 100%. In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median control premium over the review period was approximately 36%.

In determining a control premium most appropriate for Pilot Energy, we have considered a number of factors which may differentiate Pilot Energy from other ASX listed companies considered in our analysis. Particularly, we consider the fact that:

- Pilot Energy's auditor issued an emphasis of matter paragraph in the audited financial accounts for the period ended 31 March 2017. The auditor outlined the existence of a material uncertainty in relation to the Company's ability to continue as a going concern. The Company's current financial situation may therefore impact the likely premium that an acquirer would pay to acquire the Company; and
- The Company is in its exploration phase and has a smaller scale of operations than a number of the sample companies determined above. We note that larger companies and transactions tended to have a higher control premium.

As such, a potential acquirer would not be expected to pay a premium for control as high as historical averages.

Based on the above analysis, we consider an appropriate control premium for Pilot Energy to be in the range of 25% to 35%. Using the formula to determine minority interest, we have calculated a minority interest discount for Pilot Energy shares below.

Minority discount	Low value	Preferred value	High value
Control Premium	25%	30%	35%
Minority discount	26%	23%	20%

Source: BDO analysis

The minority interest discount used to value the Pilot Energy shares ranges between 20% and 26%.

Note 3: Number of shares on issue

For illustrative purposes, we have also provided the net assets value of Pilot Energy on a pre-consolidation and post-consolidation basis. Accordingly, we have adjusted the number of shares on issue to account for the 50:1 share consolidation as detailed in the table below.

Shares on issue	Number
As at 31 March 2017	2,938,816,834
Share consolidation (50:1)	(2,880,040,498)
Total shares on issue post consolidation	**58,776,336**

Source: BDO analysis

Potential exercise of the in the money options

We acknowledge that 45 million 0.2 cent options and 140 million 0.4 cent options are in the money based on our values above. However, these options have market and non-market based vesting conditions which are yet to be satisfied so these options cannot be exercised as at the date of this report. We note that the exercise of these options will be dilutionary to the value of Pilot Energy should these vesting conditions be achieved because the exercise price of the options is below our valuations in section 10.1.

We have illustrated the dilutionary effect of the in the money options in the table below:

	Low value $	Preferred value $	High value $
Value of Pilot Energy (control basis)	**17,644,228**	**24,132,628**	**30,752,228**
Cash raised from exercise of the 0.2 cent options	90,000	90,000	90,000
Cash raised from exercise of the 0.4 cent options	560,000	560,000	560,000
Net assets (control basis)	**18,294,228**	**24,782,628**	**31,402,228**
Discount for minority interest	**26%**	**23%**	**20%**
Value of Pilot Energy (minority interest basis and diluted)	**13,537,729**	**19,082,624**	**25,121,782**
Shares on issue (number) on a diluted basis	**3,123,816,834**	**3,123,816,834**	**3,123,816,834**
Value per share ($)	$0.004	$0.006	$0.008
Value per share (cents)	**0.433**	**0.611**	**0.804**

Source: BDO analysis

According to the table above, the value per share on a low value would reduce from 0.444 cents to 0.433 cents if all the in the money options are exercised. The preferred value would decrease from 0.632 cents to 0.611 cents and the high value would decline from 0.837 cents to 0.804 cents if all the in money options are exercised.

10.2 Quoted Market Prices for Pilot Energy

To provide a comparison to the valuation of Pilot Energy in Section 10.1, we have also assessed the quoted market price for a Pilot share.

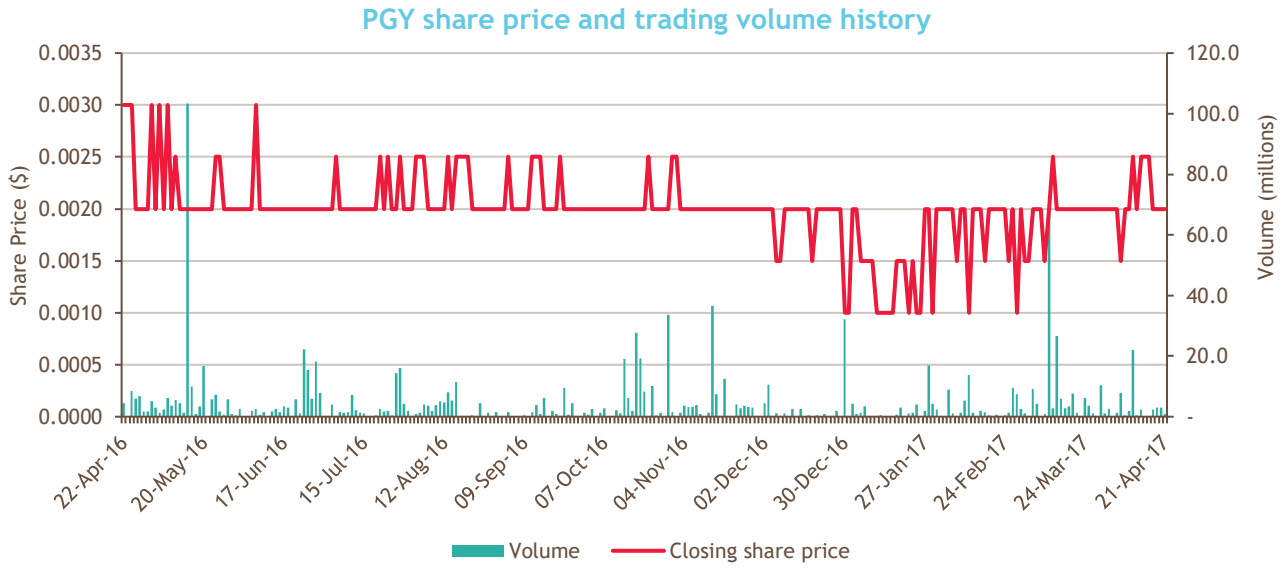
Minority interest value

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company however, we believe the Transaction is not a control transaction so no adjustment (e.g. the application of a control premium) is required to the quoted market price of Pilot Energy.

Our analysis of the quoted market price of a Pilot Energy share is based on the pricing prior to the announcement of the Transaction. This is because the value of a Pilot share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of a Pilot Energy share following the announcement when we have considered reasonableness in Section 13.

Information on the Transaction was announced to the market on 24 April 2017. Therefore, the following chart provides a summary of the share price movement over the twelve months to 21 April 2017, which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Pilot Energy shares from 21 April 2016 to 21 April 2017 has ranged from a low of 0.1 of a cent to a high of 0.3 of a cent. The highest single day of trading was on 16 May 2016 where 103,342,541 shares were traded, representing approximately 10% of total volume for the period.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		$ (movement)			$ (movement)		
10/03/2017	Less than marketable parcel share sale facility - 10-Mar-17	0.0015	▼	25.0%	0.0020	▲	33.3%
07/03/2017	Receipt of $708,846 R&D Tax Incentive	0.0020	▲	33.3%	0.0015	▼	25.0%
28/02/2017	Results of AGM - 28 Feb 2017	0.0020	▲	33.3%	0.0015	▼	25.0%
28/02/2017	Presentation to AGM - 28 Feb 2017	0.0020	▲	33.3%	0.0015	▼	25.0%
27/01/2017	Dispatch of 2016 Annual Report and Notice of AGM	0.0020	▲	100.0%	0.0020	▶	0.0%
25/01/2017	Dec 2016 Quarterly Activities and Cash Flow Report	0.0010	▼	33.3%	0.0020	▲	100.0%
20/12/2016	WA-481-P Prospectivity Update	0.0015	▼	25.0%	0.0020	▲	33.3%
07/12/2016	EP416/480 Work Program Update	0.0015	▼	25%	0.0020	▲	33%
05/12/2016	Retirement of Chairman - 5-Dec-16	0.0020	▶	0%	0.0015	▼	25%
06/10/2016	EGO: South Perth Basin Farmout to Pilot Energy Complete	0.0020	▶	0%	0.0020	▶	0%
06/10/2016	Renewal of EP416 Exploration Permit	0.0020	▶	0%	0.0020	▶	0%
13/09/2016	MD Presentation to Good Oil Conference - 13-Sep-16	0.0025	▲	25%	0.0020	▼	20%
05/09/2016	NOPTA Approval of WA-481-P Assignment	0.0025	▲	25%	0.0020	▼	20%
04/08/2016	Investor Presentation - 4-Aug-16	0.0025	▶	0%	0.0020	▼	20%
29/07/2016	WA-481-P Update - 29-Jul-16	0.0020	▼	20%	0.0025	▲	25%
29/07/2016	KEY: WA-481-P Acquisition Option Exercised	0.0020	▼	20%	0.0025	▲	25%
29/07/2016	June 2016 Quarterly Activities and Cash Flow Report	0.0020	▼	20%	0.0025	▲	25%
25/05/2016	Independent Expert's Valuation	0.0025	▲	25%	0.0020	▼	20%
09/05/2016	Interim Financial Report to 31 March 2016 - 9-May-16	0.0030	▲	50%	0.0020	▼	33%
02/05/2016	Appendix 3(X) - B Wong - 2-May-16	0.0020	▶	0%	0.0030	▲	50%
02/05/2016	Appointment of Director and CFO - 2-May-16	0.0020	▶	0%	0.0030	▲	50%
27/04/2016	Becoming a substantial holder	0.0020	▼	33%	0.0020	▶	0%
26/04/2016	Notice Under Section708A - 26 April 2016	0.0030	▶	0%	0.0020	▼	33%
26/04/2016	Appendix 3B - 26 April 2016	0.0030	▶	0%	0.0020	▼	33%
26/04/2016	Cornerstone Investment - Completion of Tranche 1	0.0030	▶	0%	0.0020	▼	33%

Source: Bloomberg

On 26 April 2016, Pilot Energy announced that tranche one of the placement to the group of cornerstone investors had been completed. The Company's Share price remained unchanged at 0.3 cents on the day of the announcement, before decreasing 33% in the subsequent three day period to 0.2 cents.

On 2 May 2016, Pilot Energy announced the appointment of Mr Benson Wong to the position of Executive Director and Chief Financial Officer. The Company's share price remained unchanged at 0.2 cents on the day of the announcement, before increasing by 50% in the subsequent three days, to close at 0.3 cents.

On 9 May 2016, Pilot Energy released its Interim Financial Report. The market responded positively with the share price increasing 50% to close at 0.3 cents on the day of the announcement, before declining 33% over the three days subsequent, to close at 0.2 cents.

On 29 July 2016, Pilot Energy announced that the WA-481-P Acquisition option was exercised, giving Key Petroleum a 40% interest in the exploration permit. The market responded negatively, with the share price decreasing by 20%, to 0.2 cents on the day of the announcement, before increasing 25% in the subsequent three day period to close at 0.3 cents.

On 5 September 2016, Pilot Energy announced that the National Offshore Petroleum Tiles Administrator (NOPTA) had granted the transfer of 100% interest in exploration permit WA-481-P to Pilot Energy. The market responded positively, with the share price increasing 25% to 0.25 cents on the day of the announcement, before decreasing 20% over the subsequent three days, to close at 0.2 cents.

On 7 December 2016, Pilot Energy announced an EP16/480 work program update. The update highlighted key developments including the approval from the West Australian Department of Mines and Petroleum (WADMP) to vary the work program for the current permit year. The market responded negatively, decreasing 25% to 0.15 cents on the day of the announcement, before increasing 33% over the subsequent three days to close at 0.2 cents.

On 20 December 2016, Pilot Energy released a WA-481-P Prospectivity update. The updated highlighted key developments, including the completion of preliminary seismic interpretation confirming structural prospects. The market responded negatively, decreasing 25% to 0.15 cents on the day of the announcement, before increasing 33% over the subsequent three days to close at 0.2 cents.

On 25 January 2017, Pilot Energy released its December Quarterly Activity and Cash Flows Report. The market responded negatively, decreasing 33% to close at 0.1 cents on the day of the announcement, before increasing 100% in the three subsequent days to close at 0.2 cents. We note that no significant announcements were disclosed in this quarterly report that explains these price movements.

On 27 January 2017, Pilot Energy released its Annual Report. The Report highlighted key developments during the year including the resolution of legacy issues relating to the Alaskan project, significant prospective resources confirmed and the introduction of a new cornerstone investor. The market responded positively, with the share price increasing 100% to close at 0.2 cents on the day of the announcement. The share price remained unchanged over the subsequent three day period.

On 28 February 2017, Pilot Energy released the results of the AGM. Pilot Energy advised that all resolutions put to shareholders were passed, including the re-election of directors, Mr Benson Wong and Mr Xue and the approval of a 10% placement capacity. The market responded positively with the share price increasing 33.3% to 0.2 cents on the day of the announcement, before declining 25% in the subsequent three days, to close at 0.15 cents.

On 7 March 2017, Pilot Energy announced the receipt of a $708,846 R&D Tax Incentive pertaining to technical studies in progress on the WA-507-P exploration permit. The market responded positively increasing 33.3% to 0.2 cents on the day of the announcement, before declining 25% in the subsequent three days to close at 0.15 cents.

On 10 March 2017, Pilot Energy announced the establishment of a share sale facility for holders of a less than marketable parcel of the Company's shares. The share price declined 25%, to 0.15 cents on the day of the announcement, before increasing by 33.3% in the subsequent three days, to close at 0.2 cents.

To provide further analysis of the market prices for a Pilot Energy share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 21 April 2017.

Share Price per unit	21-Apr-17	10 Days	30 Days	60 Days	90 Days
Closing price	$0.0020				
Volume weighted average price (VWAP)		$0.0020	$0.0020	$0.0019	$0.0018

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Pilot Energy's shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in Pilot Energy's shares for the twelve months to 21 April 2017 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.0020	$0.0025	950,000	0.03%
10 Days	$0.0015	$0.0025	35,928,290	1.22%
30 Days	$0.0015	$0.0030	190,169,289	6.47%
60 Days	$0.0010	$0.0030	287,754,093	9.79%
90 Days	$0.0010	$0.0030	346,469,827	11.79%
180 Days	$0.0010	$0.0030	667,012,841	22.70%
1 Year	$0.0010	$0.0030	1,073,767,886	36.54%

Source: Bloomberg, BDO analysis

This table indicates that Pilot Energy's shares display a moderate level of liquidity, with 36.54% of the Company's current issued capital being traded in a twelve month period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Pilot Energy, we do not consider there to be a deep market for the company's shares as a result of only 36.54% of the Company's current issued capital being traded over a twelve month period,

prior to the announcement of the Transaction. Additionally, if we remove the 103,342,541 shares which traded on 16 May 2016 (as this volume of shares traded may be considered to be an outlier) from the data series the percentage of the Company's issued capital which traded over a twelve month period is reduced to 33.02%.

Our assessment is that a range of values for Pilot Energy shares (pre consolidation) based on market pricing, after disregarding post announcement pricing, is between 0.15 cents and 0.25 cents.

10.3 Assessment of Pilot Energy's Value

The results of the valuations performed on a pre consolidation basis, are summarised in the table below:

	Low cents	Preferred cents	High cents
Net assets value (Section 10.1)	0.444	0.632	0.837
ASX market prices (Section 10.2)	0.150	0.200	0.250

Source: BDO analysis

We note that our valuation of Pilot Energy shares under the NAV methodology is higher than the value obtained using the QMP methodology. We attribute the difference in value derived under the two methods to the following:

- Our NAV methodology includes an independent market valuation of Pilot Energy's exploration assets performed by RISC. The valuation methodologies applied by RISC have taken into account the current market, locality, technical and strategic factors which all have an impact on the development of the exploration assets and therefore value;
- As detailed in section 10.2, we consider a Pilot Energy share to be illiquid with only 36.54% of the Companies issued capital trading over the year prior to the date of the announcement (33.02% if we remove the 103,342,541 shares (as a potential outlier) which traded on 16 May 2016 from the data series). We note that the largest four investors in the Company hold 50.41% and the top 20 shareholders hold 63.85% of the issued capital of Pilot Energy which is likely to restrict the liquidity of the shares;
- The QMP of a Pilot Energy share is likely to reflect shareholders' expectations of future dilution should the Company be successful in raising the funding required to develop its projects;
- The QMP value may reflect different assumptions by investors on the market value of the current exploration assets and the Company's ability to develop the projects; and
- In the accounts for the period ended 31 March 2017 the auditor issued an emphasis of matter, indicating that there was material uncertainty which may cast doubt over the Company's ability to continue as a going concern. The QMP of a Pilot Energy share is likely to be negatively impacted by the existence of material uncertainty in relation to the Company's ability to continue as a going concern.

We consider the net asset value to be the most appropriate methodology to employ when valuing a Pilot Energy share for the following reasons:

- The core value of Pilot Energy lies in the exploration assets that it owns;
- The NAV valuation incorporates the independent technical valuation of each of the Company's exploration assets which have been verified by RISC, an independent specialist; and
- Given that Pilot Energy's shares are illiquid, we do not consider the quoted market price of a Pilot Energy share to represent its value as a primary methodology.

Based on the results above we consider the value of a Pilot Energy share to be between 0.444 cents and 0.837 cents with a preferred value of 0.632 cents.

11. Valuation of Pilot Energy following the Transaction

The value of Pilot Energy assets on a going concern basis following completion of the Transaction is reflected in our valuation in the table below:

	Ref	Low value $	Preferred value $	High value $
Net Assets of Pilot Energy prior to the Transaction	10.1	**17,644,228**	**24,132,628**	**30,752,228**
Funds received under the Placement	1	720,000	720,000	720,000
Transaction costs	2	(50,000)	(50,000)	(50,000)
Net Assets of Pilot Energy following the Transaction		**18,314,228**	**24,802,628**	**31,422,228**
Discount for minority interest	3	26%	23%	20%
Net Assets of Pilot Energy post the Transaction (minority interest)		**13,552,529**	**19,098,024**	**25,137,782**
Shares on issue (number)	4	3,178,816,834	3,178,816,834	3,178,816,834
Value per share ($)		**$0.004**	**$0.006**	**$0.008**
Value per share (cents)		**0.426**	**0.601**	**0.791**
POST CONSOLIDATION				
Shares on issue (number) post consolidation	4	63,576,336	63,576,336	63,576,336
Value per share ($) post consolidation		**0.21**	**0.30**	**0.40**

Source: BDO analysis

Note 1: Cash and cash equivalents

We have adjusted cash and cash equivalents for the expected receipt of funds from the Placement. Following completion of the Placement, Pilot Energy will issue 240 million shares at 0.3 cents per share to raise $720,000 before costs.

Note 2: Transaction costs

Pilot Energy have advised that the transaction costs of the Placement will total approximately $50,000.

Note 3: Minority discount

The net asset value of a Pilot Energy share following the Transaction is reflective of a controlling interest. As this is a non-control transaction, we need to adjust the value of the share to account for a minority discount. The minority interest discount is calculated as the inverse of a premium for control. As discussed in section 10.1, we consider an appropriate control premium to be 25% to 35%, resulting in a minority interest discount in the range of 20% to 26%.

Note 4: Number of shares on issue

We have adjusted the number of shares on issue to account for the 240 million shares to be issued in the Placement to Giant Rainbow. We have also illustrated the effect of the 50:1 Consolidation in the table above. The shares on issue post the Placement and the Consolidation will be 63,576,336 as set out below:

Shares on issue	Number
As at 31 March 2017	2,938,816,834
Shares issued for the Placement	240,000,000
Sub total (pre consolidation)	**3,178,816,834**
Share consolidation (50:1)	(3,115,240,498)
TOTAL (post consolidation)	**63,576,336**

Source: BDO analysis

12. Is the Transaction fair?

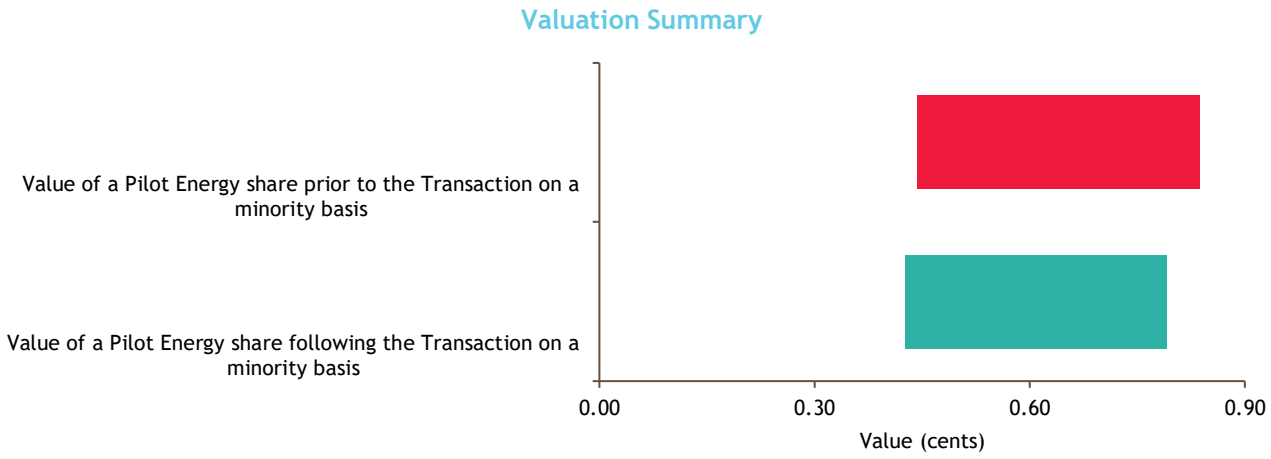
The value of a Pilot Energy share on a minority basis (pre-consolidation) compared to the value of a Pilot Energy share following completion of the Transaction on a minority basis (pre-consolidation) is detailed below:

	Ref	Low Cents	Preferred cents	High cents
Value of a Pilot Energy Share prior to the Transaction on a minority basis	10.1	0.444	0.632	0.837
Value of Pilot Energy Share following completion of the Transaction on a minority basis	11	0.426	0.601	0.791

We note from the table above that the value of a Pilot Energy share following completion of the Transaction on a minority basis (pre consolidation) is lower than the value of a Pilot Energy share prior to the Transaction on a minority basis (pre consolidation). Therefore, we consider that the Transaction is not fair.

We also acknowledge that the issue price of the Placement is below the values of a Pilot Energy share prior to the Transaction so the conclusion above is consistent with expectations.

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that the Transaction is not fair for Shareholders.

13. Is the Transaction reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Pilot Energy a premium over the value ascribed to, resulting from the Transaction.

13.2 Consequences of not Approving the Transaction

Consequences

Pilot Energy's auditor issued an emphasis of matter paragraph in the reviewed half year accounts to 31 March 2017. The auditor outlined the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

If the Transaction is not approved, the Directors of Pilot Energy will need to raise funds through alternative methods in order to meet existing project commitments and maintain its current rights of tenure in good standing. This may include other capital raisings, debt funding and/or asset sales. As noted in section 13.1 above, we are unaware of any alternative proposals available to the Company.

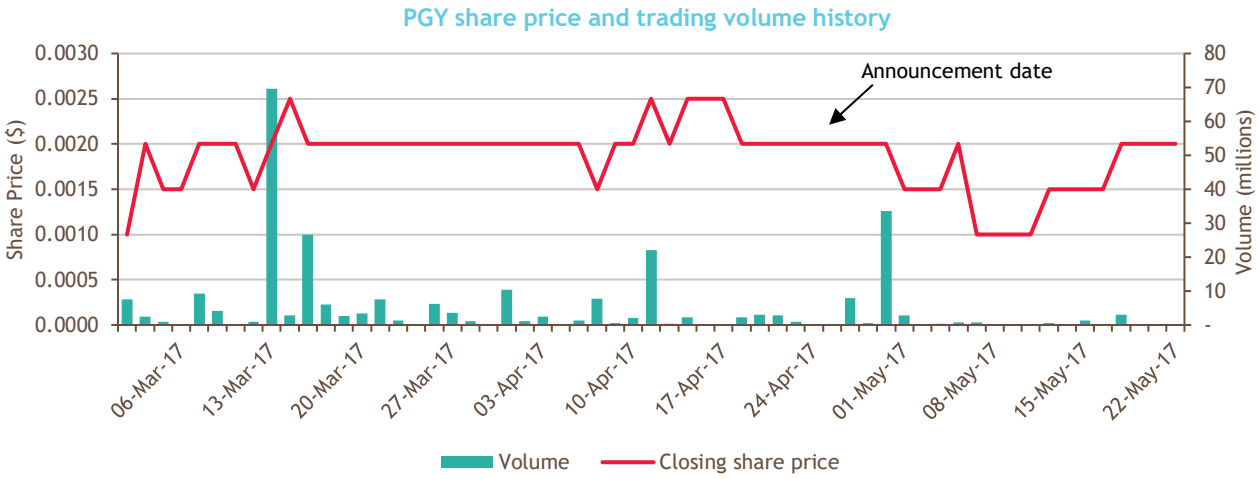
Additionally, we have also analysed the Company's historical ability to raise capital prior to this Transaction. On 17 July 2014, the Company raised $3 million (gross) through the placement of 85 million new shares at 3.5 cents per share, representing a 5% discount to the last closing price. On 9 June 2015, Pilot Energy announced a pro rata renounceable rights issue for eligible shareholders to subscribe for two new fully paid ordinary shares for every one fully paid share held at a price of 0.1 cent per share, this represented a 23% discount to the last close price. However, we also acknowledge that Pilot Energy completed a placement to cornerstone investors in two tranches on 31 March 2016. 400 million shares were issued at 0.2 cents per share under tranche one which reflected the closing price of the Company on 30 March 2016 (the previous trading day). 933,340,000 shares were issued in tranche two at 0.3 cents per share which was at a 50% premium to the previous closing share price of the Company on 30 March 2016.

As such, it is likely that any alternative equity funds would be raised at a discount to the current share price on the ASX. The closing price prior to the announcement of the Transaction was 0.2 cents. Therefore, such an alternative equity capital raising would likely be at a price lower than the 0.3 cent Transaction price.

Given the material uncertainty regarding the Company's ability to continue as a going concern as highlighted in the audit report for the half year ended 31 March 2017, we consider it unlikely that the Company will be able to secure debt funding. Typically, senior debt is not available to exploration companies due to their lack of operating revenues. The above factors suggest that Pilot Energy is likely to find it difficult to secure senior debt funding. This means the only potential form of debt funding that may be available to Pilot Energy is through the issue of a convertible debt facility, which if converted would also be dilutive to Shareholders.

Potential change in share price

We have analysed movements in Pilot Energy's share price since the Transaction was announced. A graph of Pilot Energy's share price since the announcement is set out below.



Source: Bloomberg

The announcement of the transaction was made to the market on 24 April 2017. On that day, the Pilot Energy share price remained unchanged at 0.2 cents per share and no shares were traded. Since the announcement of the transaction Pilot Energy shares have continued to fluctuate between 0.2 cents and 0.1 cent, with 51,331,571 shares being traded from announcement date to 21 May 2017.

Pilot Energy released its March 2017 quarterly activities and cash flow report on 28 April 2017. We note that this price sensitive announcement did not impact the share price of the Company however, 33.59 million shares traded on this date.

Given the above analysis it is possible that if the Transaction is not approved then Pilot Energy's share price is unlikely to decline.

13.3 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

13.3.1. The Transaction provides funds to enable the Company to meet its existing project commitments and working capital

Following completion of the Transaction, Pilot Energy will have additional funds, which will enable it to meet its existing project commitments, its working capital requirements and allow Pilot Energy to consider further oil and gas asset acquisitions. Pilot Energy estimate that their cash outflows for the next quarter will be $0.43 million.

Pilot Energy is required to perform a minimum amount of exploration work, specified by the State Government, in order to maintain current rights of tenure to its exploration permits. The funds raised under the Placement in addition to its existing cash balances will allow the Company to meet some of these payments.

13.3.2. The 0.3 cent issue price is above the high value of a Pilot Energy share we assessed using quoted market price methodology

The Placement price of 0.3 cents per share, is in excess of our high value of a Pilot Energy share determined using the quoted market price methodology. Whilst we consider the Company's shares to be

illiquid we still note the QMP values and acknowledge that large placements often occur at a discount to the quoted market price, which has been the case for Pilot Energy in the past. Further details about these placements are discussed in section 13.2.

13.3.3. Strengthens the Company's balance sheet and its continuation as a going concern

The cash received by Pilot Energy, as a result of the Placement will strengthen the Pilot Energy balance sheet. The increase in cash will improve the current ratios, and may improve the Company's ability to attract other debt or equity funding in the future.

In the 31 March 2017 half year report, the auditor issued an emphasis of matter, casting doubt over the Company's ability to continue as a going concern. If the Placement is approved, the funds generated as a result will aid in the Company continuing as a going concern in the short term.

13.3.4. New cornerstone support from a strategic investor

On completion of the Transaction, Giant Rainbow will hold 8.6% of the issued capital of Pilot Energy. The potential success of the Transaction may increase the support from Giant Rainbow in the future and provide potential access to funding opportunities as the Company's need for more funds arises.

13.3.5. No current changes to current operating arrangements

We are not aware of any changes that Giant Rainbow would wish to introduce to Pilot Energy's current operating arrangements, if the transaction is approved. The Company understands that Giant Rainbow has no present intention to make any significant changes to the Company's existing business.

13.3.6. No change of control

We also note that Giant Rainbow will acquire 8.60% of the Company following the Transaction. As such, there will be no change of control should the Transaction be approved. This means that Giant Rainbow, through its holding in the Company, will not be able to influence the operations of Pilot Energy. For example, a general resolution requires 50% of shares voted in favour to approve a matter and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter. If the Transaction is approved, then Giant Rainbow cannot block or pass special resolutions or general resolutions.

13.4 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed below:

13.4.1. The Transaction is not fair

As set out in section 12, the Transaction is not fair. The value of a Pilot Energy share post Transaction on a minority interest basis, is lower than the value of a Pilot Energy share pre Transaction on a minority interest basis. RG 111 states that if an offer is fair it must be reasonable, in this case, the offer is not fair.

13.4.2. Dilution of existing Shareholders' interest

If the Transaction is approved, 240 million shares will be issued to Giant Rainbow. The share issue will have a dilutive effect on the current holdings of Shareholders. As illustrated in section 4.2, Shareholders' will be diluted from 98.87% to 91.40% if the Transaction is approved.

14. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to the Shareholders of Pilot Energy.

In our opinion, the Transaction is not fair because the value of a Pilot Energy share after the Transaction on a minority basis at the low, preferred and high end of our value range is less than the value of a Pilot Energy share prior to the Transaction on a minority basis at the low, preferred and high end of our value range. However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, the Transaction will assist the Company in meeting its existing project commitments on its exploration assets in the short term.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Pilot Energy for the years ended 30 September 2016, 30 September 2015 (restated) and 1 October 2015 (restated);
- Reviewed financial statements of Pilot Energy the period ended 31 March 2017;
- Independent Valuation Report of Pilot Energy's mineral assets dated 26 May 2017 performed by RISC;
- Subscription agreement between Pilot Energy and Giant Rainbow dated 24 April 2017;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Pilot Energy.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $17,500 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Pilot Energy in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Pilot Energy, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Pilot Energy and Giant Rainbow and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Pilot Energy and Giant Rainbow and their respective associates.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 – Professional Independence. The services provided have no material impact on the financial report of Pilot Energy.

A draft of this report was provided to Pilot Energy and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 29 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of Chartered Accountants Australia and New Zealand. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Pilot Energy for inclusion in the Notice of Meeting which will be sent to all Pilot Energy Shareholders. Pilot Energy engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider if the Transaction to issue 240 million shares at $0.003 per share to Giant Rainbow is fair and reasonable to the non-associated shareholders of Pilot Energy.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Giant Rainbow. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Pilot Energy, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Pilot Energy.

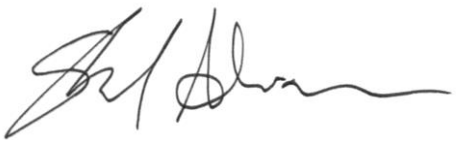
The valuer engaged for the mineral asset valuation, RISC, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes

Director

Adam Myers

Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Caracal	Caracal Exploration Pty Ltd
The Company	Pilot Energy Limited
The Consolidation	The proposal to consolidate the shares on issue on a 50:1 consolidation basis
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Empire	Empire Oil & Gas NL
FSG	Financial Services Guide
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
Giant Rainbow	Giant Rainbow Investments Limited
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
Key Petroleum	Key Petroleum Limited
Mr Xue	The Chairman of Pilot Energy Mr Hui Xiong (Wilson) Xue
NAV	Net Asset Value

Reference	Definition
OPEC	Organisation of Petroleum Exporting Countries
Pilot Energy	Pilot Energy Limited
The Placement	The issue of 240 million Pilot Energy shares at an issue price of $0.003 per share to Giant Rainbow
PRRT	Petroleum Resource Rental Tax
QMP	Quoted market price
Rampart	Rampart Energy Limited now Pilot Energy Limited
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RISC	RISC Operations Pty Ltd
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Pilot Energy not associated with Giant Rainbow
SSA	Share Subscription Agreement between Pilot Energy and Giant Rainbow
The Subscriber	Giant Rainbow Investments Limited
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
The Transaction	The proposal to issue 240 million shares at $0.003 per share to Giant Rainbow
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party

Reference	Definition
	would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (‘**EBIT**’) or earnings before interest, tax, depreciation and amortisation (‘**EBITDA**’). The capitalisation rate or ‘earnings multiple’ is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (‘DCF’)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

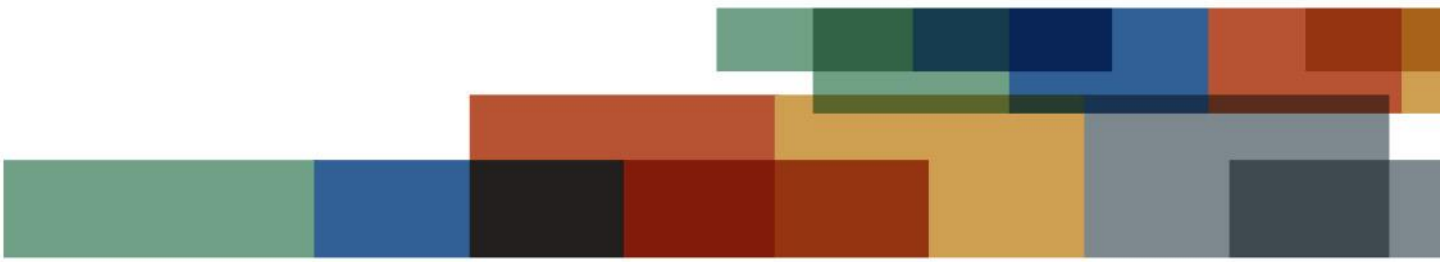
The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

Appendix 3 – Independent Valuation Report

Independent Technical Specialist Report

Pilot Energy Ltd – Australian Exploration Assets

May 2017



decisions with confidence

1. Executive Summary

The Directors
Pilot Energy Ltd
Level 2, 55 Carrington Street
Nedlands WA 6009

Mr Sherif Andrawes
BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Dear Sirs

INDEPENDENT TECHNICAL SPECIALIST'S REPORT ON PILOT ENERGY'S AUSTRALIAN EXPLORATION ASSETS

Pilot Energy Ltd ("Pilot") has announced a share placement to a new investor and has appointed BDO Corporate Finance (WA) Pty Ltd ("BDO Corporate Finance") as the Independent Expert to provide an opinion on the value of the company and its assets. To assist BDO Corporate Finance in preparing its valuation of the transaction, Pilot engaged RISC Operations Pty Ltd ("RISC") to prepare an Independent Technical Specialist Report (ITSR) of Pilot's interests in their Australian exploration assets located offshore in the Northern Carnarvon Basin and Northern Perth Basin, and onshore in both the South and North Perth basins. This document comprises the ITSR.

The location of Pilot Energy's Australian permits and tenement details are shown in Figure 1-1 and Table 1-1. Two offshore permits, WA-507-P and WA-503-P, are located in the Northern Carnarvon Basin, with a third offshore permit located in the northern Perth Basin. The onshore permits are located in the Perth Basin with the two, adjacent permits EP-416 and EP-480 in the southern Perth Basin and EP-437 in the northern Perth Basin.

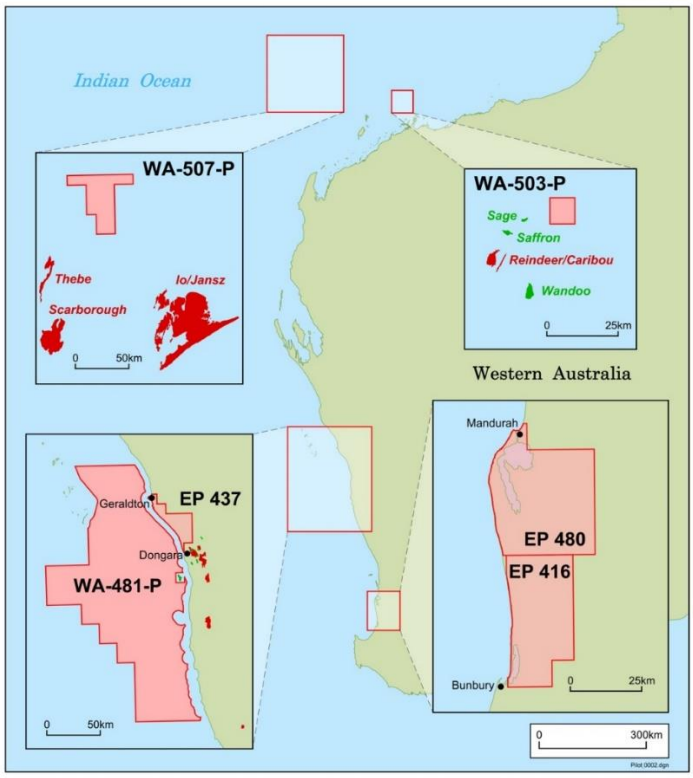


Figure 1-1: Location Map – Pilot's Australian permits

The WA-507-P and WA-503-P offshore permits are located in the highly prospective and proven Northern Carnarvon Basin with the deep water block WA-507-P, located close to major gas discoveries at Scarborough, Thebe and Io/Jansz. The shallow water block WA-503-P is on trend with the Legendre oil field to the northeast and the Caribou gas field to the southwest. The permits are under explored with WA-507-P having one well, Dalia South-1 drilled by Woodside in 2010 and WA-503-P having two wells, Orion-1 (1990) by Woodside and Janus-1 (1997) by Apache. The WA-481-P offshore permit covers a large portion of the offshore extension of the North Perth Basin, on trend with the Cliff Head oil field and numerous onshore oil and gas discoveries.

The onshore permits are also sparsely explored with three wells in the southern Perth Basin permits, Pinjara-1(1965) and Preston-1 (1966) drilled by Wapet and GSWA Harvey-1 (2012) drilled by the Geological Survey of WA. The northern Perth Basin permit has had more drilling with over 20 wells but the vast majority of the exploration drilling was for very shallow targets of less than 1,000m, drilled in the 1960's and 1980's. The Dunnart-2 well is the most recent drilling in 2014 but again the TD of the well was less than 1,000m at 657m.

Table 1-1: Pilot Energy Tenement Summary

Permit Name	Type	Granted Date	Expiry Date	Area	Pilot Interest	Operator
				km2	%	
WA-507-P	Exploration	17/11/2014	16/11/2020	1,662	80	Pilot
WA-503-P	Exploration	14/5/2014	13/5/2020*	80	80	Pilot
WA-481-P	Exploration	20/8/2012	19/8/2019	17,745	60	Pilot
EP480	Exploration	6/6/2012	31/3/2020	2310	60	Pilot
EP416	Exploration	14/10/2016	13/10/2021		60	Pilot
EP437	Exploration	6/6/2012	13/11/2019	720	13.058	Key Petroleum

Contingent Resources

Pilot added Contingent Resources to its portfolio when it acquired WA-481-P from Murphy Oil in July 2016. Two discoveries have been made in the permit; the Dunsborough oil discovery and the Frankland gas discovery, neither are currently commercially viable on a standalone basis.

Pilot has estimated the gas and oil Contingent Resources using probabilistic methods that RISC has reviewed and found that Pilot's estimates are reasonable. The Contingent Resource estimates are shown in Table 1-2 and Table 1-3.

Table 1-2: Pilot's WA-481-P Contingent Oil Resources as at 18 May 2017

Accumulation	Contingent Resources MMbbl		
	1C	2C	3C
Dunsborough Total Gross (100%)	3.3	6.0	9.8
Net attributable to Pilot (60% WI)	2.0	3.6	5.9

Notes:

1. "Gross" are 100% of the resources attributable to the licence.
2. "Net attributable to Pilot (60% WI)" based on Pilot's current working interest.
3. Note arithmetic aggregation of the Resources in the Dongara and IRCM reservoirs, as a result RISC cautions that the 1C aggregate quantities may be very conservative estimates and the 3C aggregate quantities may be very optimistic due to portfolio effects.

Table 1-3: Pilot's WA-481-P Contingent Gas Resources as at 18 May 2017

Accumulation	Contingent Resources Bcf		
	1C	2C	3C
Frankland Total Gross (100%)	29.4	41.6	58.9
Net attributable to Pilot (60% WI)	17.6	25.0	35.3

Notes:

1. "Gross" are 100% of the resources attributable to the licence.
2. "Net attributable to Pilot (60% WI)" based on Pilot's current working interest.
3. Note arithmetic aggregation of the Resources in the Dongara and IRCM reservoirs, as a result RISC cautions that the 1C aggregate quantities may be very conservative estimates and the 3C aggregate quantities may be very optimistic due to portfolio effects.

Prospective Resources

RISC has carried out a review of the independent prospective resource estimates for the offshore Carnarvon Basin permits estimated by Gaffney Cline and Associates (GCA) and the offshore and onshore permits in the Perth Basin by Pilot Energy and we consider them to be reasonable. The Best estimate, oil prospective resources net to Pilot of 1,431 MMbbl (Table 1-4) and the Best estimate gas prospective resources net to Pilot of 8,500 Bcf (Table 1-5). The majority of the net prospective oil resources are in WA-507-P (1,265 MMbbls) which are estimated as an alternative and mutually exclusive case to the gas case in Table 1-5 below. In the event that hydrocarbons are found in WA-507-P (GPOS 16-18%), RISC believes that there is likely to be a mixture of gas and oil with the majority being gas.

Table 1-4: Oil Portfolio Prospective Resources as at 18 May 2017

Permit	Gross (100%) MMbbl			Net to Pilot MMbbl		
	Low	Best	High	Low	Best	High
WA-507-P	604	1,581	3,600	483	1,265	2,880
WA-503-P	16	46	106	13	37	85
WA-481-P	120	216	374	72	130	224
EP437	0.2	1.4	6.1	0.0	0.2	0.8
Total	740	1844	4086	568	1431	3190

1. Probabilistic methods have been used. Totals may differ due to rounding.
2. For WA-507-P the quoted prospective resources are the arithmetic sum of the three prospects identified by Pilot and independently assessed by GCA as at 31 January 2015. The prospects are prospective for oil and gas, or a combination of oil and gas.
3. For WA-503-P the quoted prospective resources are the arithmetic sum of the three prospects identified by Pilot and are the estimates of a review carried out by GCA as at 30 November 2015.
4. For WA-481-P the quoted prospective resources are the arithmetic sum of six prospects identified and estimated by Pilot and provided for RISC to review for this report.
5. EP 437 Prospective Resources have been provided by the operator, Key Petroleum and RISC has not been able to verify the accuracy of these estimates. They are insignificant in the portfolio.
6. The aggregate Low estimate may be a very conservative estimate and the aggregate High estimate may be a very optimistic estimate due to the portfolio effects of arithmetic summation.
7. The prospective resources are unrisked. Prospective resources carry with them discovery and commercialisation risks.
8. The volumes are rounded to the nearest million barrels

Table 1-5: Gas Portfolio Prospective Resources as at 18 May 2017

Permit	Gross (100%) Bcf			Net Pilot Bcf		
	Low	Best	High	Low	Best	High
WA-507-P	4,030	10,047	21,099	3,224	8,037	16,879
WA-481-P	28	46	70	17	27	42
EP416/EP481	270	725	1595	162	435	957
Total	4,328	10,818	22,764	3,403	8,500	17,878

1. Probabilistic methods have been used. Totals may differ due to rounding.
2. For WA-507-P the quoted prospective resources are the arithmetic sum of the three prospects identified by Pilot and individually assessed by GCA as at 31st January 2015. The prospects are prospective for oil and gas. The gas case alternative is the most likely case. The two cases are mutually exclusive.
3. For WA-481-P the quoted prospective resources are the arithmetic sum of the two prospects with two reservoirs identified and estimated by Pilot, Frankland NE and Frankland NE2.
4. For EP-416/480 the quoted prospective resources are the arithmetic sum of the two reservoirs within the Leschenault Prospect identified by Pilot and have been audited by RISC in October 2016.
5. The aggregate Low estimate may be a very conservative estimate and the aggregate high estimate may be a very optimistic estimate due to the portfolio effects of arithmetic summation.
6. The prospective resources are unrisked. Prospective resources carry with them discovery and commercialisation risks.
7. The volumes are rounded to the nearest Bcf

Valuation

The Pilot permits are all early stage exploration properties. RISC has therefore used notional farm-in terms by a farminee into the assets to estimate a market value under the requirements of the VALMIN code. The values have been benchmarked by comparable transactions, where they exist.

Notional farm-in values are based on the promote/premium an incoming party (the farminee) is prepared to pay the farminor for their equity. For example, a promote factor of 2 for 1 implies a 100% premium on the farminor's equity share of the future exploration costs and carries the farminor through those exploration costs. The market value, therefore to the farminor, is the value of the share of its costs that are being carried by the farminee. In the current depressed market RISC has generally used a range of 1.15 - 1.75 to 1 promote on drilling expenditures (15%-75% uplift) and up to 4 to 1 for the initial lower cost exploration costs that give an option to participate in a well at 1 for 1 (no promote).

The values of the permits have been determined at low, mid and high values. As the low and high values of the exploration assets portfolio are derived by the arithmetic addition of the individual asset low and high values, respectively, they represent the possible extremes of the exploration value envelop. While farminees into the individual permits could value the assets at either end of the value range assessed, it is unlikely that potential buyers of the exploration asset portfolio would value all of the assets at either all of the low or all of the high estimated extremes. Their own assessments of individual permits will span the low, mid or high outcomes based on factors including: their strategic objectives and region or geological basin focus; assessment of an asset's prospectivity and associated geological risks; the fiscal and regulatory framework applicable to the asset; accessibility of commercialisation routes, including markets and infrastructure, for

each asset; equity interests, operator capability and joint venture partners in each asset. RISC has determined the low and high values of the portfolio of exploration assets at an estimated one standard deviation from the total mid value of the portfolio.

Table 1-6: Valuation Summary

Exploration Assets	Equity Interest %	Valuation (US$ million)		
		Low	Mid	High
WA-507-P	80%	2.9	10.0	15.0
WA-503-P	80%	0.6	1.2	9.0
WA-481-P	60%	1.2	5.1	7.7
EP416 & EP480	60%	0.7	1.2	3.6
EP437	13.058%	0.03	0.05	0.14
Total Pilot Permit Value		5.4	17.6	35.4
Pilot Early Stage Exploration Portfolio Valuation Range		12.6	17.6	22.6

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2. Basis of assessment

2.1. Terms of Reference

RISC is acting as an independent technical specialist to BDO Corporate Finance as defined in the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, as amended (the VALMIN Code, 2015 Edition).

BDO Corporate Finance has requested that RISC carry out the following scope of work:

- To review the exploration licenses and their hydrocarbon potential and form a view on the fair market value of the Assets by:
  - Reviewing the general prospectivity and identified leads and prospects and their prospective resources estimates and the range of uncertainty attributable to the estimates and their risking;
  - Reviewing the status of the committed work programs, variations sought to the work programs, outstanding liabilities and farmout intentions;
  - Reviewing exploration program costs for seismic and wells;
  - Stating the Assets' fiscal terms.
- Estimate the range of fair market value of the Company's interest in the Assets taking into account commitments, recent relevant transaction data; market factors and project risks.

The data and information used in the preparation of this report were provided by Pilot and supplemented by public domain information. RISC has relied upon the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied making adjustments that in our judgment were necessary.

RISC has reviewed the prospective and contingent resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System (SPE-PRMS).

Unless otherwise stated, all costs and values are in US$ real terms with a reference date of 1 May 2017.

2.2. Exploration permit valuation

The valuation is based on the concept of "market value" (Value) as defined by the VALMIN Code.

The VALMIN Code defines Value as the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties each acted knowledgeably, prudently and without compulsion. For the purposes of this report, we have applied these definitions to petroleum properties.

A range of oil and gas industry accepted practices in relation to petroleum properties has been considered to determine value, which are described below.

Comparable transaction metrics

The Value of exploration properties can be estimated using recent comparable transactions. Such transactions may provide relevant metrics such as Value per unit of reserves, contingent or prospective

resources and price paid per unit area of the permit or % interest. The VALMIN Code advises Value must also take into account risk and premium or discount relating to market, strategic or other considerations.

Farm-in promotion factors

An estimate of Value can be based on an estimation of the share of future costs likely to be borne by a reasonable farminee under prevailing market conditions. A premium or promotion factor may be paid by the farminee. The promotion factor is defined as the ratio of the proportion of the activity being paid for and the amount of equity being earned.

The nominal permit value is defined as the amount spent by the farminee divided by the interest earned. The premium value for the permit is the difference between the nominal value and the equity share of the cost of the activity divided by the equity interest being earned.

The premium or promotion factor will be dependent upon the perceived prospectivity of the property, competition and general market conditions. The premium value is equivalent to the farminee paying the farminor a cash amount in return for the acquisition of the interest in the permit and is the fair market value.

Farm-in transactions may have several stages. For example, a farminee may acquire an initial interest by committing to a future cost in the first stage of the transaction, but has an option to acquire an additional interest or interests in return to committing to funding a further work program or programs.

Farm-in agreements can also include re-imbursement of past costs and bonus payments once certain milestones are achieved, for example declaration of commerciality, or achieving threshold reserves volumes. Depending on their conditionality, such future payments may contribute to Value. However, they may need to be adjusted for the time value of money and probability of occurring.

Work programme

The costs of a future work programme may also be used to estimate Value. The work programme valuation relies on the assumption that unless there is evidence to the contrary the permit is worth what a company will spend on it. This method is relevant for permits in the early stages of exploration and for expenditure which is firmly committed as part of a venture budget or as agreed with the government as a condition of holding the permit. There may need to be an adjustment for risk and the time value of money.

Expected Monetary Value (EMV)

EMV is the risked NPV of a prospect. EMV is calculated as the success case NPV times the probability of success less the NPV of failure multiplied by the probability of failure. The NPV may be estimated using DCF methods. The EMV method provides a more representative estimate of Value in areas with a statistically significant number of mature prospects within proven commercial hydrocarbon provinces where the chance of success and volumes can be assessed with a reasonable degree of predictability.

The EMV valuation can also be used as a relative measure for ranking exploration prospects within a portfolio to make drilling decisions, assessing commercial potential and to demonstrate the commercial attractiveness of a permit, which may influence a buyer or seller.

In this report, the properties are considered too immature to be valued on a DCF basis and this valuation method is not considered.

2.3. Resource Classification

RISC has used the internationally recognised Petroleum Resources Management System (PRMS)[1] to define resource classification and volumes. The classification of resources is shown in Figure 2-1.

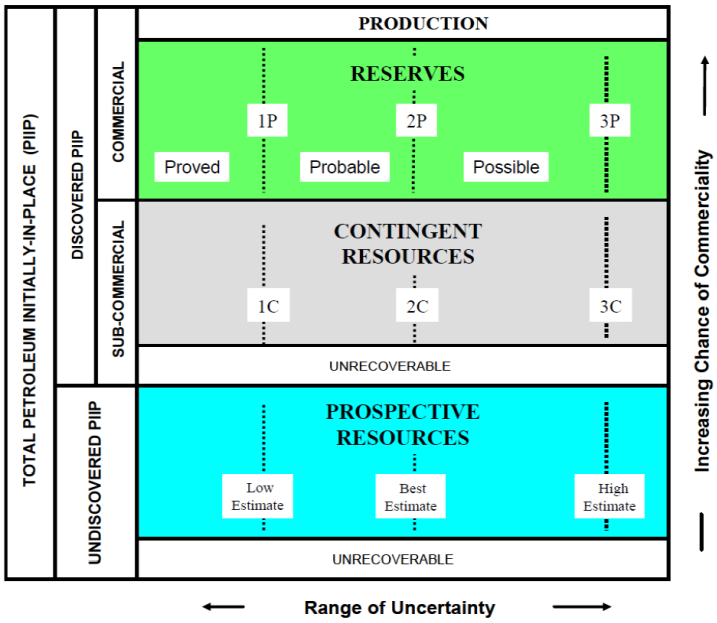


Figure 2-1: Resources classification framework

1. Each project is classified according to its maturity or status (broadly corresponding to its chance of commerciality) using three main classes, with the option to subdivide further using subclasses. The three classes are Reserves, Contingent Resources, and Prospective Resources.
2. Pilot now have Contingent and Prospective Resources in their portfolio according to this classification.
3. For projects that satisfy the requirements for Prospective Resources the terms low estimate, best estimate, and high estimate are used.
4. Under the PRMS guidelines, the range of uncertainty in potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution derived from the probabilistic simulation of input variables. RISC has reviewed resource volumes that were calculated probabilistically.
5. The PRMS guidelines indicate that when the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:
   - There should be at least a 90% probability (P90) that the quantities actually recovered equal or exceed the low estimate;
   - There should be at least a 50% probability (P50) that the quantities actually recovered equal or exceed the best estimate;
   - There should be at least a 10% probability (P10) that the quantities actually recovered equal or exceed the high estimate.

[1] SPE/WPC/AAPG/SPEE 2007 Petroleum Resources Management System

6. The probabilistically derived resource volumes for multiple reservoirs or multiple prospects can be combined probabilistically or, as is the case in this report can be summed arithmetically. In summing probabilistically derived resources the aggregate Low estimate may be a very conservative estimate and the aggregate high estimate may be a very optimistic estimate due to the portfolio effects of arithmetic summation.
7. Prospective Resources can be subdivided into Prospect, Lead or Play. The definitions from the PRMS guidelines are given in Table 2-1.

Table 2-1: Prospective Resources Definition

Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
Play	A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

Prospective Resources have both an associated chance of discovery and an additional chance of commercial development. By implication, not all discovered volumes are necessarily commercial. For the present study when evaluating the prospective resources RISC has restricted its statement to a view of the chance of discovery – equivalent to the geological probability of success (GPOS).

GPOS is used to reflect the chance of encountering a significant volume of recoverable hydrocarbons. In this context, 'significant' implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery (PRMS).

Note that there is an additional chance to reach a specific volume, such as a commercial volume.

Risking methodology specific to the leads is discussed further in the report.

3. WA-507-P (80% WI and Operator)

3.1. Overview

The WA-507-P permit is located on the Exmouth Plateau, Northern Carnarvon Basin, offshore Australia and has an area of 1,662km^2 (Figure 3-1). The permit is some 300km offshore Western Australia in water depths of 1,000m to 1,500m. Past exploration in the area has been successful for large, multi-Tcf gas discoveries with Scarborough (8-10 Tcf 2C contingent resource, source SubseaIQ) and Thebe (2-3 Tcf 2C contingent resource, source Australian Government, 2010 Offshore Petroleum Exploration Acreage Release) to the southwest and Io/Jansz (10 Tcf 2P reserves, source Australian Government, Australian Gas Resource Assessment 2012) and Chandon (3.5 Tcf 2C contingent resources, source Australian Government, Australian Gas Resource Assessment 2012).

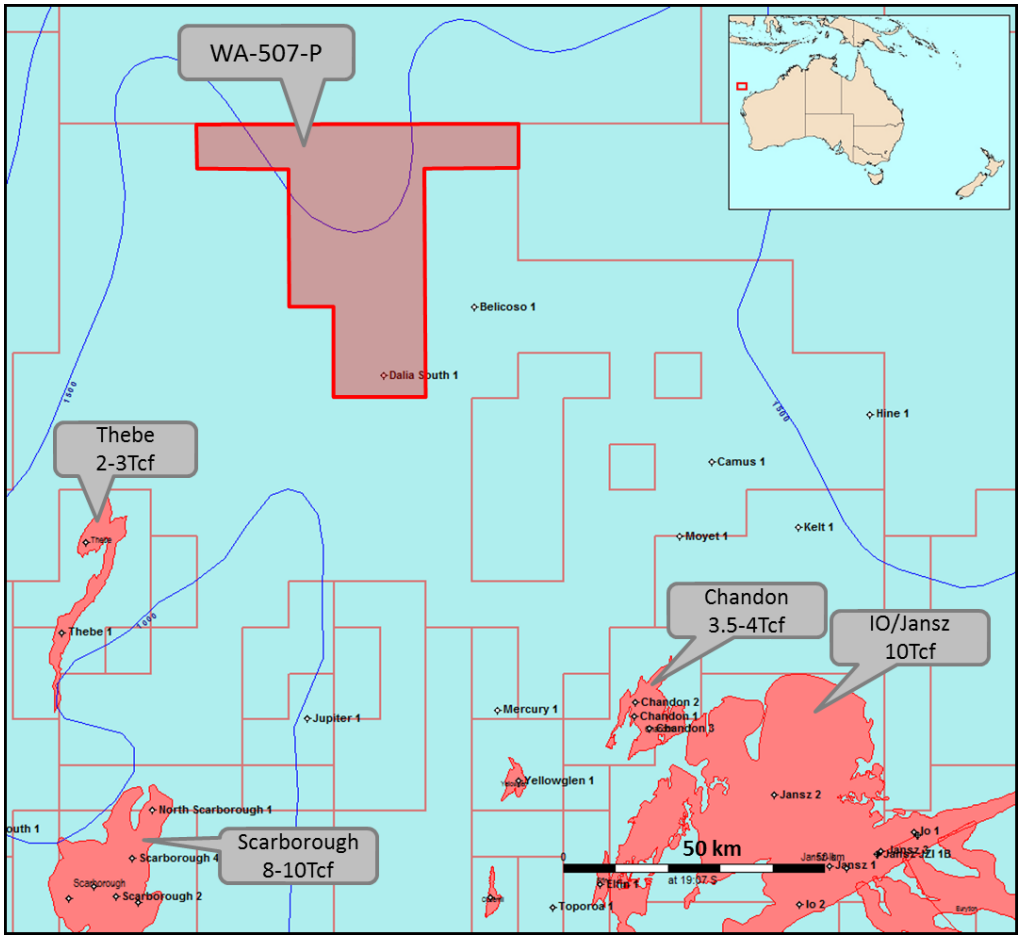


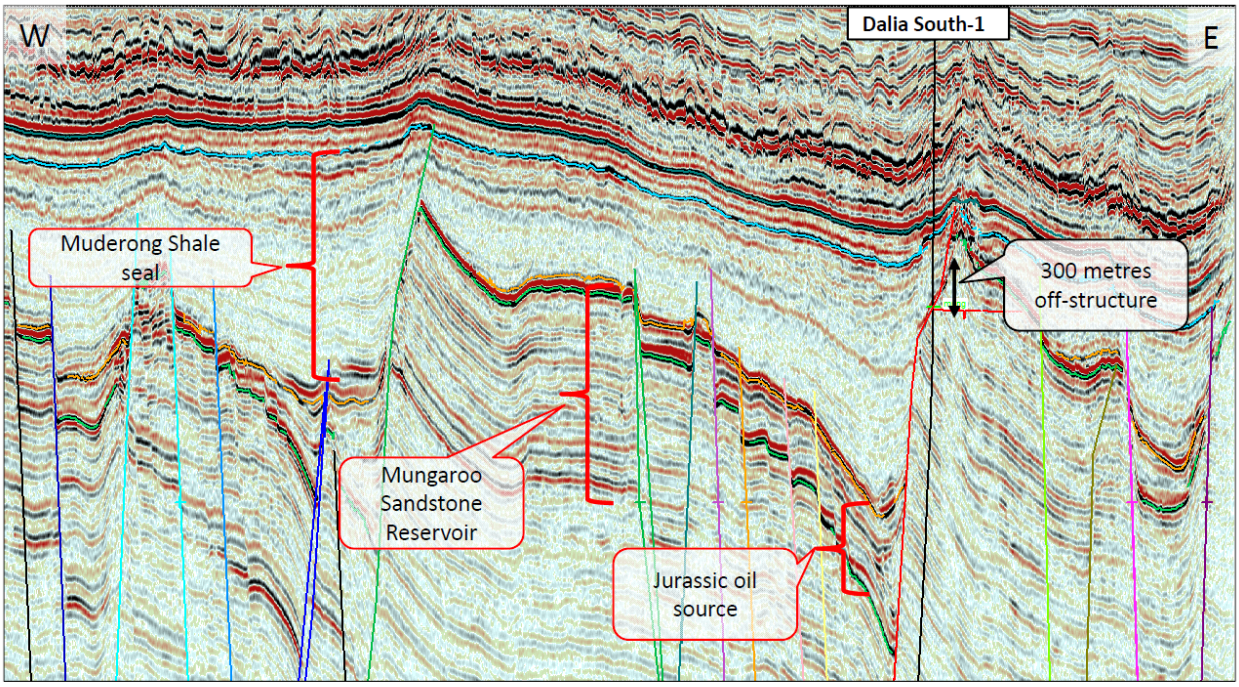
Figure 3-1: Location Map – WA-507-P

The permit was awarded on the 17 November 2014 and through an assignment agreement with a third party, Pilot acquired an 80% interest. Pilot is partnered in the permit by Black Swan Resources Pty Ltd, which owns the remaining 20% interest in the permit and is carried for the primary term by Pilot.

The only well drilled in the permit to date has been Dalia South-1 by Woodside in 2010 to a total depth (TD) of 4,685m. The well targeted a Mungaroo Fm gas play but the well was dry and was later mapped by Pilot to be drilled some 300m down dip from the crest of the structure.

The purchase of the existing 3D seismic data has been acquired under a special evaluation license from TGS. Payment of US$1.2m has been made for the data as the Permit Award Fee, and an additional US$2.5m will be due upon successful farmout or on entering year 4 of the permit term.

The existing, high quality 3D seismic data set (Figure 3-2) has allowed Pilot to mature three large structural prospects ranging in area from 60km^2 to 280km^2 (Figure 3-3). These prospects have the potential to contain significant quantities of gas in sandstones of the Mungaroo Fm (Figure 3-4). An emerging Triassic/Jurassic oil play may also exist in the permit and this new exploration opportunity has also been identified by Shell, Statoil and Eni, who are keenly pursuing the oil play in the surrounding permits but have not proven its existence to date. Results of their work will influence the value of Pilot's acreage before the well is committed in Year 6.



Seismic images shown with permission of TGS

Figure 3-2: 3D Seismic Line through Dalia South-1

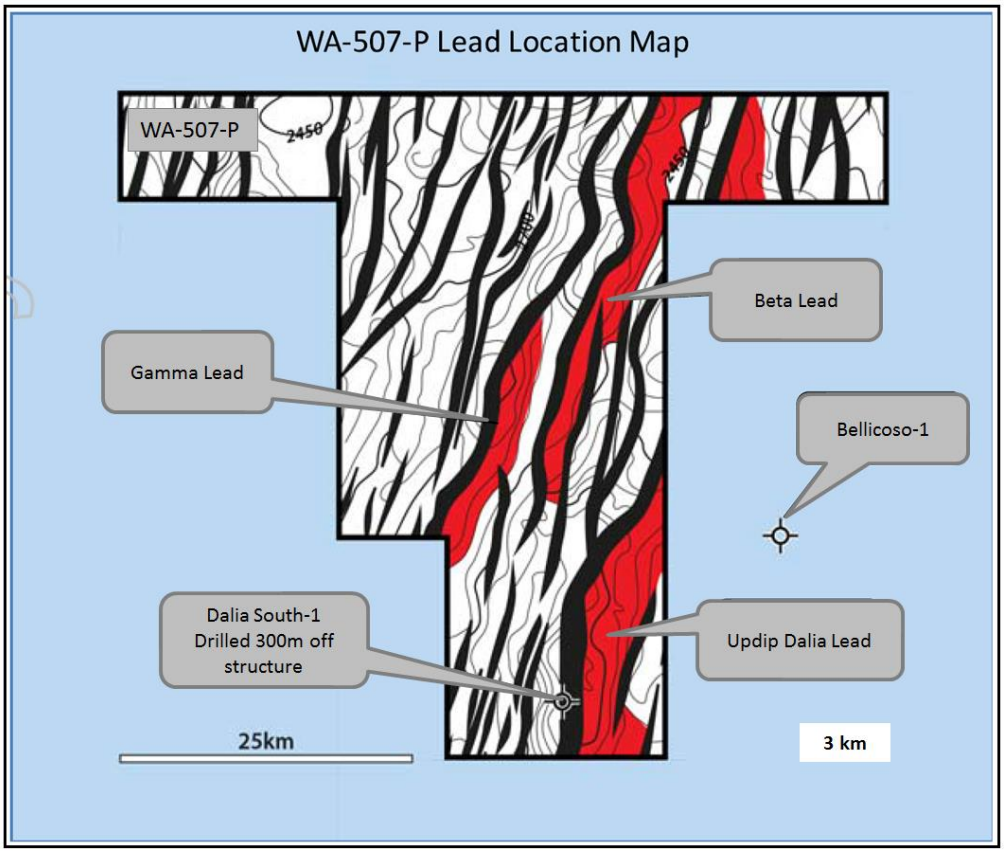


Figure 3-3: WA-507-P Leads Map

GCA has calculated the following prospective gas resources for the three prospects in the permit with the resources calculated only within the block boundary:

Table 3-1: WA-507-P Prospective Gas Resources (GCA) as at 31st January 2015

Prospects	Gross (100%) on block Bcf			Net Pilot (80%) on block Bcf			GPOS (%)
	Low	Best	High	Low	Best	High	
Dalia Updip	1,644	4,734	9,639	1,315	3,787	7,711	18
Beta	1,010	2,436	5,674	808	1,949	4,539	16
Gamma	1,376	2,877	5,786	1,101	2,301	4,629	16
Total	4,030	10,047	21,099	3,224	8,037	16,879	

1. Probabilistic methods have been used.
2. The prospective resources are unrisked. Prospective resources carry with them discovery and commercialisation risks.

RISC believes that gas or gas and condensate are the most likely hydrocarbon phases to be discovered in the block but the potential for an oil accumulation or a combination of oil and gas cannot be ruled out. The surrounding fields are all gas fields and a gas chimney is seen on seismic on the northern extension of the Dalia prospect. Furthermore, RISC is of the opinion that CGA is optimistic in its assessment that in the event of a discovery of hydrocarbons, the oil case has a 30% chance of occurring vs the 70% chance that it will be the gas case. RISC considers the chance of the oil case being 10% as the oil play is still unproven. The volumes quoted for oil and gas are mutually exclusive, alternative outcomes for these prospects.

Another risk to be considered is the varying amounts of CO2 and other inerts that have been found in the gas discoveries to date in this part of the basin.

RISC believes that the gas case is still attractive for potential farminees.

3.2. WA-507-P Prospects

3.2.1. Dalia Updip

The Dalia Updip prospect is a northeast – southwest trending three way dip, fault bounded closure on an elongated horst block typical of all the leads in this area. The Dalia South-1 well did not intersect the top Mungaroo reservoir horizon as it came in on the downthrown side of the bounding fault and only penetrated older Mungaroo sediments well below the crest. The Jurassic Athol and Dingo Claystones of variable thickness provide the top and lateral seal to all the leads in WA-507-P and is considered the main risk for trap integrity. The reservoir is proven to be high quality sandstone with high porosities at nearby Belicose-1. Source is likely to be gas prone Triassic shales and coals which are mature for generation in this area at 3500 – 4000m and have provided the source of large nearby gas fields like Thebe. Evidence of local and recent gas generation is seen as gas chimneys on the seismic above structures in this area including the northern end of Dalia. There is a possibility of a more marine Triassic/ Jurassic source capable of generating oil which is being followed up by Pilot and other operators in the area, but this is yet to be proven.

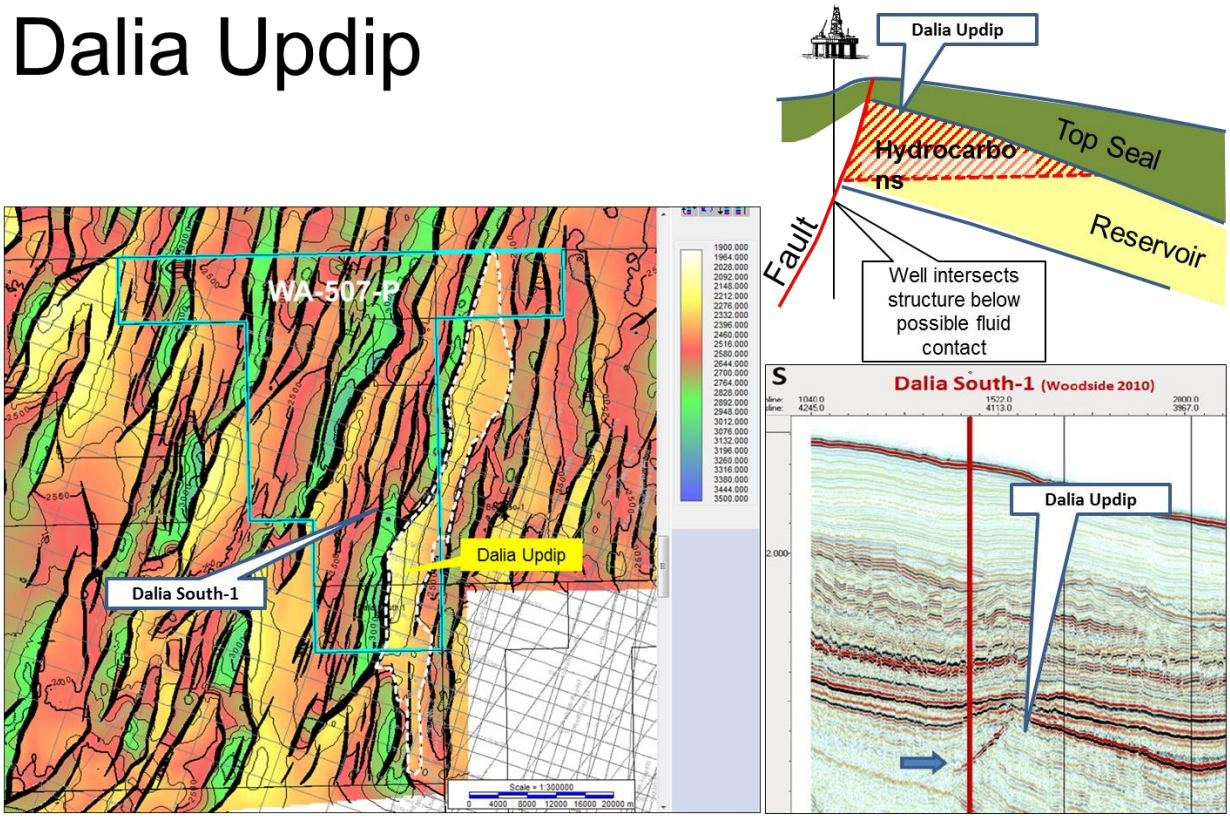


Figure 3-4: Dalia Updip Prospect

The Updip Dalia closure extends out of the permit to the north and south to cover a maximum area of 280km^2 whereas the low-side closure of the southern culmination is 60km^2 which lies totally within the permit The prospective resources documented by GCA are for those within the Permit of which, Pilot has an 80% interest. The crest of the closure is at 2,120m in approximately 1,350m of water.

3.2.2. Beta

The Beta prospect is the next rotated horst block to the west of Dalia Updip and also extends out of the permit to the north. Roughly 50% of the 220km^2 area that it covers is within WA-507-P. The crest of the closure is at 2,300m subsea and the water depth is approximately 1500m. The trap parameters are essentially the same as Dalia Updip as are the reservoir, seal and source risks.

3.2.3. Gamma

The Gamma Prospect is within the fault block immediately to the west of Beta Prospect and the closure is predominantly contained within the block boundary. The crest of the closure is at 2,250m subsea and the water depth is approximately 1500m. GCA sites a lower chance of success factor for source and migration in both Beta and Gamma than Dalia, due to the increased distance from the interpreted gas chimneys on the 3D seismic data.

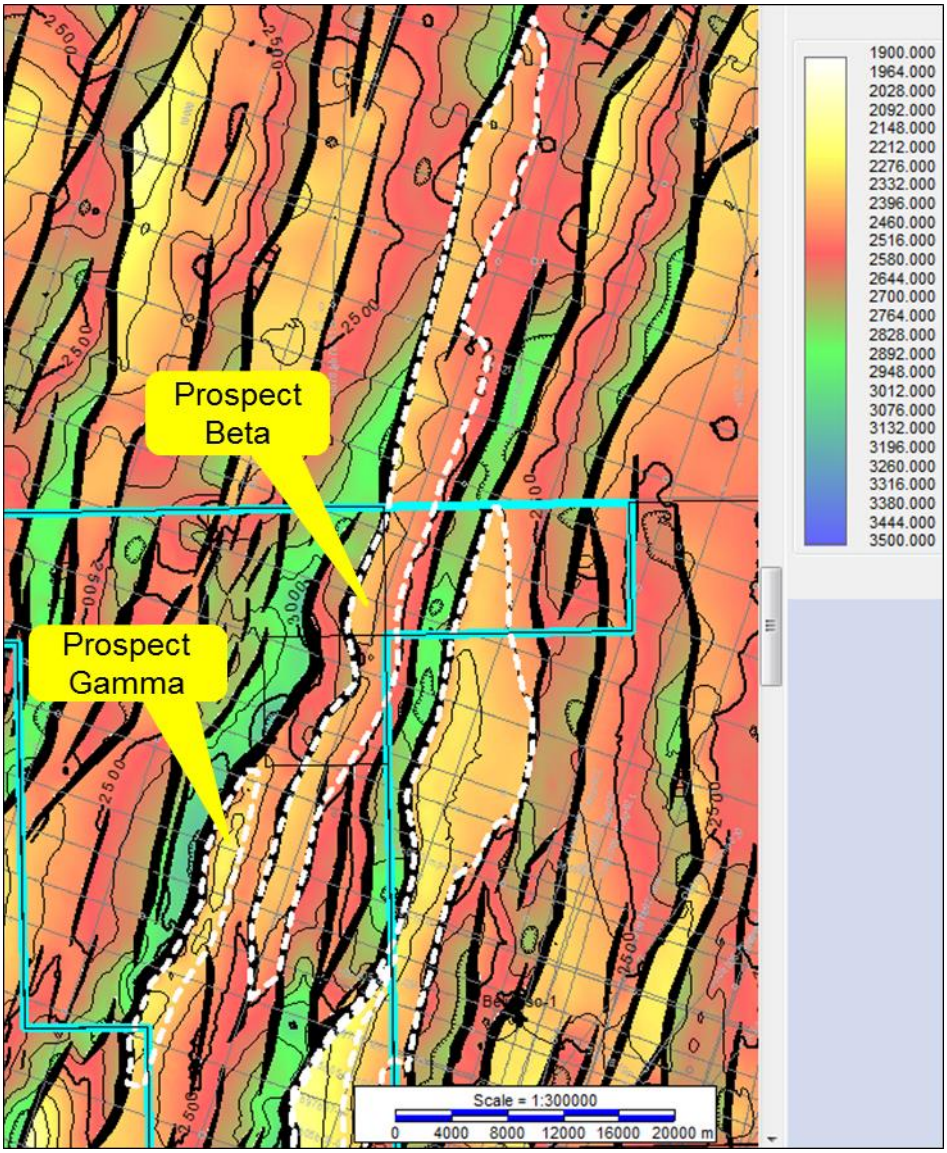


Figure 3-5: Beta and Gamma prospect depth map at Top Mungaroo

3.3. WA-507-P Prospective Resources

There is uncertainty in the mapping of the top depth structure in both Beta and Gamma due to depth conversion techniques that can be employed. GCA's work did not include an evaluation of this uncertainty in the mapping and Pilot intends to carry out further investigation of depth conversion techniques and their consequence on the range of volumetrics. This is also the case for the Gamma prospect and can be seen in the comparison of prospective gas resources calculated by Pilot vs GCA in Figure 3-6. However the overriding remark is that these are potentially large gas resources that would capture the interest of major companies seeking to enhance their exploration portfolios. Pilot is in an excellent position to enhance their chance of success with further geological and geophysical studies including seismic inversion of the 3D data. This will provide the option for them to attract a farminee for, at a minimum a seismic option and at a maximum of drilling one or more wells.

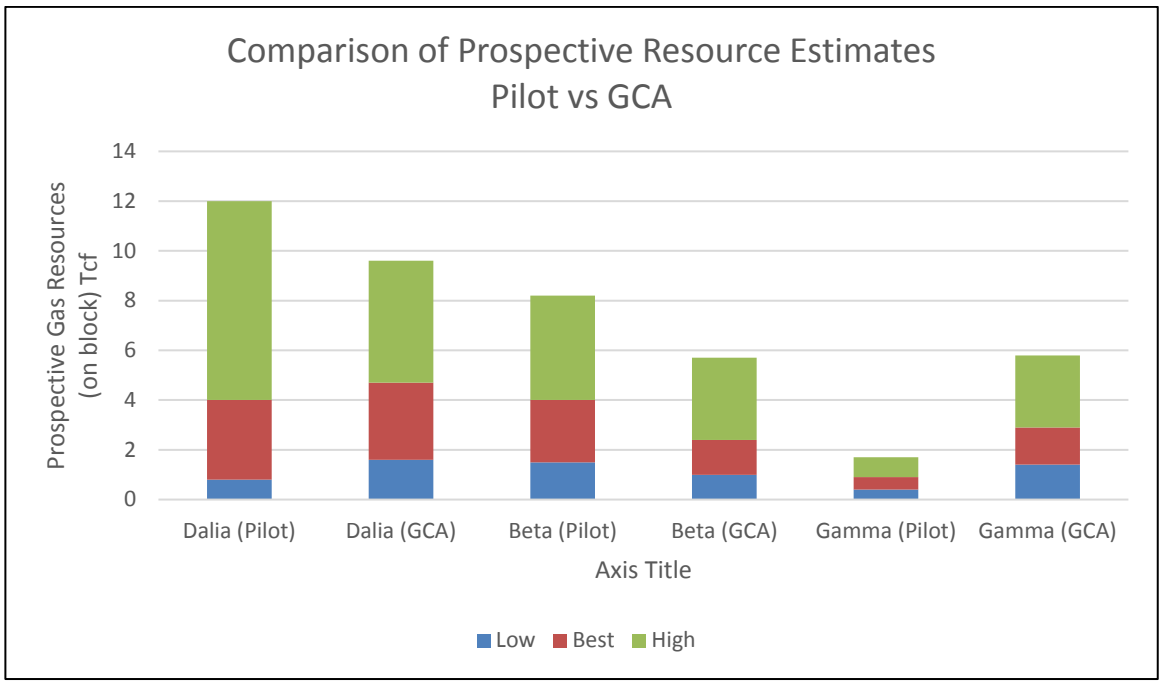


Figure 3-6: Comparison of Prospective Gas Resources calculated by Pilot and GCA

Table 3-2: WA-507-P Gas and Condensate Prospective Resources (GCA) as at 31 January 2015

Lead	Gross Prospective Gas Resources on block (Tcf)			Net Prospective Gas Resources on block (Tcf)			GPOS
	Low	Best	High	Low	Best	High	
Updip Dalia	1.6	4.7	9.6	1.3	3.8	7.7	18%
Beta	1.0	2.4	5.7	0.8	1.9	4.6	16%
Gamma	1.4	2.9	5.8	1.1	2.3	4.6	16%
Total	4.0	10.0	21.1	3.2	8.0	16.9	

Lead	Gross Prospective Condensate Resources on block (MMbbl)			Net Prospective Condensate Resources on block (MMbbl)			GPOS
	Low	Best	High	Low	Best	High	
Updip Dalia	6.6	18.9	38.6	5.3	15.1	30.9	18%
Beta	4.0	9.7	22.7	3.2	7.8	18.2	16%
Gamma	5.5	11.5	23.1	4.4	9.2	18.5	16%
Total	16.1	40.1	84.4	12.9	32.1	67.5	

Table 3-3: WA-507-P Alternative Oil case Prospective Resources (GCA) as at 31 January 2015

Lead	Gross Prospective Oil Resources on block (MMbbl)			Net Prospective Oil Resources on block (MMbbl)			GCoS
	Low	Best	High	Low	Best	High	
Updip Dalia	250	764	1743	200	611	1394	18%
Beta	151	381	931	121	305	745	16%
Gamma	203	436	926	162	349	741	16%
Total	604	1581	3600	483	1265	2880	

3.4. Status of Committed Program

WA-507-P was granted on 17 November 2014 for a 6 year term. The title was transferred to Rampart Energy Limited and Black Swan Resources Pty Ltd on 8 February 2015 and Rampart Energy Limited subsequently changed their name to Pilot Energy Limited which was announced to the ASX on 14 August 2015. RISC has relied on government documentation of approvals and permit awards provided by Pilot to ascertain the permit status.

The six year permit work programme details are given in (Table 3-4). The secondary work program is geological and geophysical studies with a discretionary well which is required to be drilled before the end of Year 6.

Table 3-4: WA-507-P Permit Details and Work programme

Permit	Operator	Interest	Status	Permit Expiry Date	Work Commitments
WA-507-P	Pilot	Pilot 80% Black Swan 20%	Exploration Licence	16 November 2020	Year 1: G&G studies, 1,587 km^2 3D seismic purchase A$1.55 mill Year 2: G&G studies A$0.25 mill Year 3: G&G studies A$0.25 mill Year 4: G&G studies A$0.25 mill Year 5: G&G studies A$0.25 mill Year 6: 1 well, G&G studies A$30.25 mill

The permit is currently in Year 3 and geological and geophysical studies based on the licensed seismic data are ongoing.

The outstanding liabilities are confined the Year 3 commitments totalling A$250,000 in studies. The commitments beyond Year 3 are discretionary however the value in the block is dependent on getting the Year 6 well drilled.

Pilot and its joint venture partner are seeking to farm down either through seismic costs (US$3.8 million including farmin equity uplift payment to seismic provider) and a well; or alternatively as a staged entry through a cash payment in order to earn an option to drill a well.

3.5. Exploration Program Costs

Pilot will be able to manage the costs of the G&G studies to within the A$250,000 commitment as long as they remain the operator.

The purchase of the existing 3D seismic data has been acquired under a special evaluation license from TGS. After a renegotiation of the original terms, payment of US$250,000 was made in December 2015 and a further US$841,500 was paid for the data in mid-2016. An additional US$2.5 million will be due upon successful farmout or on entering year 4 of the permit term. As this 3D is excellent quality and covers the entire permit it is unlikely that any new seismic will be acquired.

RISC estimates the dry hole well cost for a well to 2350m in 1350m of water will be in the range of US$20 – US$25 million using a “rig of convenience” to minimise mobilisation costs at the prevailing rig rates.

3.6. Fiscal Terms

WA-507-P is in Australian Federal Government waters and comes under the Petroleum Resource Rent Tax Assessment Act 1987. The fiscal terms of the PRRT are a profit-based tax levied on a petroleum project.

PRRT is currently applied to the recovery of all petroleum products from Australian Government waters (including crude oil, natural gas, liquid petroleum gas (LPG) condensate and ethane), except for petroleum products extracted from the North West Shelf project and the Joint Petroleum Development Area, and value added products such as liquefied natural gas (LNG).

From 1 July 2012, the PRRT became a compulsory tax applied to all Australian onshore and offshore oil and gas projects, including the North West Shelf, oil shale and coal seam gas projects.

PRRT is levied at a rate of 40 per cent of a project's taxable profit (that profit being calculated for PRRT purposes). Taxable profit is the project's income after all project and 'other' exploration expenditures, including a compounded amount for carried forward expenditures, have been deducted from all assessable receipts. PRRT payments are deductible for company income tax purposes.

3.7. WA-507-P Valuation

RISC has used the potential value to Pilot of WA-507-P being farmed out to a third party who will assume a proportion of future costs to explore the permit at a premium or promote to their earned interest cost. The premium provides the value of the permit.

In the low case we have assumed that a farminee will pay a 2 for 1 (2:1) of the full cost of the seismic (US$3.6 million). This values Pilot’s 80% share at US$2.9 million.

In the mid case RISC has taken an estimated cost of a well in WA-507-P (US$25 million) and assumed a 1.5:1 carry. This values Pilot’s 80% at US$10 million. The seismic costs which are assumed to be past costs when the well is drilled will be picked up at 1:1 by the incoming party and therefore have no premium value for Pilot.

In the high case RISC has assumed a 1.75:1 carry for the well valuing Pilot's share at US$15 million.

The slightly higher carries in WA-507-P versus the remaining permits in Pilot's portfolio, is justified by the size of the prospects which will potentially attract large companies willing to pay a higher premium.

4. WA-503-P (80% WI and Operator)

4.1. Overview

The WA-503-P permit is located in the Dampier Sub Basin, offshore Australia and has an area of 80km^2 (Figure 4-1). The permit is approximately 80 km offshore Western Australia in water depths of no greater than 70m. Past exploration in the area has been successful for medium sized gas discoveries with Reindeer/Caribou (446 Bcf 2P reserves, source Offshore Technology) to the southwest and oil fields at Legendre (48 MMbbl was produced, source Sub Sea IQ) and Hurricane oil and gas discovery.

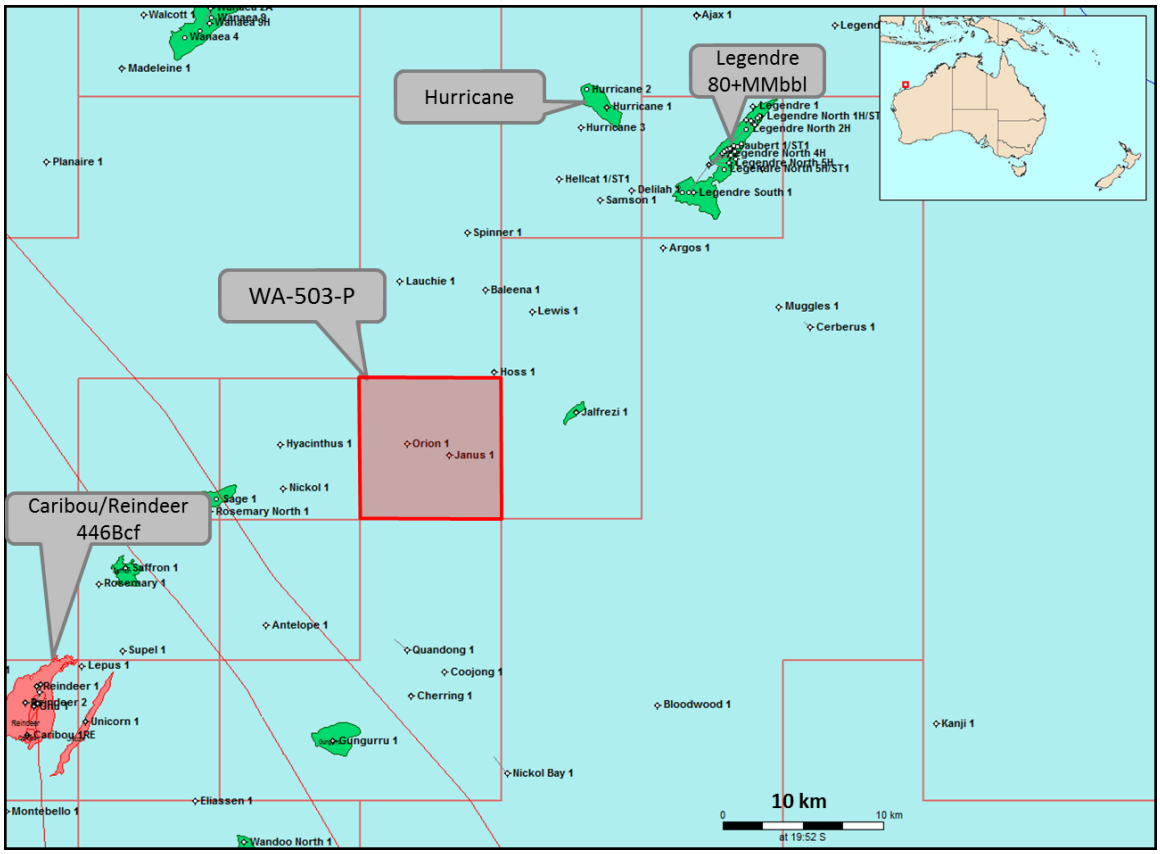


Figure 4-1: Location Map – WA-503-P

The permit was awarded on 13 May 2014 and through an agreement with Neon Energy Ltd, Pilot acquired an 80% interest. Pilot is partnered in the permit by Black Swan Resources Pty Ltd, which owns the remaining 20% interest in the permit and is carried for the primary term by Pilot.

Past exploration has seen two wells drilled in the permit with Woodside drilling Orion-1 (P&A) in 1990 and Apache drilling Janus-1 (Gas Shows) in 1998. The primary targets are the Lower Cretaceous to Upper Jurassic sandstone reservoirs within the Legendre oil trend located on the western flank of the Lewis Trough (Figure 4-2).

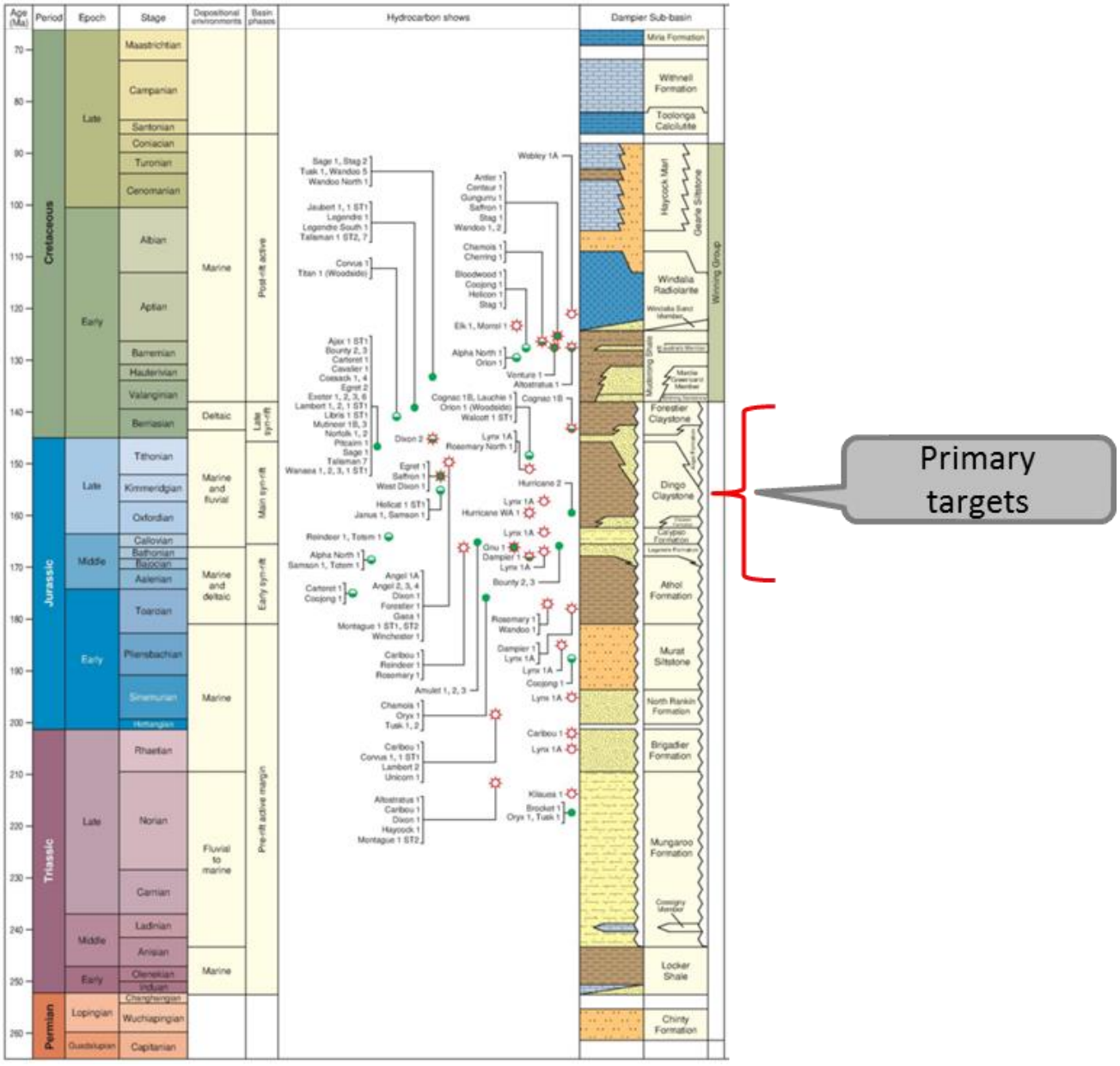


Figure 4-2: Dampier Sub Basin Stratigraphic Chart

Existing discoveries within and adjacent to the block confirm the presence of both a Lower Cretaceous and Upper Jurassic petroleum systems. Many play types exist in the area with the most recent Hurricane oil and gas discovery being a successful combination structural/stratigraphic trap in the Eliassen Formation reservoir. Pilot has identified three exploration prospects based on the existing 3D seismic data at this play level and the shallower Angel and M. Australis sand levels. The prospects are structural plays and two are updip of the existing wells Orion-1 and Janus-1 (Figure 4-3 and Figure 4-4) which were drilled off structure. The Janus-1 well had 4m of oil shows in the Eliassen reservoir. The third structure is a buttress play on the down thrown side of a major fault that forms part of the Rosemary Fault system.

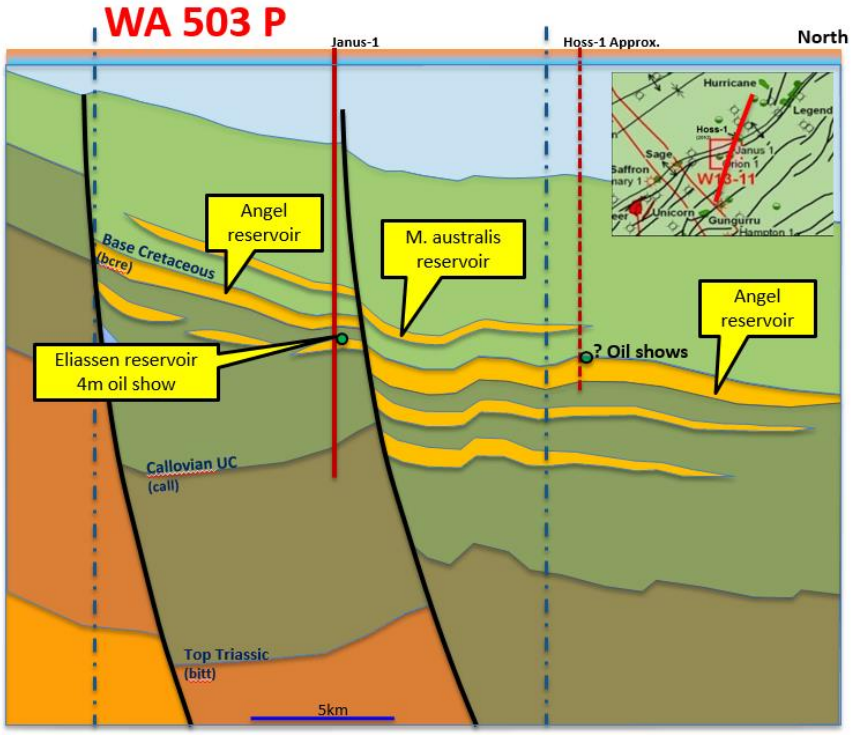


Figure 4-3: WA-503-P Play Diagram

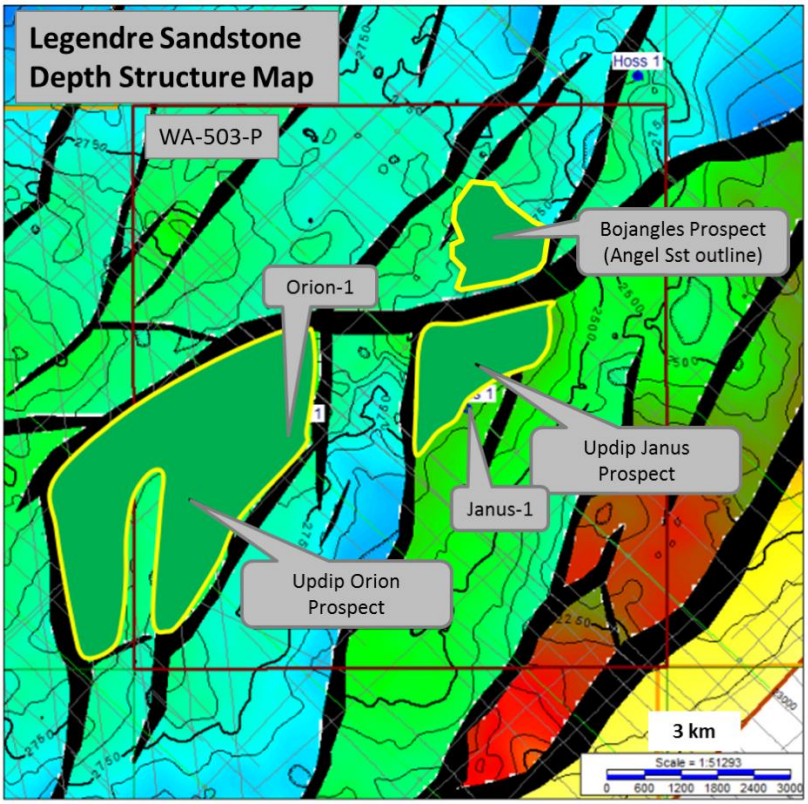


Figure 4-4: WA-503-P Prospects Map

4.2. WA-503-P Prospects

4.2.1. Updip Janus

Updip Janus is a small (2.5km^2) triangular fault block dipping to the southeast and bounded to the west and north by faults. The seal at the Legendre level is an expanded Dingo Claystone section laterally juxtaposed across the bounding faults. At the Eliassen Formation level it is the Lower Muderong Shale. The existing seismic is not very clear over the crest of the structure. The reservoirs penetrated in Janus-1 have been the subject of a recent petrophysical review. The Legendre Formation was over 100m thick and between 2365m and 2465m RT had a net to gross of 64% and an average porosity of 20.4%. The Eliassen Formation encountered at 1885m RT was 67m thick with a net to gross of 42.7% and an average porosity of 16.8%. These are excellent reservoirs that produce with high recovery factors in the 50 – 80% range in nearby fields like Legendre, Saladin and Griffin. GCA estimate the best case, gross prospective resources for the Eliassen and Legendre to be 6.9MMbbls and 3.1 MMbbls respectively with a 17% GPOS for the Legendre level and 24% GPOS for the Eliassen level reflecting the occurrence of oil shows at this level in Janus-1. RISC believes that GCA has captured the range of uncertainty for the in place resources but has been conservative on the upside for recovery factors in WA-503-P prospects in comparison to nearby field analogues.

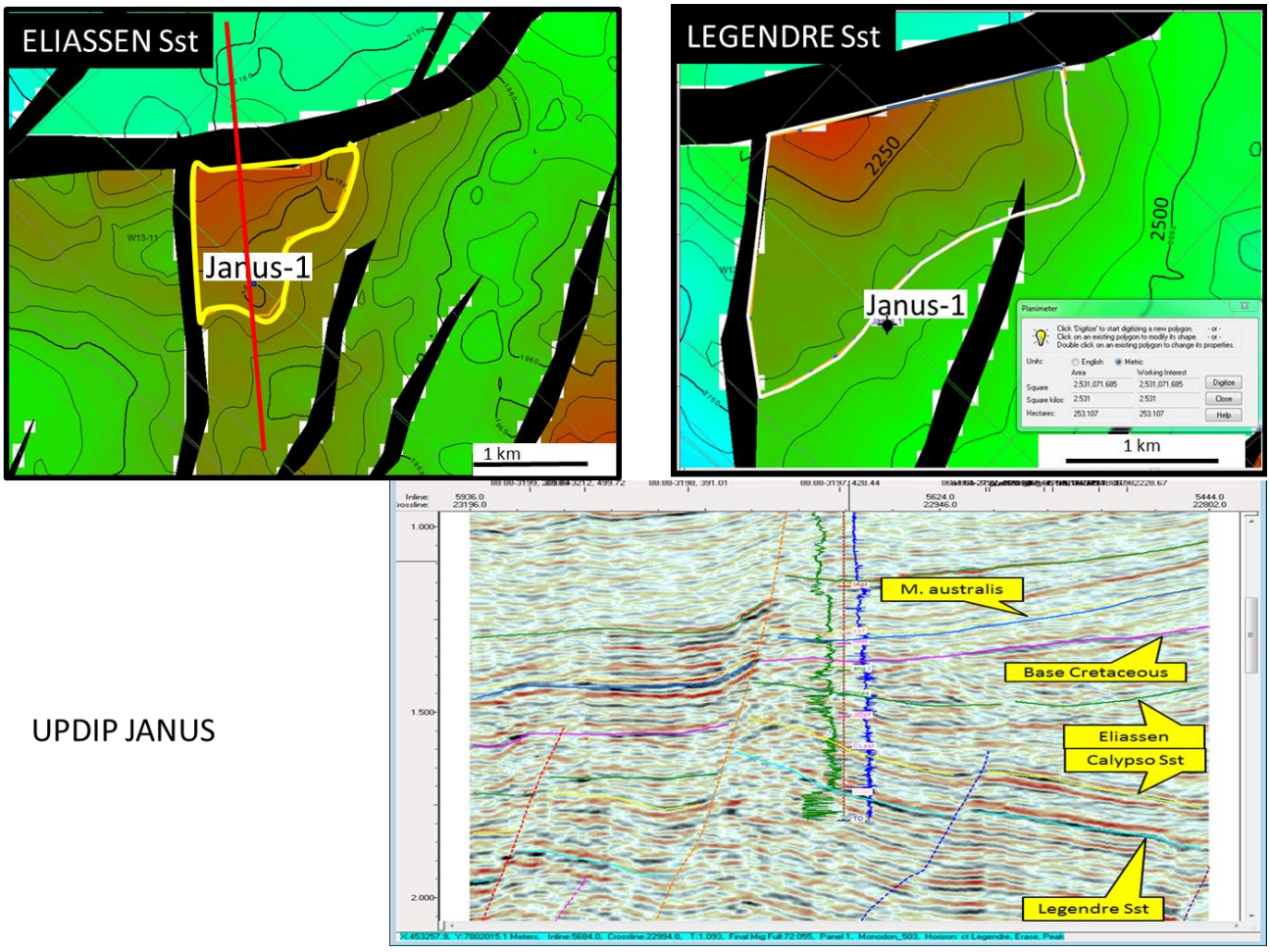


Figure 4-5: WA-503-P Updip Janus Prospect

4.2.2. Updip Orion

The Legendre sandstone play was not tested by Orion-1 which was terminated after testing the Eliassen Formation. Pilot have captured a wide range in structural closure uncertainty from 3.2km^2 for a single fault dependent closure updip of Orion-1 to 23.6km^2 for a closure that requires multiple faults to seal at a Lowest Closing Contour (LCC) of 2750m (including areas outside the block boundary). Reservoir parameter in the Legendre sandstone are taken as being similar to Janus-1. GCA's best estimate for prospective resources within the block are 25.1 MMbbls making this the largest prospect in WA-503-P with a 15% GPOS. In the Eliassen Formation in Orion-1, there is a 5m sand with a resistivity anomaly on the logs which could be oil saturation. If it is an indication of oil there is a 17% GPOS of there being an accumulation updip of Orion-1. In the Eliassen and M. Australis formation the small updip Orion-1 closures could contain 1.1 MMbbls and 2.9 MMbbls respectively (Gross Best Estimate Prospective Resources, GCA).

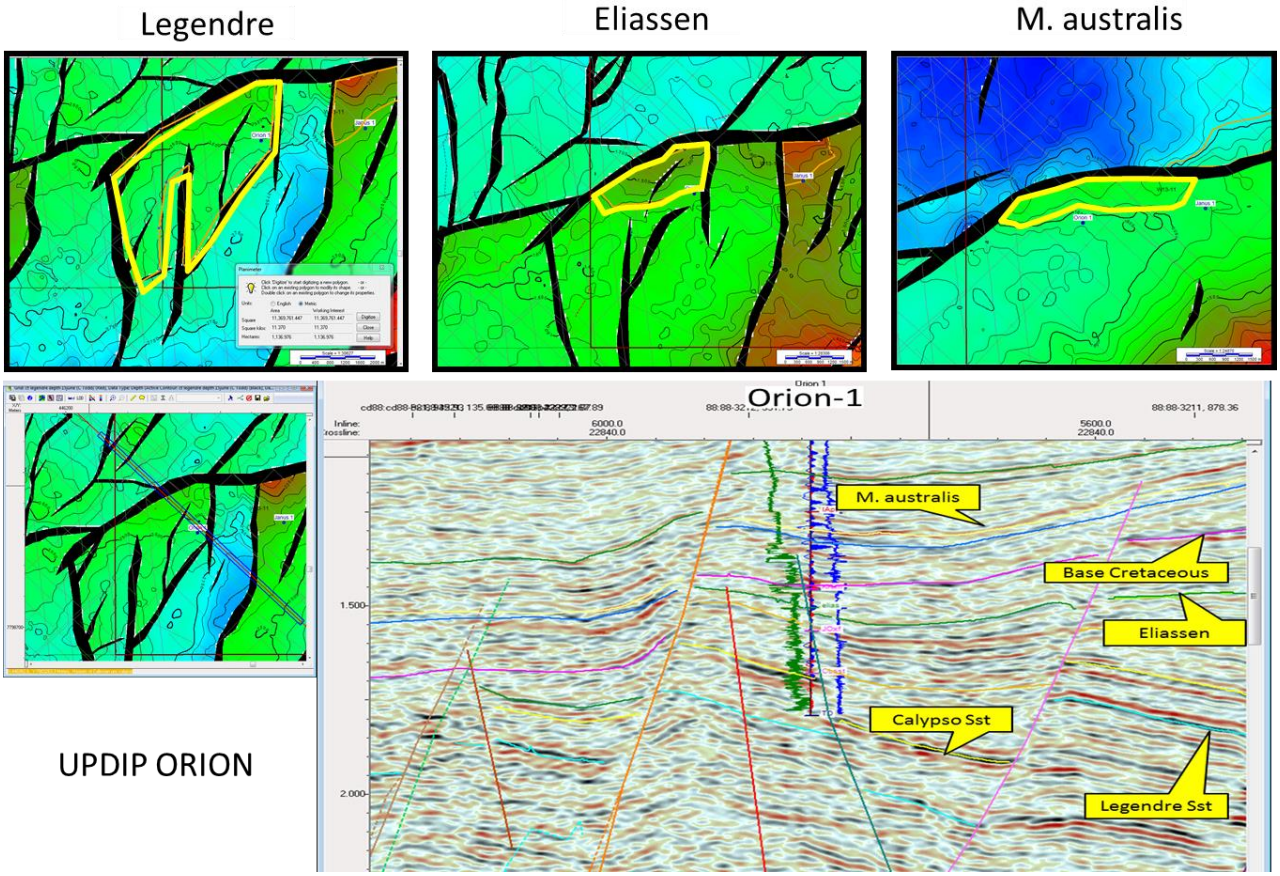


Figure 4-6: WA-503-P Updip Orion Prospect

4.2.3. Bojangles

The Bojangles prospect is a three way dip closure or "buttress" closure, on the downthrown side of the Rosemary fault trend. It is adjacent to the Updip Janus prospect. The targets are the M Australis and Angel Sandstone. The M Australis Sandstone is juxtaposed Muderong and Dingo shales as well as the dip closed Angel Sandstone on the upthrown side in the Janus prospect. The Angel Sandstone is similarly juxtaposed against the Dingo Claystone and the dip closed Eliassen Sandstone which had the oil shows in it at Janus-1.

The mapped structural closure is small at both levels. GCA estimate the Best estimate Prospective Resources to be around 3.5 MMbbls in each reservoir with a 17% GPOS.

RISC believes that at current oil prices this is too small to be a standalone target but new Broadband 3D may de-risk this and the other prospects and also define additional stratigraphic trapping upside to these plays.

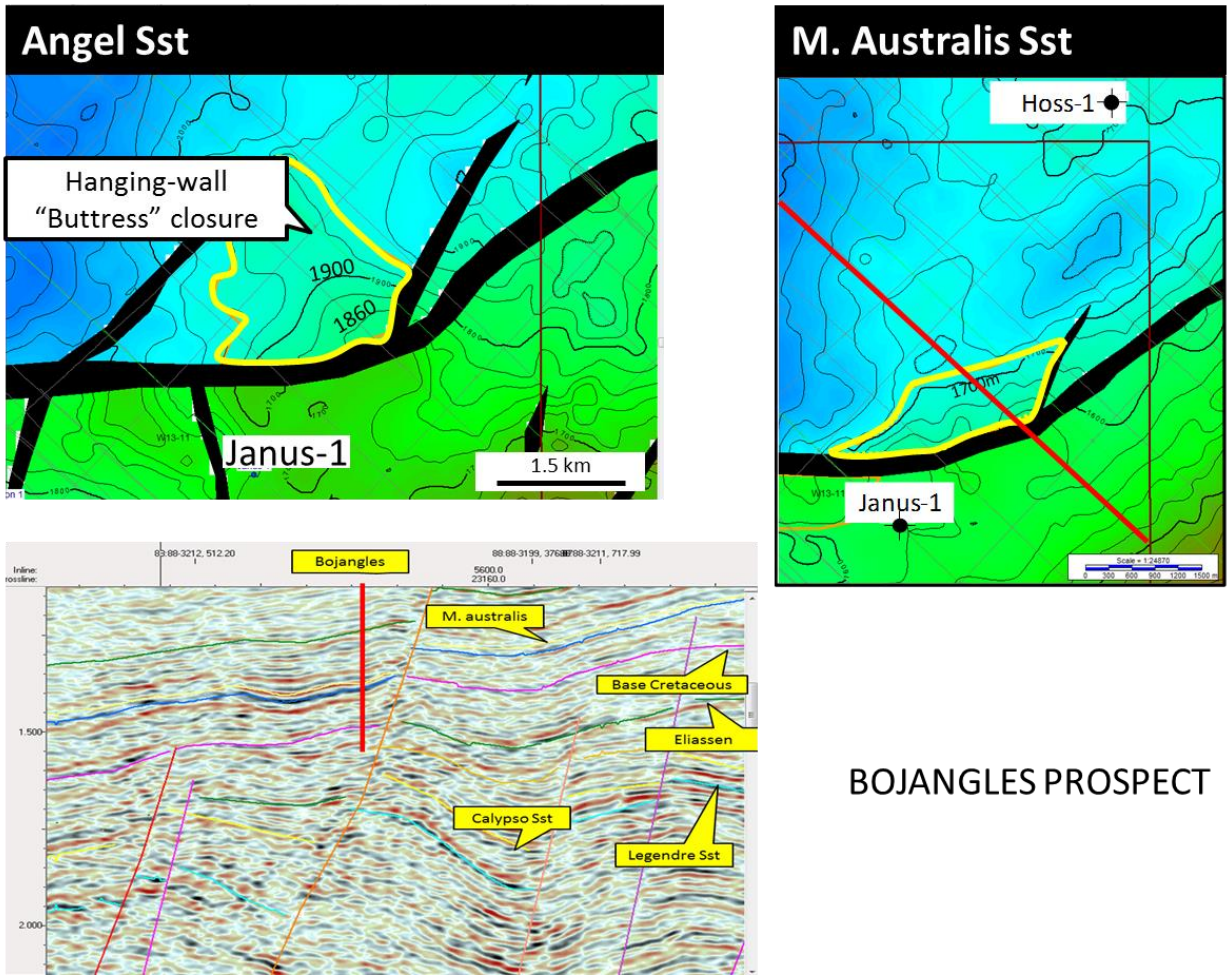


Figure 4-7: WA-503-P Bojangles Prospect

4.3. WA-503-P Prospective Resources

GCA has calculated the following prospective resources for the three prospects in WA-503-P:

Table 4-1: WA-503-P Oil Prospective Resources by reservoir (GCA) as at 30th November 2015

Prospects	Reservoir	Gross Prospective Resources (MMbbl)			Net Prospective Resources (MMbbl)			GPOS
		Low	Best	High	Low	Best	High	
Updip Janus	Legendre	3	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%

Table 4-2: WA-503-P Oil Prospective Resources by lead (GCA) as at 30th November 2015

Prospects	Gross Prospective Resources (MMbbl)			Net Pilot (80%) Prospective Resources (MMbbl)		
	Low	Best	High	Low	Best	High
Updip Janus	4.5	10	19.7	3.6	8.0	15.8
Updip Orion	8.8	29.1	72.8	7.0	23.3	58.2
Bojangles	3	6.9	14	2.4	5.5	11.2
Total	16.3	46	106.5	13.0	36.8	85.2

1. Probabilistic methods have been used.
2. The prospective resources are unrisked. Prospective resources carry with them discovery and commercialisation risks.

4.4. Status of Committed Program

WA-503-P was granted on 13 May 2014 to Neon Energy Limited. On 28 March 2015 the equity in the permit was transferred by a deed of assignment to Rampart Energy Limited (80%) and Black Swan Resources Pty Ltd (20%). Rampart Energy Limited subsequently changed their name to Pilot Energy Limited which was announced to the ASX on 14 August 2015. RISC has relied on government documentation of approvals and permit awards provided by Pilot to ascertain the permit status.

The six year permit work program details are given in (Table 4-3). The permit is currently in Year 3 with a firm commitment to conduct three years of geological and geophysical studies, including the commitment to acquire 80km^2 of new "Broadband" 3D seismic data across the permit. The company successfully applied to the National Offshore Petroleum Titles Administrator (NOPTA) for a Transitional Work programme Variation, the effect of which is to combine the primary term work commitments of each of years one to three, into

commitments which must be fulfilled by the three year anniversary date; being 12 May 2017. In the event that the joint venture elects to proceed to the discretionary second term an exploration well is required to be drilled in Year 4.

Table 4-3: WA-503-P Permit Details and Work programme

Permit	Operator	Interest	Status	Permit Expiry Date	Work Commitments
WA-503-P	Pilot	Pilot 80% Black Swan 20%	Exploration Licence	14 May 2020	Year 1–3: G&G studies, 80 sq km 3D seismic A$1.55 mill Year 4– 1 well A$22.5 mill Year 5– G&G studies A$0.3 mill Year 6– G&G studies A$0.2 mill

Pilot has signed an agreement with CGG to acquire broadband seismic data over the 80 km^2 permit as part of a greater multi-client survey. Pilot was expecting the acquisition to occur in 2016 but a vessel has not been available within Australian waters since late 2015. CGG currently have a vessel scheduled to commence the remainder of the Davros survey in November 2017 (subject to approval of the Environmental Plan).

Because of this delay, Pilot has applied to NOPTA for an 18 month suspension/extension to the primary three year term to be able to acquire, process and interpret the CGG broadband data before making a decision to enter Year 4 and being committed to drilling a well.

Pilot and their joint venture partner intend to farm down their equity to recoup seismic and well costs and have started a farmout process.

4.5. Exploration Program Costs

The seismic acquisition and processing is budgeted at US$500,000. Special processing (QI and AVO) will be included in the G&G studies budget. No other seismic acquisition is likely during the permit term. A farminee will have to pay an uplift fee to license the 3D data of US$1.05 million.

RISC has reviewed the dry hole well cost estimate and concludes that a well in 70m of water that will be drilled with a jack-up rig of convenience, to minimise mobilisation costs, to a prospect depth of 2500m would cost US$15 - 20 million dollars based on prevailing jack-up rig rates.

4.6. WA-503-P Valuation

RISC has used the potential value to Pilot of WA-503-P being farmed out to a third party who will pick up a proportion of future costs to explore the permit at a premium to their earned interest cost.

In the low case we have assumed that a farminee will pay a 1.5:1 carry of the full cost of the seismic (US$1.55 million including the seismic company's uplift fee for a new partner). This values Pilot's 80% share at US$0.6 million.

In the mid case RISC has assumed a 2:1 carry on the seismic costs valuing Pilot's 80% share at US$1.2 million. This will give the incoming party the option of participating in a well at their earned equity cost.

In the high case RISC has taken an estimated cost of a well in WA-503-P (US$15 million) and assumed a 1.75:1 carry on the well. This values Pilot's 80% at US$9 million.

5. WA-481-P (60% WI and Operator)

5.1. Overview

WA-481-P is located offshore in the northern Perth Basin, in shallow water adjacent to the Western Australian towns of Dongara and Geraldton (Figure 5-1). The large permit covers 17,745km^2 and has been sparsely explored with some encouraging results (sub-commercial oil discovery at Dunsborough-1 and a sub-commercial gas discovery at Frankland-1). The developed offshore Cliff Head oil field and the onshore Woodada, Dongara and Waitsia gas fields and Hovea oil field lie adjacent to the permit and provide local infrastructure that could be used in the event of a discovery in WA-481-P.

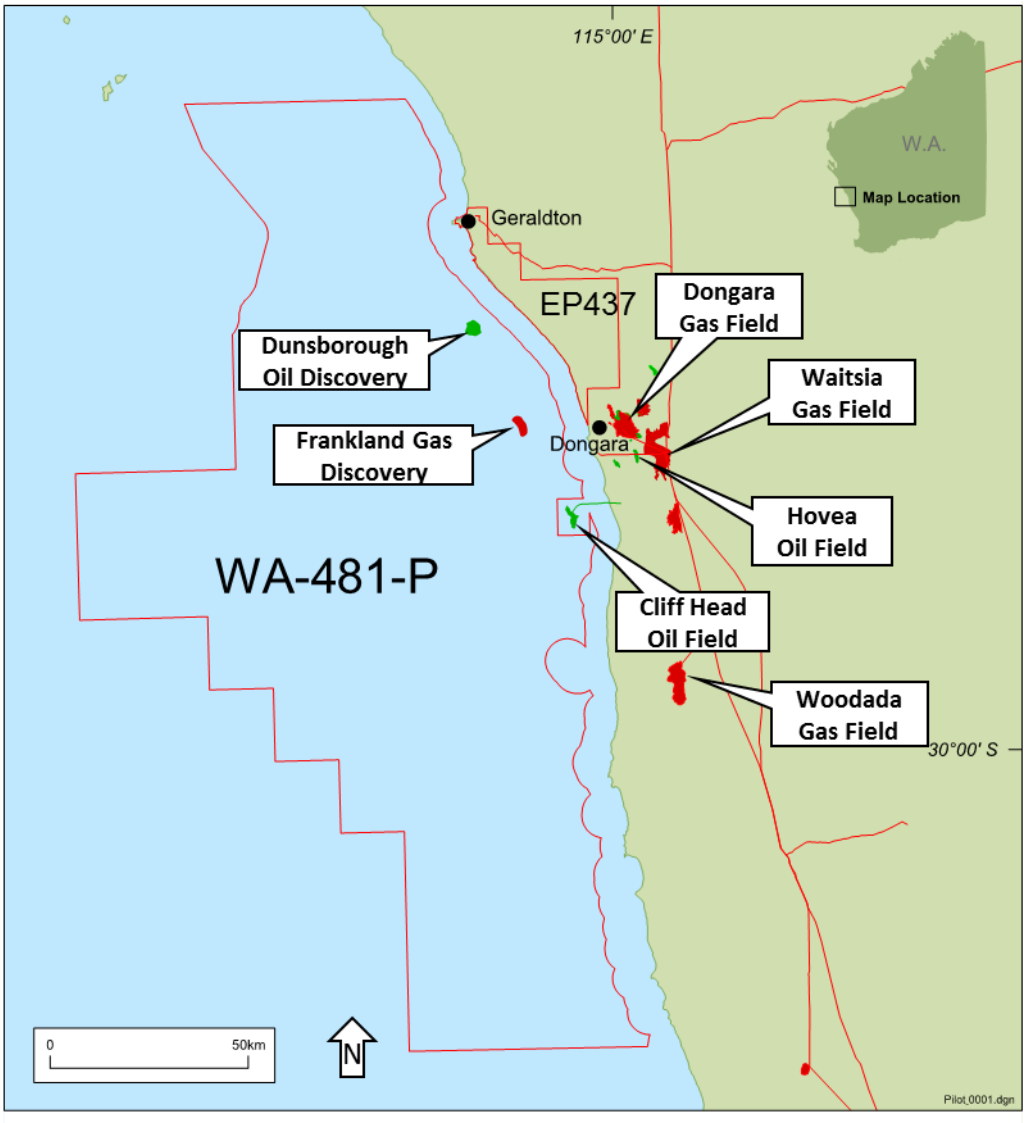
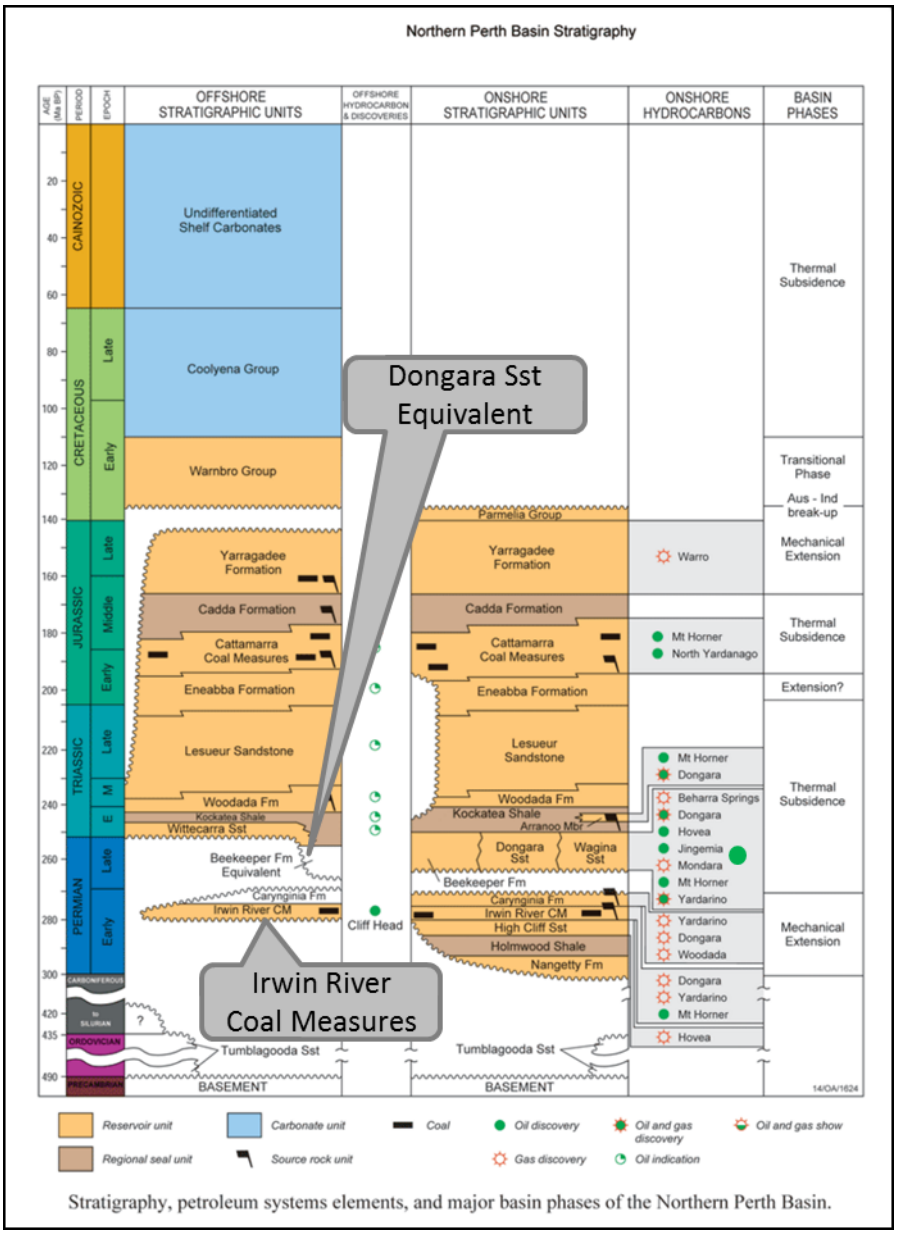


Figure 5-1: Location Map – WA-481-P

On 27 July 2016 Pilot announced that it had acquired a 100% interest in WA-481-P from Murphy Australia WA-481-P Oil Pty Ltd in return for assigning a Net Profits Interest of 10% after tax to Murphy Oil on any future hydrocarbon production in the permit. Key Petroleum, who had worked in co-operation with Pilot on the acquisition, exercised their option to acquire 40% of the WI on 29 July 2016. WA-481-P has benefitted from considerable prior exploration investment by Murphy Oil (2D and 3D seismic and wells) such that there is a $65.6 million Petroleum Resource Rent Tax (PRRT) credit attached to the permit and split 60% to Pilot and 40% to Key. PRRT is levied at a rate of 40% on profits from future developments which will be reduced by the compounded value of the credit, significantly enhancing the value of the permit and its prospects.

The primary objectives in the offshore North Perth Basin are the Permian Dongara Sandstone equivalent and the underlying Irwin River Coal Measures which reservoir the oil in the Cliff Head Field (Figure 5-2).



Stratigraphy, petroleum systems elements, and major basin phases of the Northern Perth Basin.

Figure 5-2: Offshore Northern Perth Basin Stratigraphy

The Cliff Head field has estimated reserves of 18 MMbbls and is close to the end of its field life having produced 15 MMbbls. Pilot has identified a number of similar sized prospects close to Cliff Head that if successful could be developed by a tie back to the Cliff Head facilities making the initial investment much more economic than a standalone development.

5.2. WA-481-P Discoveries

Three discoveries have been made in the existing permit; Dunsborough-1 (ROC 2008) oil and gas discovery, Frankland-1 (ROC 2008) gas discovery, and Perserverance-1 (ROC 2009) high CO_2 gas discovery.

5.2.1. Dunsborough Oil Discovery

The Dunsborough-1 oil discovery well was drilled in to the crest of a tilted fault block trap and discovered a 9m gas column and a 25m oil column down to -1470m TVDss. Dunsborough-2 was drilled to appraise the discovery on the southern flank and confirmed the oil column in the Bookara Member/Dongara Sandstone and the Irwin River Coal Measures (IRCM).

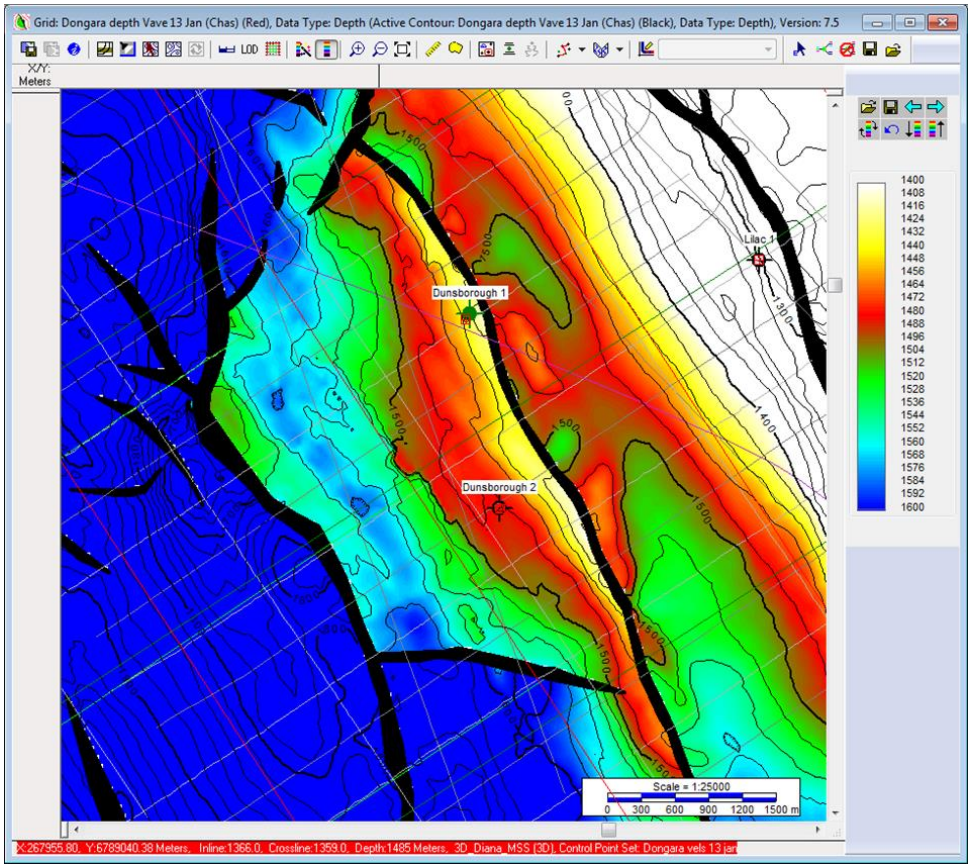


Figure 5-3: Dunsborough Top Dongara Sandstone Depth Map

The bulk of the oil is reservoired high net to gross (75-87%) Bookarah/Dongara sandstone which has an average porosity of 18%. The underlying IRCM has a lower net to gross but a similar average porosity.

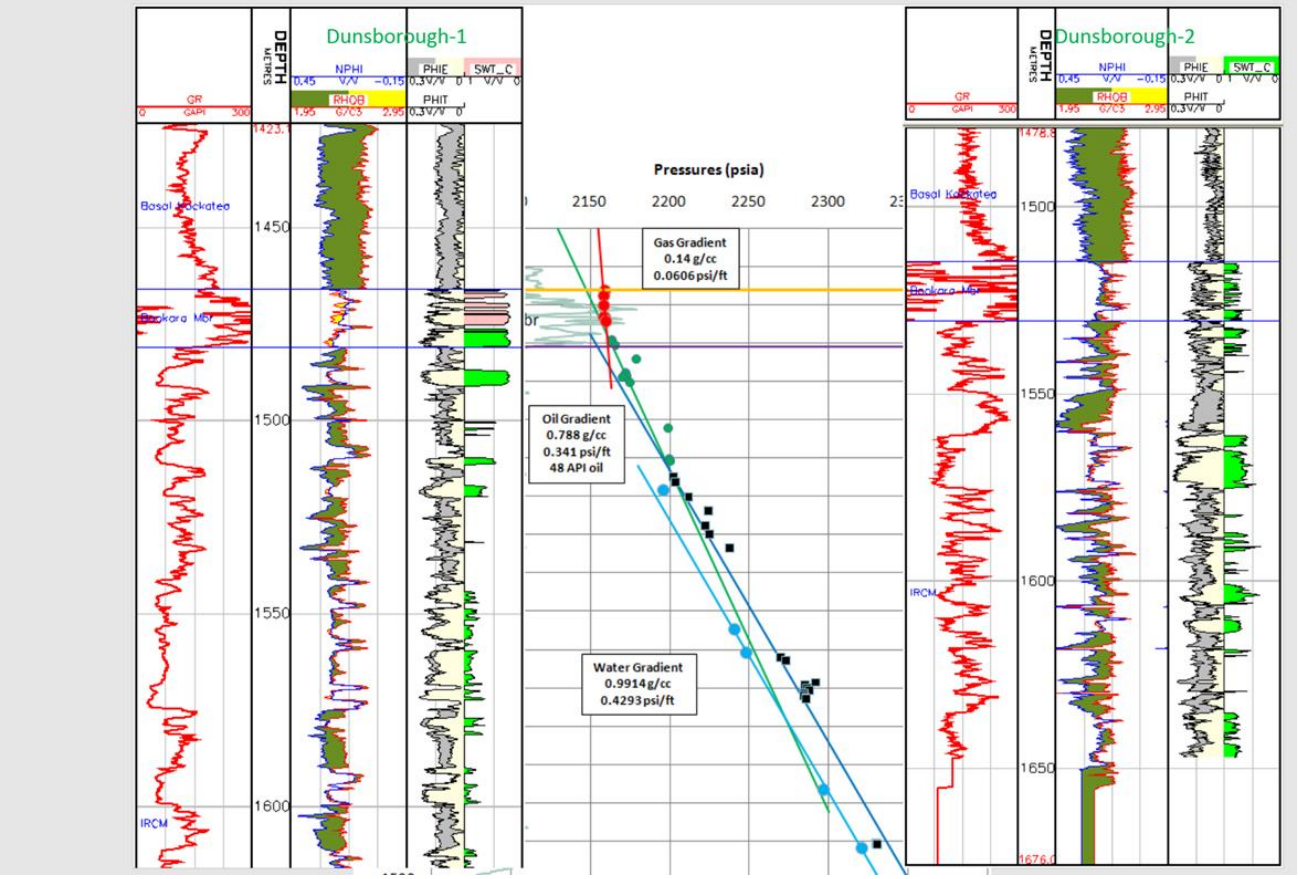


Figure 5-4: Dunsborough Wireline Log and Pressure Data

Pilot have calculated Contingent Resources of 6 MMbbls of recoverable oil in the P50 case for Dunsborough and RISC has been able to confirm that this is a reasonable estimate (see full Contingent Resource Table 5-1). There is less than 0.5 Bcf of gas in the gas cap making it commercially insignificant. On a standalone basis at current oil prices, Dunsborough is not economic to develop but if drilling of other prospects in the area were successful a development may be feasible in the future.

5.2.2. Frankland Gas Discovery

The Frankland-1 gas discovery well was drilled on a north-northwest-south-southeast trending fault block near the crest of the structure and found gas at the Bookra/Dongara Sandstone level at 1943 mTVDss. Gas samples were recovered from the Bookra/Dongara Sandstone and the IRCM but pressure data shows that they are not in communication. The IRCM appears to have a number of isolated pools of gas rather than a single gas column making it difficult to produce. A second well on the structure immediately to the north, Frankland-2, came in 50m low to prognosis and reduced the overall volume of gas from that predicted.

Pilot have calculated P50 case Contingent Resources of 33 Bcf in the Bookra/Dongara Sandstone and 9 Bcf in the IRCM (Table 5-2). RISC has been able to confirm that the Pilot calculations are reasonable and that at present, on a standalone basis, development of Frankland is not economically feasible.

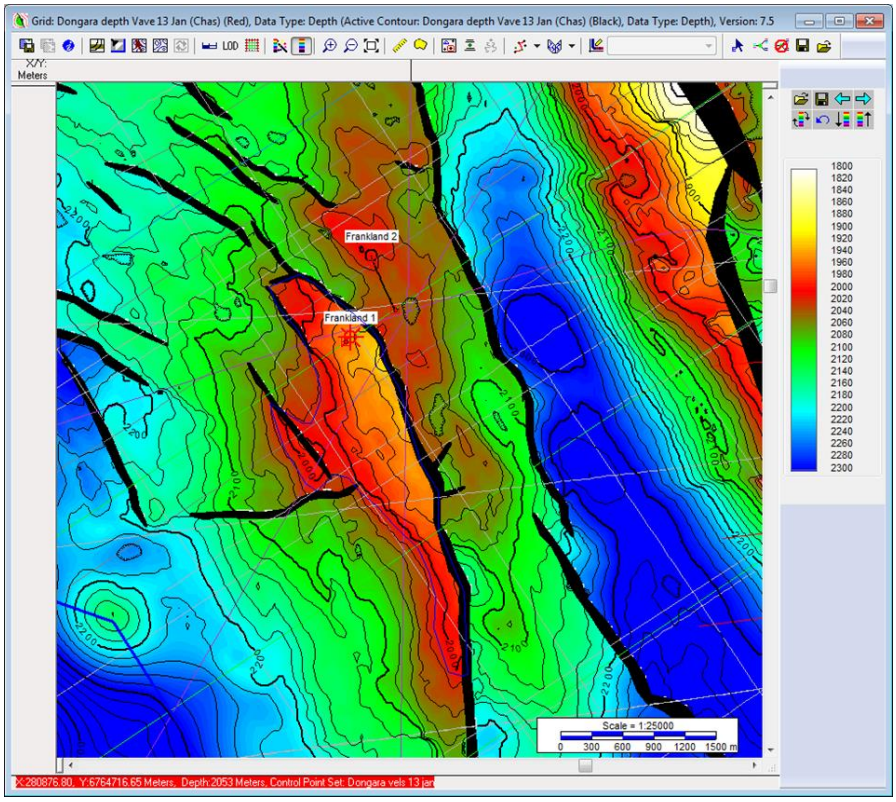


Figure 5-5: Frankland Top Dongara Sandstone Depth Map

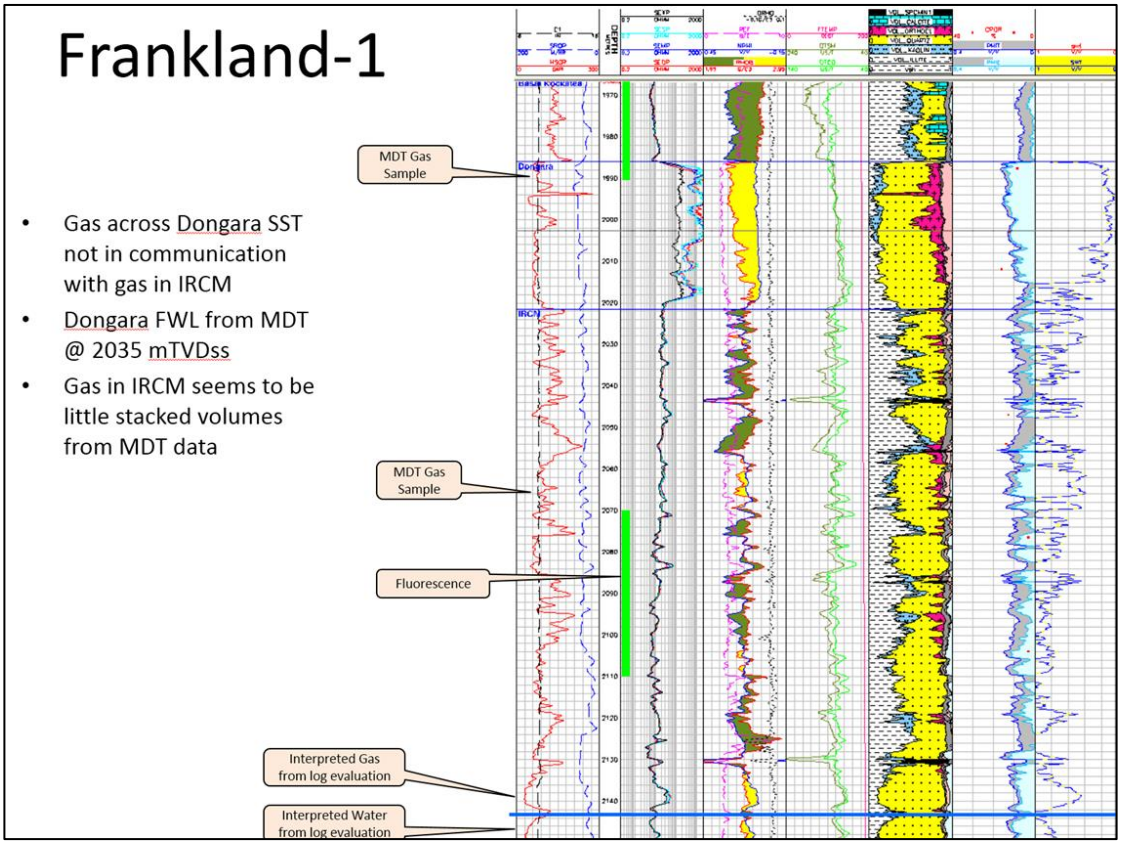


Figure 5-6: Frankland-1 Wireline Log Data

5.2.3. Perseverance Gas Discovery

The Perseverance-1 well in the north of WA-481-P encountered high CO_2 (45%) gas in the Bookara Member in another tilted fault block trap. The area of the trap is only 1.8km^2 and the Pilot estimated P50 volume of total recoverable gas is only 6 Bcf which is, by inspection, never likely to be economic.

All three discoveries indicate that the petroleum system is working and the play at the Bookra Member/ Dongara Sandstone, particularly in fault block traps, is working across the North Perth Basin, both onshore and offshore.

5.3. WA-481-P Prospects

Pilot's strategy has been to work up the prospects that exist around the discoveries in WA-481-P and Cliff Head oil field where success could create production hubs and lower the economic reserves threshold required. Four prospect trends are considered around Cliff Head, Leander Reef (also close to Cliff Head), Dunsborough and Frankland.

5.3.1. Cliff Head Prospects

Three prospects have been mapped in close proximity (less than 10km) from the producing Cliff Head oil field: Cliff Head SW, Cliff Head S and Twin Lions W. Cliff Head SW is one of the largest prospects in the portfolio and best placed to be able to provide an economic resource if a discovery there can be tied back through the Cliff Head oil field.

Cliff Head SW lies about 10km southwest of Cliff Head and is an easterly dipping three way dip closed structure mapped on 2D seismic data. The closure covers a maximum 9.5 km^2 with a relief of 100m at a depth of 1800m below sea level. Using Cliff Head oil field's reservoir parameters, Pilot's best estimate of Prospective Resources are 20 MMbbl in the Dongara Sandstone and 24.8 MMbbl in the IRCM with a GPOS of 16% and 20% respectively. Further details on the prospective resources can be found in the Prospective Resources section below.

Cliff Head S is a smaller lead on effectively the same fault terrace as the Cliff Head oil field. Again this is a three way dip closure dipping to the east. Pilot have mapped both structures as providing the migration pathway for oil coming from the deeper source kitchen in the west to the Cliff Head oil field structure. The closure covers 3.5 km^2 and has a relief of 60m at a depth of approximately 1500m. Prospective resources of 4 MMbbl and 8.7 MMbbl have been estimated for the best case in the Dongara Sandstone and IRCM respectively with a GPOS of 13% for the Dongara and 17% for the IRCM.

The Twin Lions W feature is a down faulted westerly dipping three way dip structure mapped on 2D seismic data immediately to the west of the Cliff Head oil field. It has a high risk of cross fault seal being inadequate as the Dongara reservoir will be juxtaposed against the IRCM. The structure has a maximum closure area of 7.5km 2 and a relief of 200m with a depth to target of approximately 1800m. Pilot's best estimate of the Prospective Resources are 24.6 MMbbl for the Dongara Sandstone and 19.6 MMbbl for the IRCM with a GPOS of 16% on both.

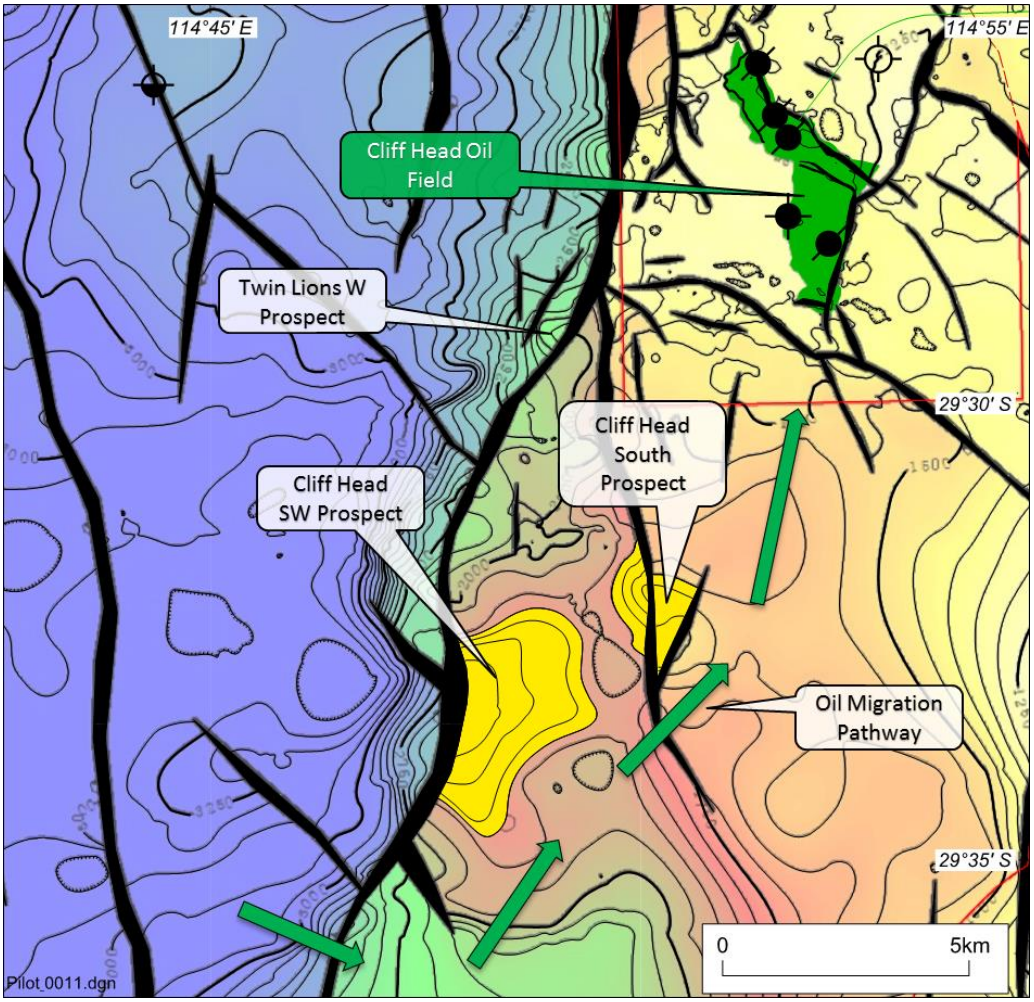


Figure 5-7: Cliff Head Prospects, Depth Map at Top Dongara Sandstone

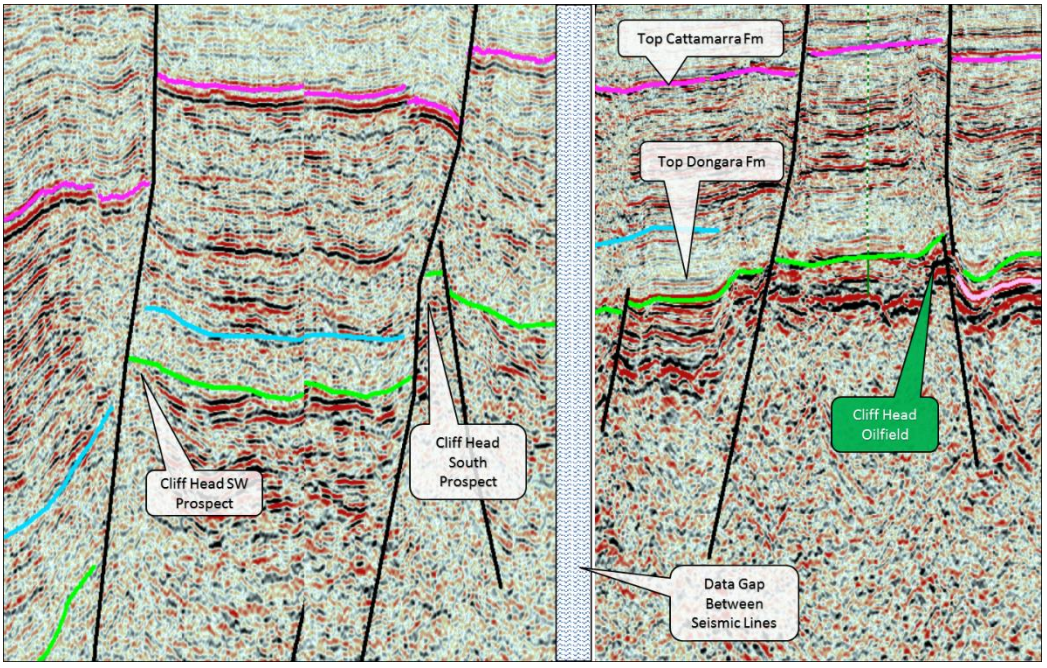


Figure 5-8: Cliff Head Prospects, Composite Seismic Line

5.3.2. Leander Reef Prospects

Three untested structures located between 7 and 15km west of Cliff Head oil field surround the Leander Reef-1 well which Pilot interpret as having missed the reservoir section of the Dongara Sandstone by drilling through the bounding fault of the upthrown structure (Figure 5-9).

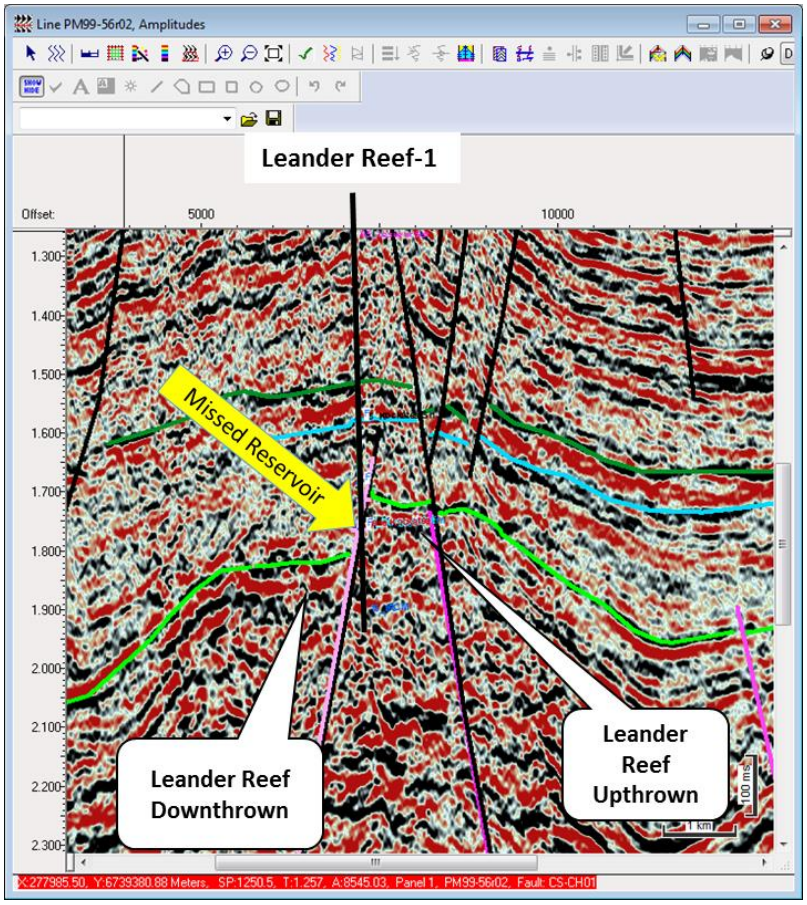


Figure 5-9: Leander Reef-1, 2D Seismic Line

Ideally a 3D seismic survey would be required to confirm this interpretation but the Leander Reef leads provide another economically positive target for successful development through the Cliff Head oil field.

The Leander Reef Upthrown lead covers an area of 23km^2 with 100m of relief at a depth of approximately 2700m below sea level. Best estimate Prospective Resources for the Dongara Sandstone are 46 MMbbl with a GPOS of 15%.

Leander Reef Downthrown has a mapped closure of 19.3 km^2 with a relief of 100m at a depth of 2800m. Pilot's Best estimate Prospective Resources for the Dongara Sandstone are 38 MMbbl with a GPOS of 8%.

Leander Reef West is a separate westerly dipping up-thrown three way dip structure with a mapped closure area of 7km^2, a vertical relief of 100m at a depth of 2760m below sea level. Best estimate Prospective resources are 14 MMbbl in the Dongara Sandstone with a GPOS of 15% according to Pilot.

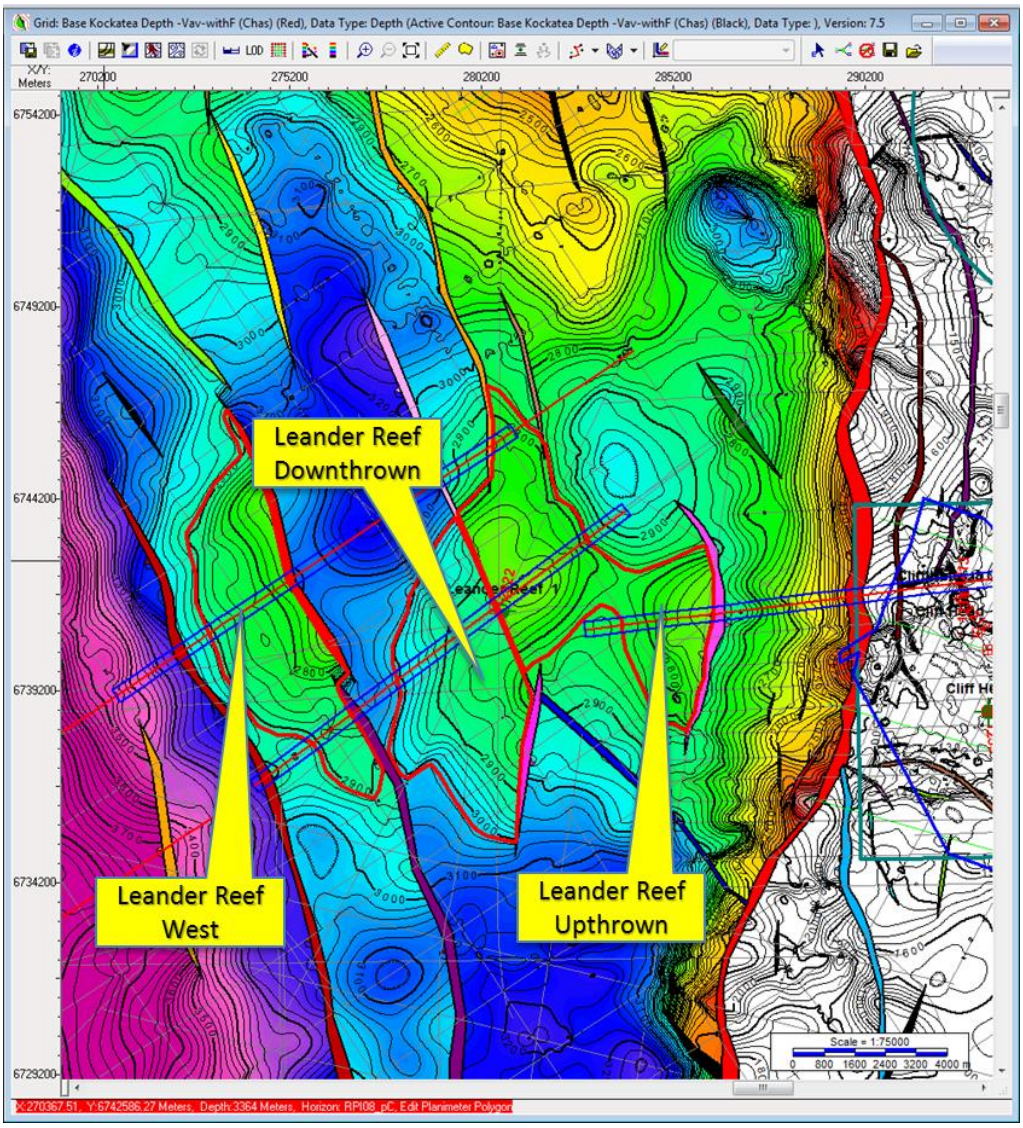


Figure 5-10: Leander Reef Prospects, Depth Map at Top Dongara Sandstone

5.3.3. Dunsborough Prospects

Three additional leads and prospects have been mapped in the Dunsborough oil discovery area: Bootenal, Burney and Yungarra/Yungarra NE. All are small but are considered to favour an oil charge like Dunsborough. Commerciality will require aggregation of two or more of these small potential oil discoveries.

Bootenal Lead is a tilted fault block with a closure area of 3.8km^2 and 100m of relief at 1200m below sea level. It is on the edge of the Diana 3D but requires more seismic data acquisition to confirm the structure. Pilot's best estimate Prospective Resources are 4.8 MMbbl in the Dongara and 3.1 MMbbl in the IRCM with a GPOS of 24% in both. Alternatively, if gas filled the structure would contain a sub-economic 20 Bcf across both reservoirs.

The Burney Lead is located in the Diana 3D and is a slightly more complex tilted fault block with a maximum closure of 3.4km^2 and 70m of relief at 1200m. Pilot's best estimate of Prospective Resources are 2.7 MMbbl in the Dongara and 1.4 MMbbl in the IRCM with a GPOS of 24% for both. This RISC believe is too small to be considered as an economically viable drilling target and will not appear in the Prospective Resources table.

The Yungarra Lead is a fault block and Yungarra NE is an adjacent four way closure which expands the up-dip Yungarra lead in area from 2 km^2 to 3.3 km^2 in the high side case. Pilot's best estimate Prospective Resources are 6.3 MMbbl for the Dongara sandstone and 1.6 MMbbl for the IRCM again with a GPOS of 24%.

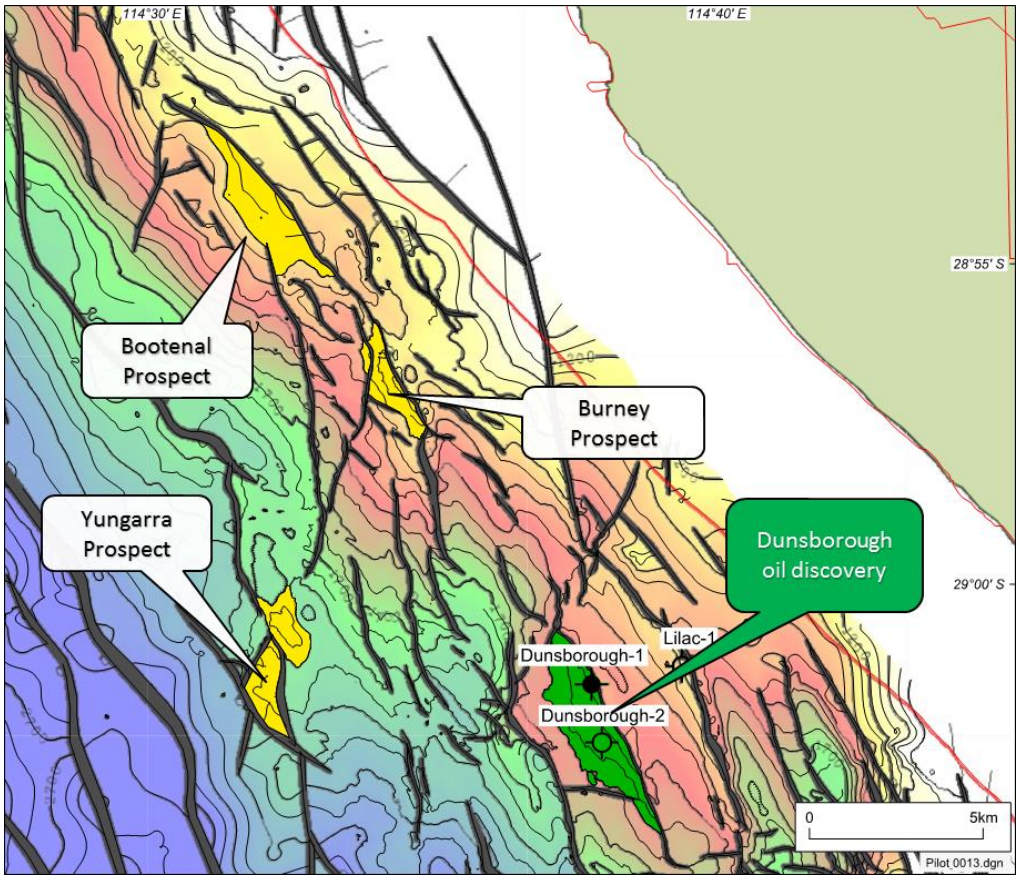


Figure 5-11: Dunsborough Prospects, Depth Map at Top Dongara Sandstone

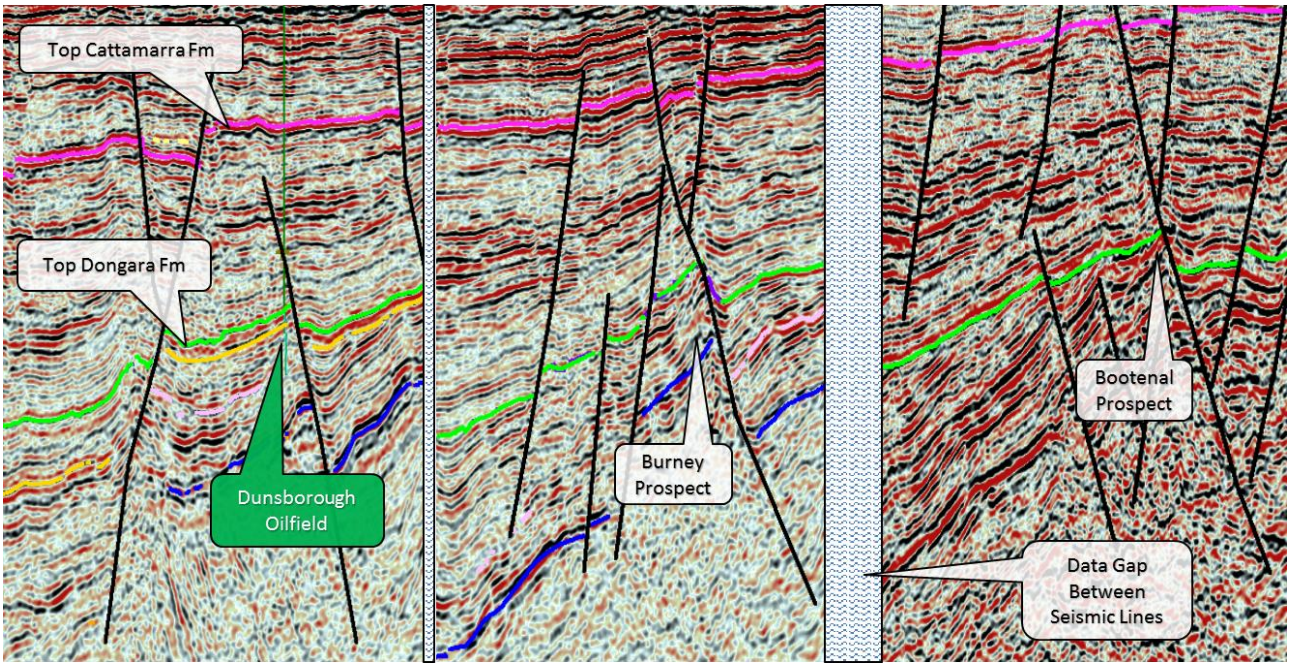


Figure 5-12: Dunsborough Prospects, Composite Seismic Line

5.3.4. Frankland Prospects

Two additional prospects, Frankland NE and Frankland NE2 (Figure 5-13 and Figure 5-14), lie within 10km of the Frankland-1 gas discovery documented above. Pilot calculate that discovery of additional gas in the area would result in a commercial development by tying the fields into the onshore Dongara gas facilities which lie 20km to the east.

Frankland NE is an elongate north northwest – south southeast tilted fault block structure with a modest closure of up to 1.7km^2 and a relief of 160m at a depth of 1700m. Pilot estimate the P50 Prospective resources in the Dongara Sandstone at 12 Bcf and in the IRCM at 4 Bcf with a GPOS of 31% and 27% respectively. For further details on prospective resources please see the Prospective Resources section below.

Frankland NE2 (10km to the NE of Frankland-1) is another tilted fault block with 2.7km^2 of closure and 100m of structural relief with a shallower depth of burial at 1150m. Pilot estimates P50 Prospective Resources of 22 Bcf in the Dongara Sandstone and 8 Bcf in the IRCM with GPOS of 27% and 23% respectively.

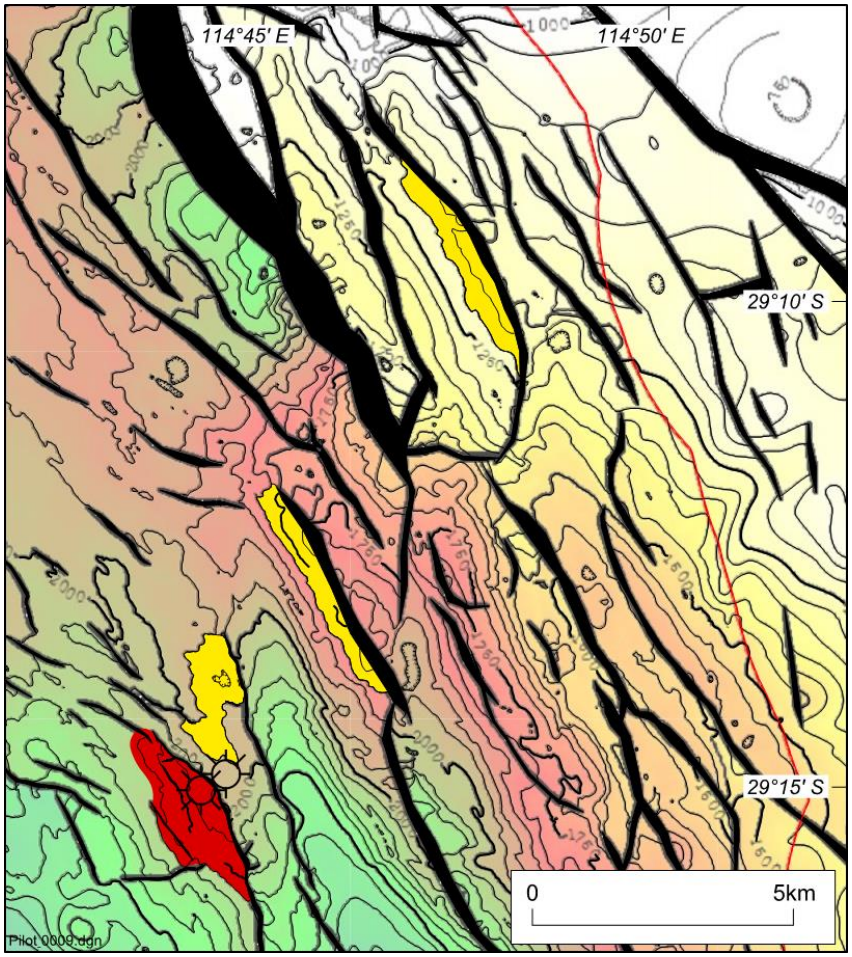


Figure 5-13: Frankland Prospects, Depth Map at Top Dongara Sandstone

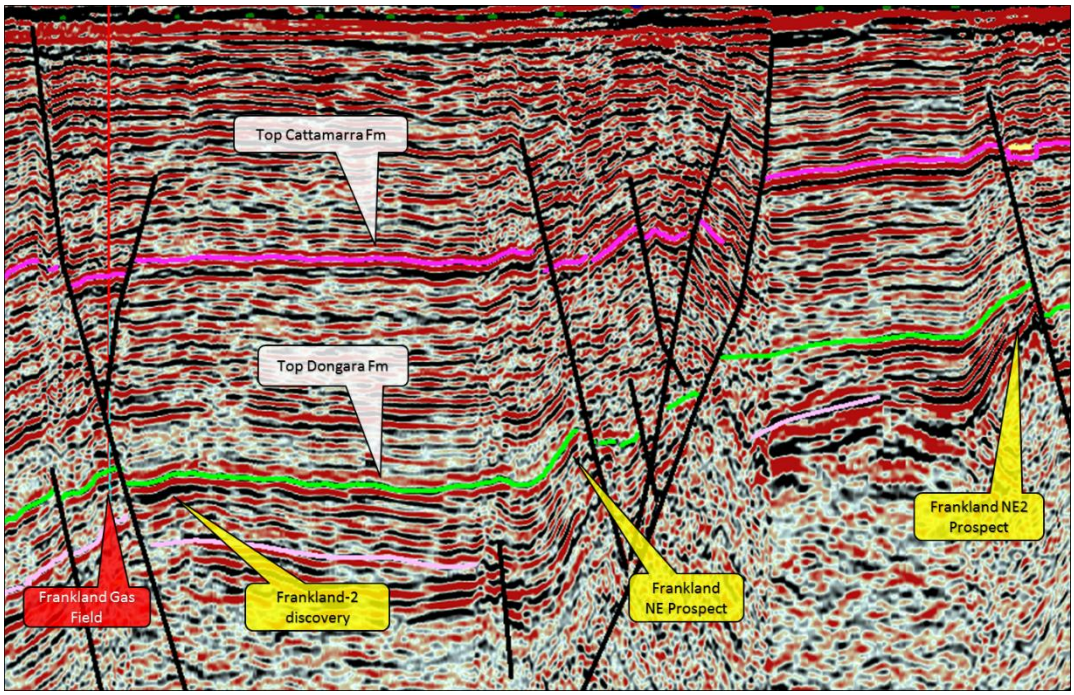


Figure 5-14: Frankland Prospects, Seismic tie line

5.4. WA-481-P Contingent Resources

WA-481-P contains Contingent Oil Resources in Dunsborough oil field and Contingent Gas Resources in the Frankland gas field. Neither are currently commercially viable as standalone developments but could be developed with other future discoveries in the area or if the commodity price was significantly higher or other inducements were offered by the government.

Pilot has calculated the Contingent Resources using a probabilistic method that RISC has also followed and found that Pilot's estimates are reasonable.

Table 5-1: Pilot's WA-481-P Contingent Oil Resources as at 18 May 2017

Oil (MMbbl)	Contingent Resources		
	1C	2C	3C
Dunsborough – Dongara Sandstone	2.4	4.2	6.8
Dunsborough - IRCM	0.9	1.8	3.0
Dunsborough Total Gross (100%)	3.3	6.0	9.8
Net attributable to Pilot (60% WI)	2.0	3.6	5.9

Notes:

1. "Gross" are 100% of the resources attributable to the licence.
2. "Net attributable to Pilot (60% WI)" based on Pilot's current working interest.
3. Note arithmetic aggregation of the Resources in the Dongara and IRCM reservoirs, as a result RISC cautions that the 1C aggregate quantities may be very conservative estimates and the 3C aggregate quantities may be very optimistic due to portfolio effects.

Table 5-2: Pilot's WA-481-P Contingent Gas Resources as at 18 May 2017

Gas (Bcf)	Contingent Resources		
	1C	2C	3C
Frankland – Dongara Sandstone	23.4	33.0	46.1
Frankland - IRCM	6.0	8.6	12.8
Frankland Total Gross (100%)	29.4	41.6	58.9
Net attributable to Pilot (60% WI)	17.6	25.0	35.3

Notes:

1. "Gross" are 100% of the resources attributable to the licence.
2. "Net attributable to Pilot (60% WI)" based on Pilot's current working interest.
3. Note arithmetic aggregation of the Resources in the Dongara and IRCM reservoirs, as a result RISC cautions that the 1C aggregate quantities may be very conservative estimates and the 3C aggregate quantities may be very optimistic due to portfolio effects.

5.5. WA-481-P Prospective Resources

WA-481-P contains Prospective Resources of both oil and gas as described in the sections above. RISC has reviewed the inputs and methodologies employed by Pilot to arrive at the probabilistic ranges of prospective resources in each prospect and has found them to be reasonable. The following tables summarize the Prospective Resources for oil and gas in WA-481-P.

Table 5-3: Pilot's WA-481-P Prospective Oil Resources as at 18 May 2017

Oil Prospects	Gross (100%) on block MMbbl			Net Pilot (60%) on block MMbbl			GPOS (%)
	Low	Best	High	Low	Best	High	
Cliff Head SW - Dongara	11.0	20.0	35.0	6.6	12.0	21.0	16%
Cliff Head SW - IRCM	14.0	24.8	43.4	8.4	14.9	26.0	20%
Cliff Head SW Total	25.0	44.8	78.4	15.0	26.9	47.0	
Cliff Head S - Dongara	2.1	4.0	7.3	1.3	2.4	4.4	13%
Cliff Head S - IRCM	4.8	8.7	15.4	2.9	5.2	9.2	17%
Cliff Head S Total	6.9	12.7	22.7	4.1	7.6	13.6	
Twin Lions W - Dongara	13.0	24.6	43.4	7.8	14.8	26.0	16%
Twin Lions W - IRCM	11.5	19.6	32.4	6.9	11.8	19.4	16%
Twin Lions W Total	24.5	44.2	75.8	14.7	26.5	45.5	
Leander Reef Upthrown	26.5	46.1	78.1	15.9	27.7	46.9	15%
Leander Reef Downthrown	21.4	38.0	66.3	12.8	22.8	39.8	8%
Leander Reef West	8.0	14.0	23.6	4.8	8.4	14.2	15%
Bootenal - Dongara	2.3	4.8	9.1	1.4	2.9	5.5	24%
Bootenal - IRCM	1.8	3.1	5.0	1.1	1.9	3.0	24%
Bootenal Total	4.1	7.9	14.1	2.5	4.7	8.5	
Yungarra - Dongara	3.0	6.3	11.9	1.8	3.8	7.1	24%
Yungara - IRCM	0.9	1.6	2.7	0.5	1.0	1.6	24%
Yungara Total	3.9	7.9	14.6	2.3	4.7	8.8	
Total	**120.3**	**215.6**	**373.6**	**72.2**	**129.4**	**224.2**	

1. Probabilistic methods have been used.
2. The prospective resources are unrisked. Prospective resources carry with them discovery and commercialisation risks.

Table 5-4: Pilot's WA-481-P Prospective Gas Resources as at 18 May 2017

Gas Prospects	Gross (100%) on block Bcf			Net Pilot (60%) on block Bcf			GPOS (%)
	Low	Best	High	Low	Best	High	
Frankland NE - Dogara	7.4	12.0	18.6	4.4	7.2	11.2	31%
Frankland NE - IRCM	2.3	3.8	6.0	1.4	2.3	3.6	27%
Frankland NE Total	9.7	15.8	24.6	5.8	9.5	14.8	
Frankland NE2 - Dongara	13.5	21.8	33.5	8.1	13.1	20.1	27%
Frankland NE2 - IRCM	4.8	8.0	12.2	2.9	4.8	7.3	23%
Frankland NE2 Total	18.3	29.8	45.7	11.0	17.9	27.4	
Total	**28.0**	**45.6**	**70.3**	**16.8**	**27.4**	**42.2**	

1. Probabilistic methods have been used.
2. The prospective resources are unrisked. Prospective resources carry with them discovery and commercialisation risks.

5.6. Status of the Committed Program

WA-481-P was awarded to Murphy Oil subsidiary, Murphy Australia WA-481-P Oil Pty Ltd, on 20 August 2012. On 27 July 2016 Murphy Oil assigned its 100% interest to Pilot Energy Limited and on the 29 July Pilot assigned 40% interest to Key Petroleum Limited.

WA-481-P is currently in year 4, which runs to 19 August 2017, of a six year term. The current year's work program is for geological and geophysical studies. Pilot as operator has requested a variation to the Year's 5 and 6 work program which both contain a commitment to drill one well if the permit is not surrendered prior to entry into the permit year. The application is for carrying out 3D and 2D seismic reprocessing along with geological and geophysical studies in year 5 with an indicative value of A$550,000. In year 6 Pilot have proposed 3D seismic inversion and fluid modelling studies with further geological and geophysical studies for an indicative cost of A$300,000.

RISC has relied on Pilot's documentation of applications and permit awards to ascertain the permit status.

Pilot and their joint venture partner intend to farm down their equity to fund exploration drilling and have started a farmout process.

The WA-481-P permit details and work program are shown in Table 5-5.

Table 5-5: WA-481-P Permit Details and Work programme

Permit	Operator	Interest	Status	Permit Expiry Date	Work Commitments
WA-481-P	Pilot	Pilot 60% Key Petroleum 40%	Exploration Licence	19 August 2019	Year 5– 2D & 3D Reprocessing A$0.55 million Year 6– G&G Inversion studies A$0.3 million

5.7. Exploration Program Costs

Reprocessing of the Diana 3D which covers some of the Frankland area leads will cost around A$350,000 estimated in the variation application and reprocessing 2D data around Cliff Head will cost around A$100,000 depending on the quantity and techniques applied. Thus RISC confirms the committed program costs outlined above for years 5 and 6 are the likely budgets that will be required.

A well will have to be factored into the first three years of the permit renewal starting 20 August 2019. RISC has reviewed the dry hole well cost estimate and concludes that a well in 20m of water that will be drilled with a jack-up rig of convenience to minimise mobilisation costs to a prospect depth of 1900m would cost US$15 - 20 million dollars based on prevailing jack-up rig rates.

5.8. WA-481-P Valuation

RISC has used the potential value to Pilot of WA-481-P being farmed out to a third party who will pick up a proportion of future costs to explore the permit at a premium to their earned interest cost. The premium is equal to the value to Pilot.

While it is recognized that the permit contains discovered resources, these are expected to be currently sub-economic, but may potentially become economic in the future. In our opinion in view of the relatively modest contingent resources and in the current market, we would not expect a farminee to pay for the resources in the ground. They may be prepared to pay a contingent fee should they become economic in future or alternatively be prepared to pay a higher promote in recognition of the proven petroleum potential of the permit that the discoveries demonstrate. In this case, we have adopted a higher promote to value the permit.

In the low case we have assumed that a farminee will pay a 4:1 carry of the full cost of the current seismic reprocessing and inversion work program (US$0.65 million). The high promote is based on existing interest in this type of transaction to gain a cheap option to participate in drilling at ground floor cost. This values Pilot's 60% share at US$1.2 million.

In the mid case RISC has assumed Pilot farm out only the well for a 1.5:1 carry on a well costing US$17 million. This values Pilot's 60% at US$5.1 million. RISC sees the attraction of the proximity of Cliff Head infrastructure as creating a greater likelihood that WA-481-P will achieve a reasonable promote on a well.

In the high case the carry on the well is increased to 1.75:1 valuing Pilot's equity at US$7.7 million.

6. EP416 and EP480 (60% WI and Operator)

6.1. Overview

The EP416 and EP480 permits are located in the southern Perth Basin, on the coast of Western Australia between the towns of Mandurah and Bunbury (Figure 6-1). The contiguous blocks have a combined area of 2,310km^2 and have only been sparsely explored with only 2 wells drilled in the 1960's and one recent well, GSWA Harvey-1, drilled by the government as part of the carbon geosequestration study in 2012.

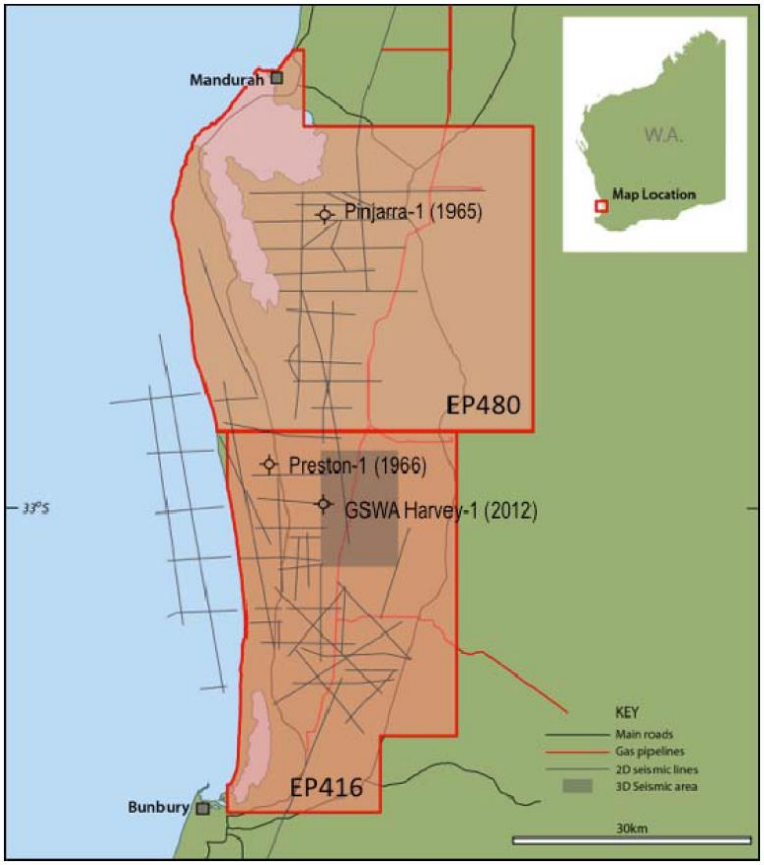


Figure 6-1: Location Map – EP416 and EP480

Pilot has farmed into both permits and under an agreement with Empire Oil Limited, Pilot funded the cost of the airborne geophysical survey acquired over the permits by Empire Oil Limited. Pilot has earned a 60% interest in EP416 and EP480 and assumed operatorship of both permits. The assignment of the interest and operatorship has been approved by the West Australian Department of Mines and Petroleum.

Exploration in the Perth Basin in the past has been focused in the northern part of the basin with the southern part only lightly explored. The limited drilling in the two permits has confirmed the presence of a Permian petroleum system with the primary reservoir target being the Permian Sue Group sandstones and the Triassic age Lesueur sandstones. It is proposed that gas will be generated from mature Permian coal measures (Figure 6-2) located in kitchens within the permits.

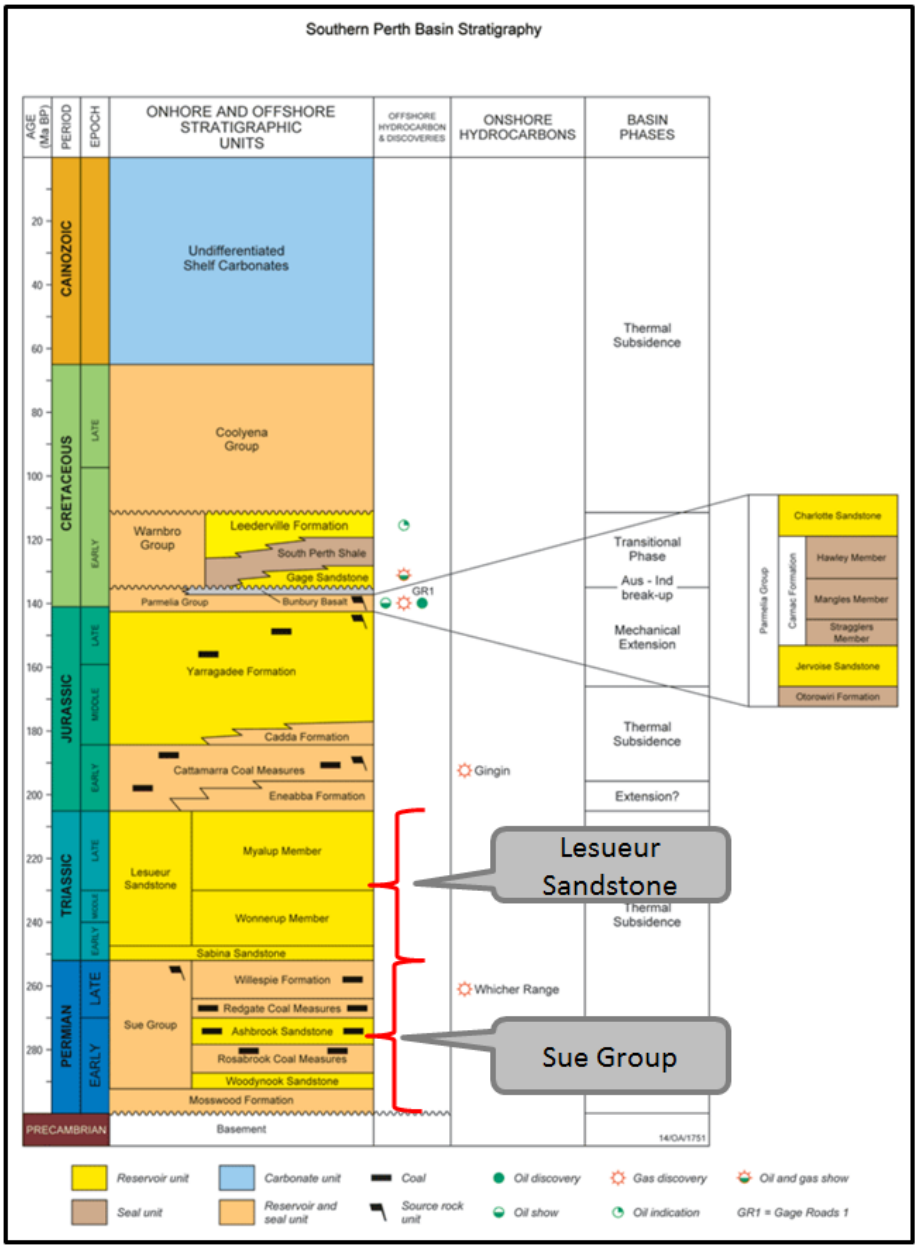


Figure 6-2: Southern Perth Basin Stratigraphy

6.2. Leschenault Prospect

Existing 2D seismic data confirms the Leschenault Prospect which is a large faulted anticline structure straddling both permits, with up to 240km^2 of mapped areal closure at the Top Permian, Sue Group sandstone level (Figure 6-3). The reservoir target is currently at a depth of 2250 – 2500m but was previously buried deeper before an estimated 600m of uplift occurred during the Jurassic rifting making the quality of the reservoir a minor concern. The porosity of the Sue Group is as low as 3% in Lake Preston-1 and about 5% in Whicher Range, both deeper than at Leschenault. Pilot have analysed the pre-uplift average depth of burial of the Leschenault Prospect target to be 3350m providing an average 7% porosity from the calibrated porosity depth curve with good evidence from the Harvey-1 well that it could be higher.

The top seal is provided by the Eneabba Formation which over lies the Lesueur Sandstone and is 209m thick at Lake Preston-1. Top seal and cross-fault seal are the major risk for the prospect.

The regional gravity data shows the presence of a depocentres in the northeastern and eastern part of the permit. The prospect is located updip of these possible “gas kitchens” on the flank of a regional gravity high. The Sue Coal Measures are known to be a source for gas in the basin with TOC up to 54%. They are likely to be generating at the present day but not as well as they have done before the Jurassic uplift.

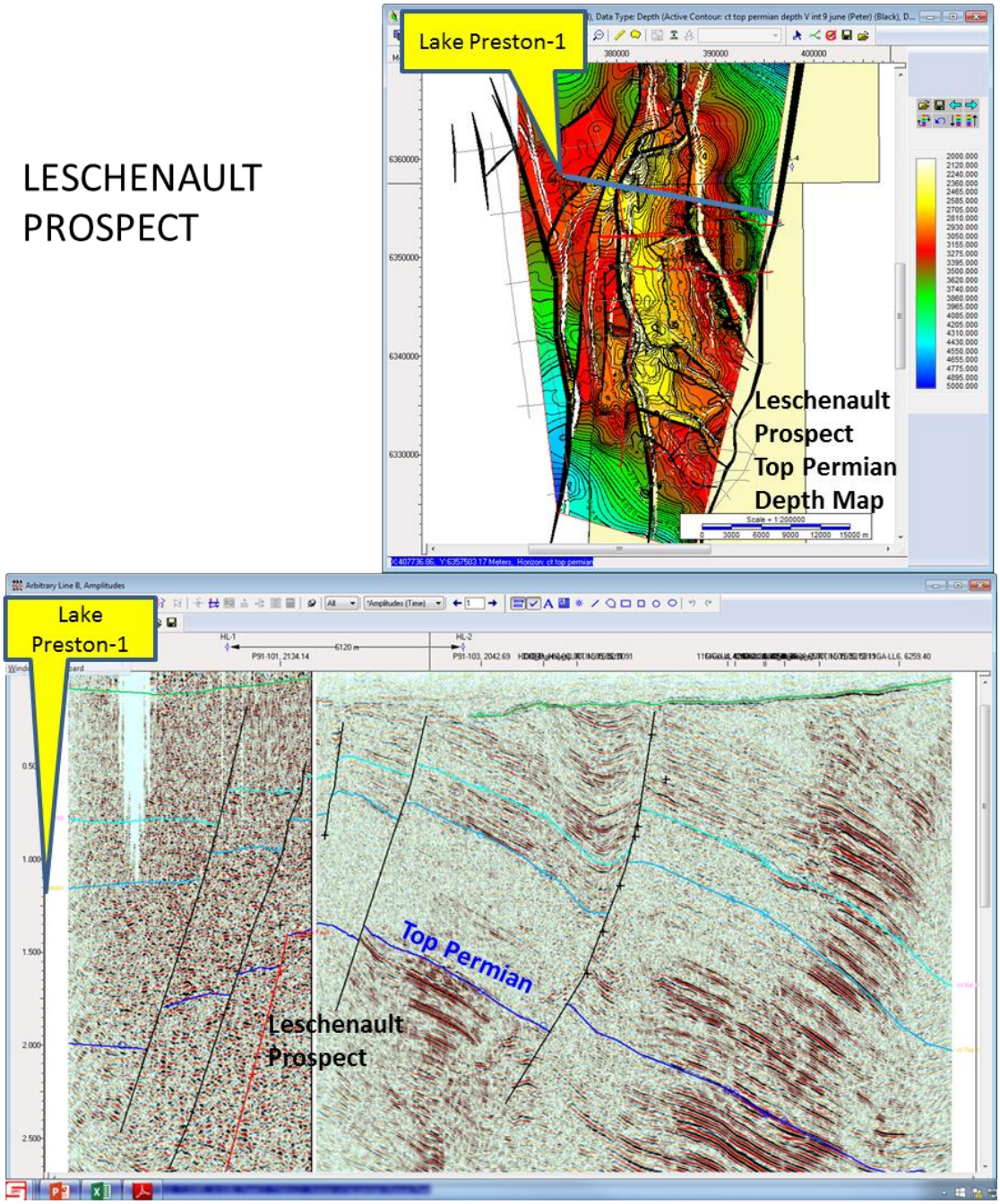


Figure 6-3: EP416 and EP480 Leschenault Prospect

6.3. EP416 and EP480 Prospective Resources

RISC was commissioned by Pilot Energy Ltd ("Pilot") to audit their prospective resource assessment of the Leschenault Prospect in October 2016. Pilot Energy has a 60% interest and is Operator of both permits. Empire Oil & Gas holds the remaining 40%.

The Leschenault prospect prospective resource estimates are given in Table 6-1.

There would be a ready gas market in the event of success as EP480 and EP416 are close to a local mining and refining industries, which are served by the Dampier to Bunbury Natural Gas Pipeline (DBNGP) which runs through the permits.

Table 6-1: Pilot's EP 461 and EP480 Prospective Resources (RISC) as at 31st October 2016

Leschenault Prospect Reservoir	Gross (100%) Bcf			Net Pilot Bcf (60%)			GPOS (%)
	Low	Best	High	Low	Best	High	
Lesueur Sandstone	150	435	970	90	260	580	5%
Sue Sandstone	120	290	625	70	175	375	10%
Total	270	725	1595	160	435	955	

1. Probabilistic methods have been used.
2. The Leschenault prospect is prospective for gas.
3. The prospective resources are unrisked. Prospective resources carry with them discovery and commercialisation risks.
4. The volumes are rounded to the nearest 5 Bcf

The key primary target is the Sue Sandstone. The nearby Whicher Range field is a direct analogue for this reservoir, although the reservoir is shallower in the Leschenault prospect.

The prospect is in an underexplored area of Southern Perth Basin, and is therefore high risk. The key risk is seal (top and cross-fault). Given the limited data, it is hard to quantify the probability of success, but we expect it to lie around 5% for the Lesueur sandstone and around 10% for the Sue sandstone. Pilot plan to carry out surface geochemical surveys to detect signs of hydrocarbons. If successful, this will decrease the source risk of the prospect.

6.4. Status of Committed Program

The EP416 permit was renewed on 14 October 2016. The work programme has geochemical surveying and AGG processing in permit year 1, G&G studies in years 2 to 3, and an exploration well in year 4. (Table 6-2). RISC has relied on government documentation of previous approvals and permit awards provided by Pilot to ascertain the permit status.

Table 6-2: EP416 Permit Details and Work Programme

Permit	Operator	Interest	Status	Permit Expiry Date	Proposed Renewal Work Programme
EP416	Pilot	Pilot 60% Empire 40%	Exploration Licence	13 October 2021	Year 1: Geochem Survey A$0.10 million Gravity Processing, A$0.10 million G&G studies, A$0.15 million Year 2: G&G Studies, A$0.20 million Year 3: G&G Studies, A$0.40 million Year 4: 1 well A$5.00 million Year 5: G&G studies, A$0.20 million

The EP480 permit was originally granted on 6 June 2012 and the same farmin terms apply to this permit as to EP416. The six year permit work programme details are given in Table 6-3. The permit is currently in Year 2, which has been extended for 3 months to 30 June 2017 to provide sufficient time for commencement of the geochemical survey that was approved as a replacement for the previous 2D seismic work commitment. Year 3 runs concurrently with the extended year 2, and commenced on 1 April 2017.

RISC has relied on government documentation of approvals and permit awards provided by Pilot to ascertain the permit status.

Table 6-3: EP480 Permit Details and Work programme

Permit	Operator	Interest	Status	Permit Expiry Date	Work Programme
EP480	Empire	Pilot 60% Empire 40%	Exploration Licence	31 March 2020	Year 1: G&G studies A$0.25 million Year 2: Geophysical survey A$0.27 million Year 3: Geochem Survey A$0.10 million Gravity Processing A$0.10 million G&G studies A$0.15 million Year 4: G&G studies A$0.15 million Year 5: 1 well A$4.50 million Year 6: G&G studies A$0.10 million

6.5. Exploration Program Costs

Well costs to drill a 3000m well in this area are likely to be in the US$5-8 million dollar range on a dry hole basis. In 2012 Harvey-1 was drilled to a total depth of 2945m in 44 days. The geochemical survey is expected to cost approximately A$160,000.

6.6. EP416 and EP480 Valuation

RISC has used the potential value to Pilot of EP416 and EP480 being farmed out to a third party who will pick up a proportion of future costs to explore the permit at a promote to their earned interest cost.

In the low case we have assumed that a farminee will pay a 1.15:1 carry of the full cost of the well (US$8 million). This values Pilot's 60% share at US$0.7 million.

In the mid case RISC has assumed Pilot farm out the well only for a 1.25:1 carry on the same well cost. This values Pilot's 60% at US$1.2 million.

In the high case the carry on the well is increased to 1.75:1 valuing Pilot's equity at US$3.6 million.

7. EP437 (13.058% WI)

7.1. Overview

The EP437 permit is located in the northern Perth Basin, on the coast of, Western Australia between the towns of Geraldton and Dongara (Figure 7-1). Past exploration in the area has discovered the commercial gas field at Dongara and the oil fields at Jingemia/Hovea and Mt Horner. The offshore Cliff Head oil field is located 28km to the south. The permit has an area of 720km^2 and has a moderate level of exploration drilling, especially in the south of the permit.

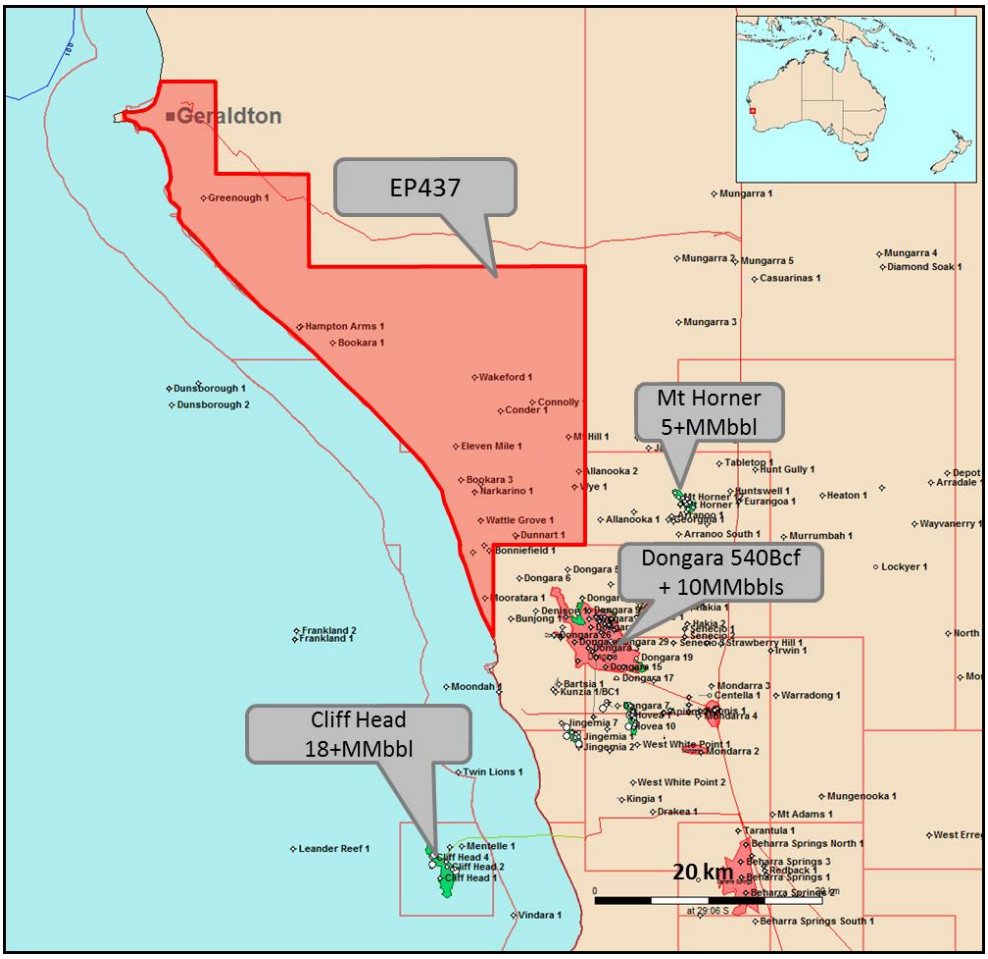


Figure 7-1: Location Map EP437

Pilot acquired an interest in EP437 through an agreement with Caracal Exploration Pty Ltd. The assignment of interest has recently been approved by the West Australian Department of Mines & Petroleum. The joint venture interests subsequent to the assignment are:

Key Petroleum Ltd	43.471% (Operator)
Rey Resources Ltd	43.471%
Pilot Energy Ltd	13.058%

EP437 provides Pilot with participation in a low cost onshore oil and gas play, in a permit in which past drilling has established a working petroleum system and prospects have been mapped on trend with adjacent oil and gas discoveries. The proximity to infrastructure in this part of the Perth Basin enables even small discoveries to potentially be commercialized.

Preliminary interpretation by Pilot of existing well and seismic data has matured three; shallow prospects, all updip from the Dunnart-1 and 2 wells which both had oil shows. The primary reservoir targets are the early Triassic Arranoo Member sandstones and the Late Permian Bookara Member sandstones (Figure 7-3).

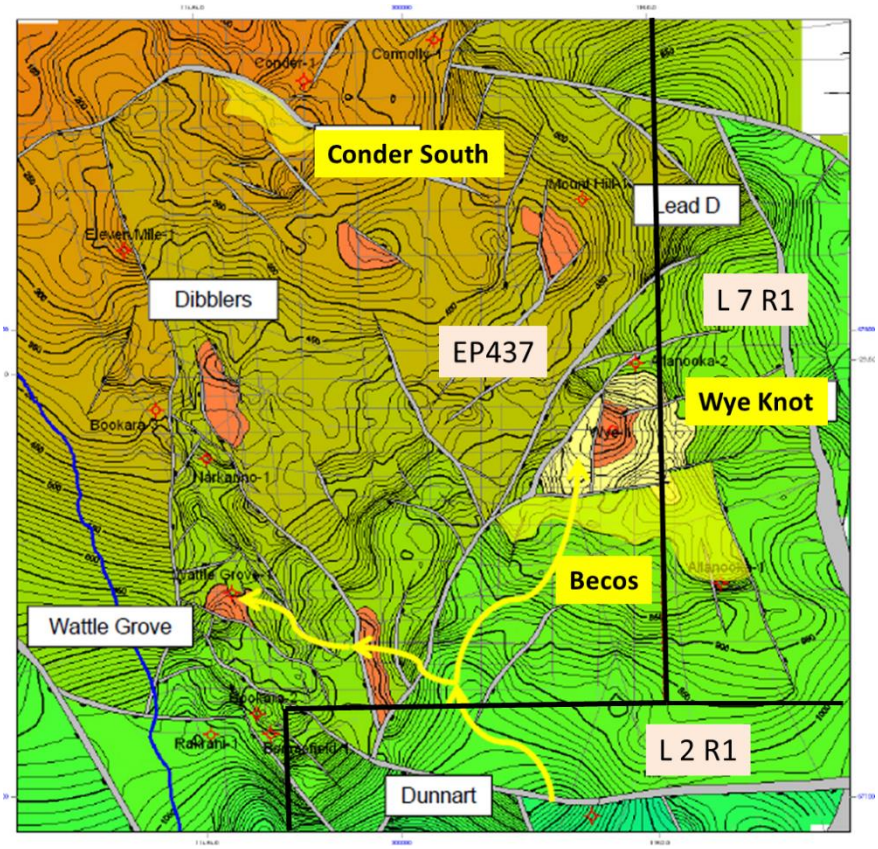
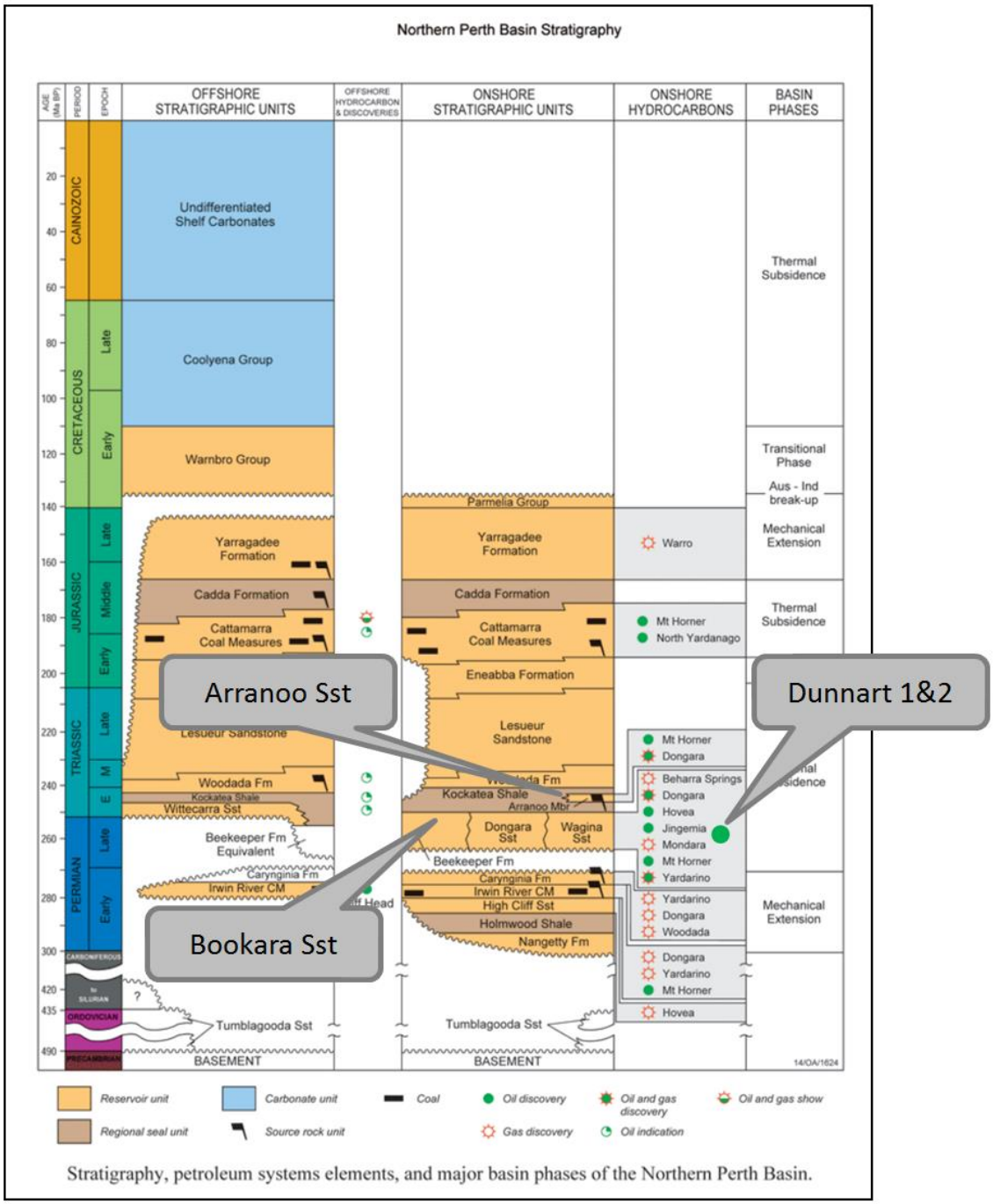


Figure 7-2: EP437 Prospect and Lead Location Map



Stratigraphy, petroleum systems elements, and major basin phases of the Northern Perth Basin.

Figure 7-3: Northern Perth Basin Stratigraphy

7.2. EP437 Prospects

7.2.1. Wye Knot

The Wye Knot prospect is a follow up to the Wye-1 well drilled in 1996 which tested gas at 4.4 MMscfd in the Bookara Sandstone and 2.4 MMscfd in the Arranoo Sandstone. Wye Knot is a downdip appraisal well opportunity looking for a possible oil leg. Evidence of an oil leg comes from good oil shows in these reservoirs indicating that gas may have displaced the oil downwards. An added complication was the high (300ppm)

H2S content in the gas from the Bookara Sandstone and the depletion on test in the Arranoo Sandstone. The prospect is small and extends across the permit boundary into permit L 7 R1. The reservoir, seal and gas source are proven by Wye-1 but the prospect is high risk for oil.

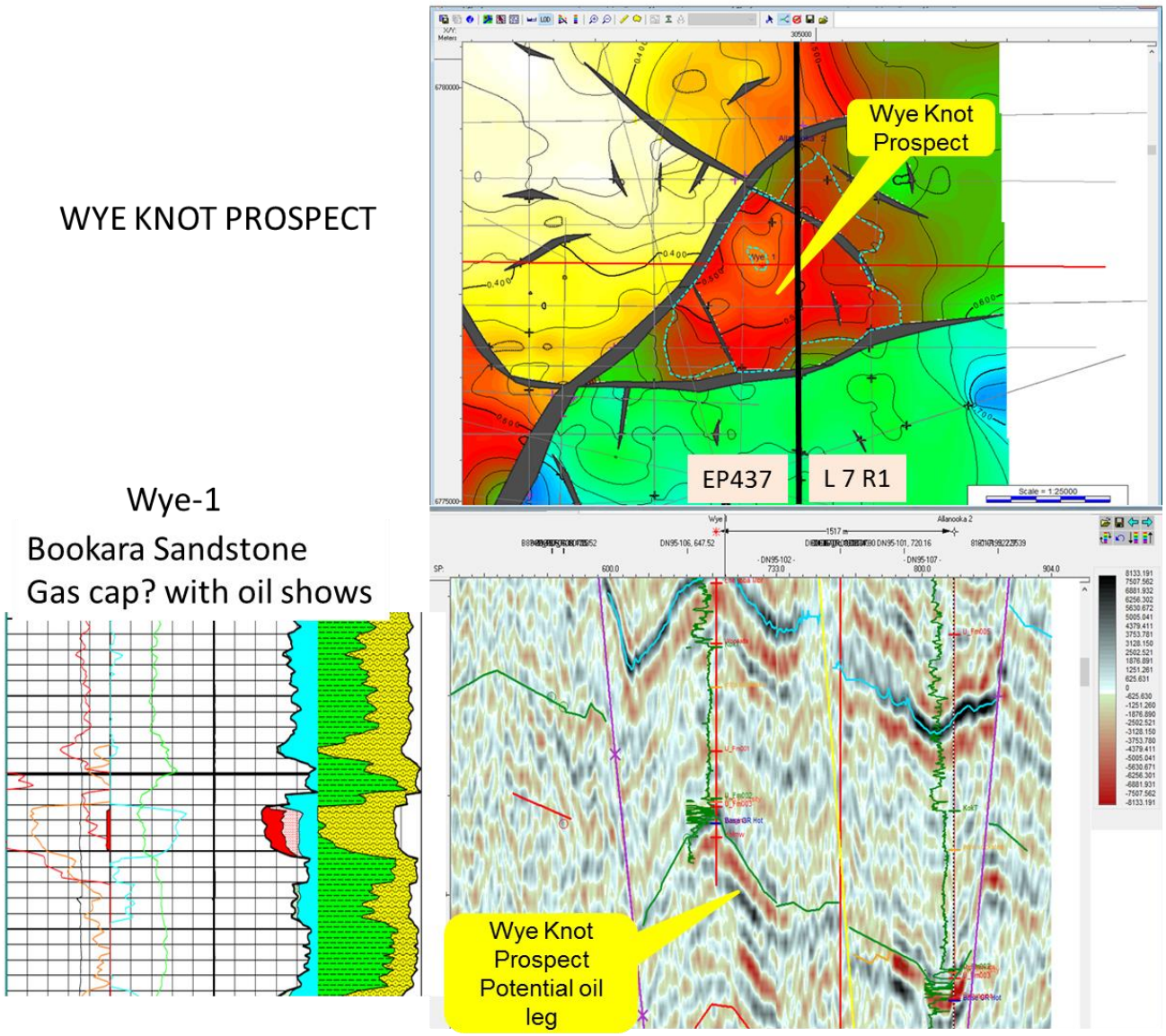


Figure 7-4: Wye Knot Prospect

7.2.2. Becos

The Becos prospect is a downthrown dip closure against an east-west fault that separates the Wye/Wye Knot structure from a dry down dip well, Allanooka-1 which tested water. The prospect is dependent on success of Wye Knot-1 finding oil in either the Bookara or Arranoo sandstones and relies on the concept that Allanooka-1 narrowly missed an oil column. The prospect is small and more than half of the area that it covers is outside the permit boundary. It is also high risk on oil charge, seal and trap.

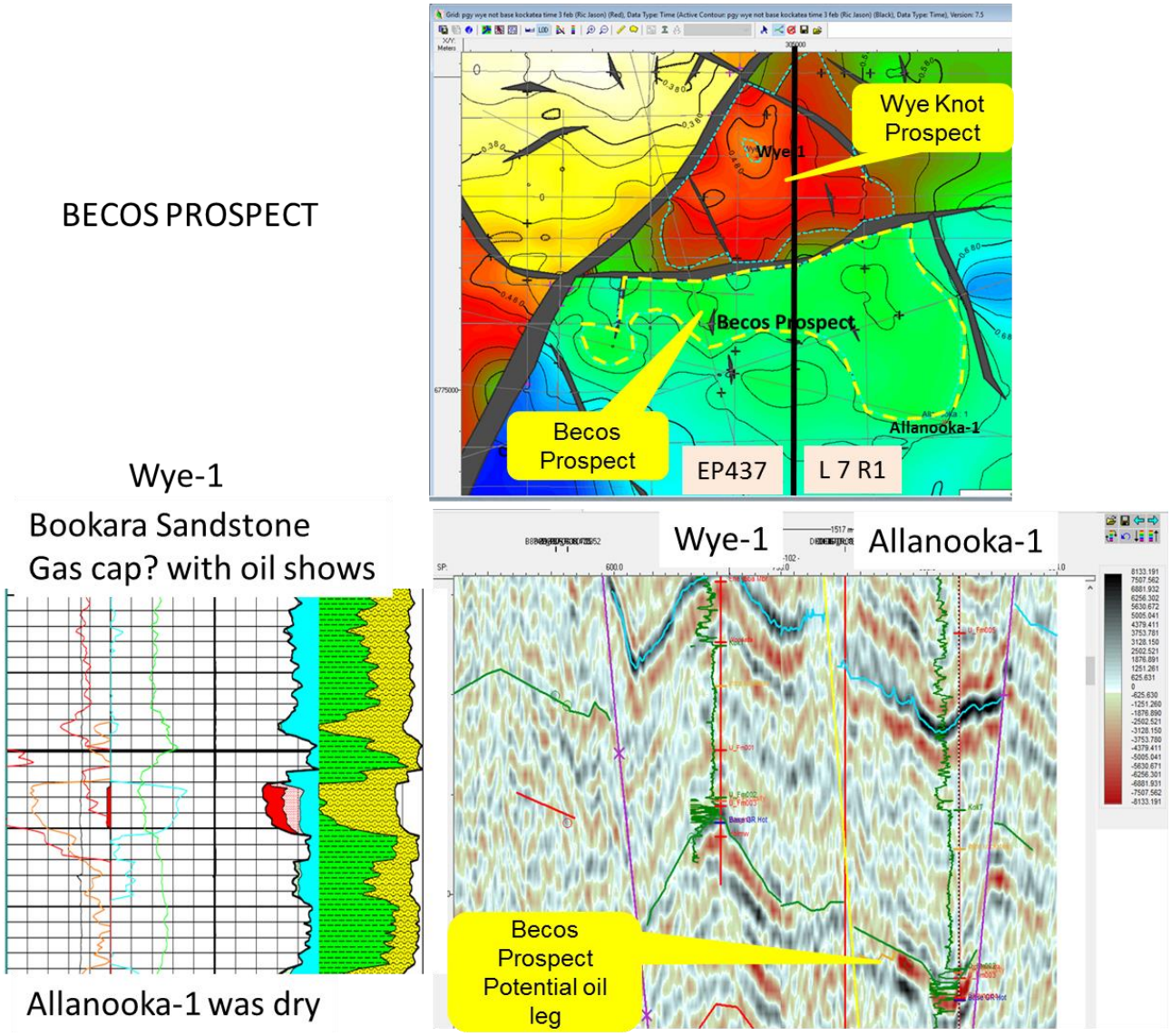


Figure 7-5: Becos Prospect

7.2.3. Conder South Prospect

The Conder South prospect is located south of Conder-1 which was drilled in 1988 and tested wet despite good oil shows in the Bookara Sandstone. The latter were at only 200m and likely to be biodegraded. Conder South is on a separate horst structure as mapped from the poor quality 2D seismic data. It is again small and extremely high risk on account of the shallowness of the target and the risk of lateral seal leakage.

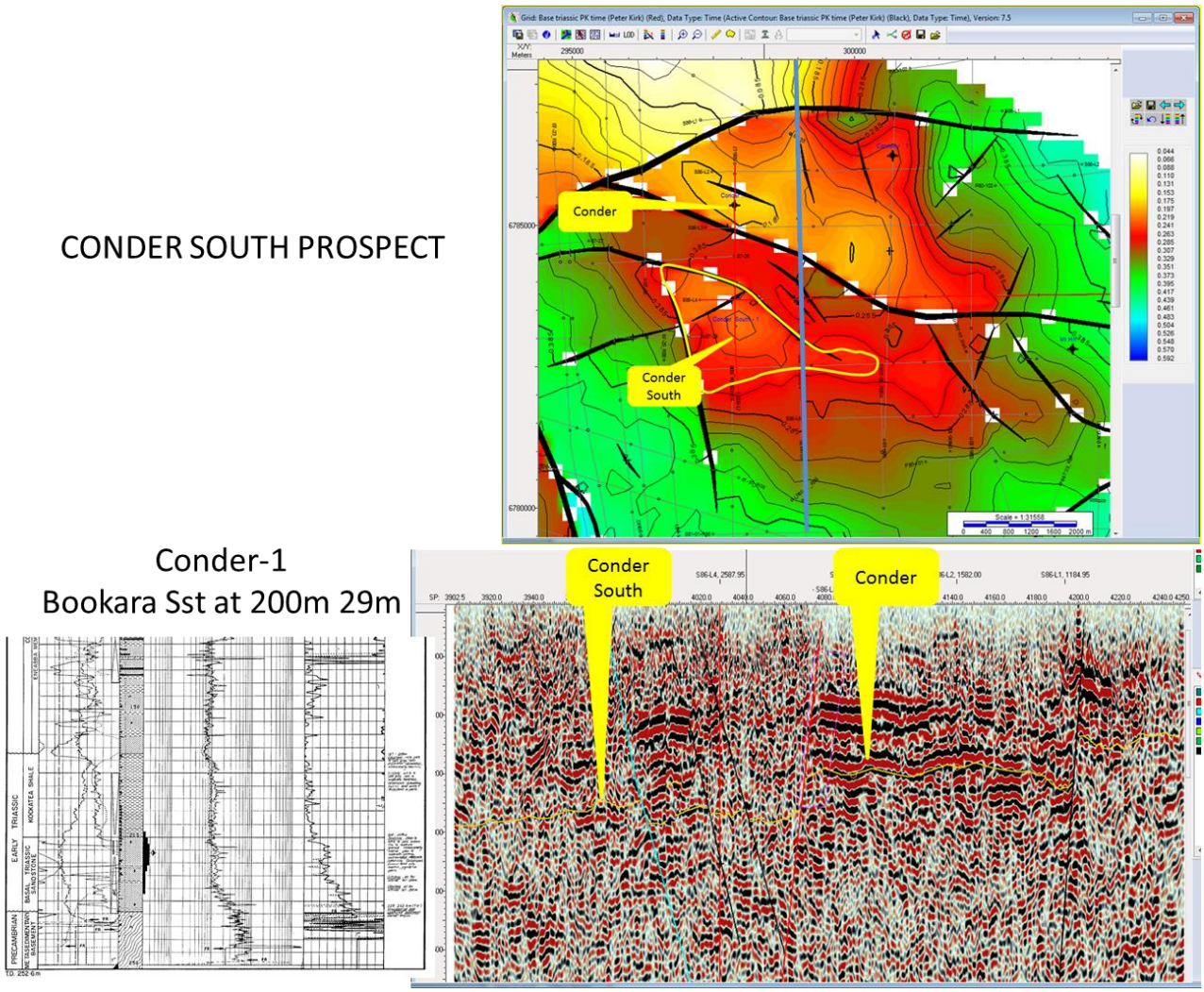


Figure 7-6: Conder South Prospect

7.3. EP437 Prospective Resources

Operator Key Petroleum Limited's assessment of prospective resources for the Wye Knot prospect are provided in Table 7-1 below. Key Petroleum has released these Prospective Resources for the Triassic Aranoo Sandstone in an ASX announcement on 19 December 2016. RISC has been unable to verify these prospective resources, however the range appears to capture likely size of prospect covering this area and the volumes are not significant to Pilot. The prospect is shallow and can be drilled at a low cost, with the Joint Venture having approved drilling of an exploration well during 2017.

Table 7-1: EP437 Prospective Resources for Wye Knot (Key Petroleum) as of 21st April 2017

Oil Prospects	Gross (100%) on block MMbbl			Net Pilot (13.058%) on block MMbbl			GPOS (%)
	Low	Best	High	Low	Best	High	
Wye Knot, Aranoo Sandstone	0.16	1.4	6.1	0.02	0.18	0.80	10%

1. Resources reported by Key Petroleum in an ASX release dated 19 December 2016 titled EP437 Work Programme and Budget Approved (http://www.keypetroleum.com.au/announcements/2016)
2. The prospective resources are unrisked. Prospective resources carry with them discovery and commercialisation risks.

7.4. Status of Committed Program

The EP437 permit was granted on the 6 June 2012 for a 5 year term and expires on 27 November 2019 due to extensions. The five year permit work programme details are given in Table 7-2. The permit is currently in Year 3 with a commitment to drill an exploration well in 2017. RISC has relied on government documentation of approvals and permit awards provided by Pilot to ascertain the permit status.

Table 7-2: EP437 Permit Details and Work programme

Permit	Operator	Interest	Status	Permit Expiry Date	Work Programme
EP437	Key Petroleum	Pilot 13.058% Key Pet 43.471% Rey Res 43.471%	Exploration Licence	27 November 2019	Year 1: Production test A$0.85 million Year 2: G&G studies A$0.2 million Year 3: 1 well A$1.5 million Year 4: G&G studies A$0.1 million Year 5: 1 well A$1.5 million

7.5. Exploration Program Costs

Exploration costs are low in EP437. Key Petroleum announced that a budget of A$1.9 million (US$1.44 million) has been approved by the Joint Venture which includes the drilling of the Wye Knot-1 well. The Joint Venture is going to apply a $200,000 Exploration Incentive Scheme grant from the Department of Mines and Petroleum against the cost of the well. Pilot is not attempting to farm this well cost out.

7.6. EP437 Valuation

RISC has used the potential value to Pilot of EP437 being farmed out to a third party who will pick up a proportion of future costs to explore the permit at a promote to their earned interest cost.

In the low case we have assumed that a farminee will pay a 1.15:1 carry of the full cost of the well (US$1.44 million). This values Pilot's 13.058% share at US$0.03 million.

In the mid case RISC has assumed Pilot farm out the well for a 1.25:1 carry on the same well cost. This values Pilot's share at US$0.05 million.

In the high case the carry on the well is increased to 1.75:1 valuing Pilot's equity at US$0.14 million.

8. Valuation

8.1. Methodology

The Pilot permits are all early stage exploration properties. RISC has therefore used notional farm-in terms by a farminee into the assets to estimate a fair value under the requirements of the VALMIN code and comparable transactions, where they exist. Valuation using an Expected Monetary Value (EMV) approach is not considered relevant for these assets due to their low level of maturity even where Contingent Resources are attributable to Pilot in WA-481-P. The value of these small Contingent Resources is reflected in the higher farmin promote for the mid value case for WA-481-P.

The values of the permits have been determined at low, mid and high values. As the low and high values of the exploration assets portfolio are derived by the arithmetic addition of the individual asset low and high values, respectively, they represent the possible extremes of the exploration value envelop. While farminees into the individual permits could value the assets at either end of the value range assessed, it is unlikely that potential buyers of the exploration asset portfolio would value all of the assets at either all of the low or all of the high estimated extremes. Their own assessments of individual permits will span the low, mid or high outcomes based on factors including: their strategic objectives and region or geological basin focus; assessment of an asset's prospectivity and associated geological risks; the fiscal and regulatory framework applicable to the asset; accessibility of commercialisation routes, including markets and infrastructure, for each asset; equity interests, operator capability and joint venture partners in each asset. RISC has determined the low and high values of the portfolio of exploration assets at an estimated one standard deviation from the total mid value of the portfolio.

8.2. Transaction value

Pilot acquired their interests in the contiguous EP 416 and EP480 permits and in EP 437 through transactions which provide the most relevant analogue transactions with which to value these current interests.

In September 2015, Pilot executed an agreement to farmin to Empire Oil & Gas (NL) permits EP 416 and 480. Under the terms of the agreement, Pilot paid A$0.45 million on satisfaction of regulatory requirements which occurred in 2016. In consideration, Pilot earned a 60% interest in each of the permits and assumed operatorship.

100% of WA-481-P was assigned over to Pilot from Murphy oil in July 2016 in return for a 10% Net Profit Interest on future production from discoveries that are made in the permit. Murphy Oil were in the process of withdrawing from the permit after drilling three unsuccessful high risk wells in the outboard area and saw little value in the shallow water exploration which Pilot is focused on and which, for a company of their small size, may indeed have significant value.

8.3. Notional Farm-in terms

In our experience, farm-in terms typically attract promote factors of 1:1 to 3:1 with potentially a reimbursement of past costs and/or bonus payments. The promote factors refer to the share of a farminor's costs that a farminee might carry. A promote factor of 1:1 implies that the farminee will only pay for its acquired interest share of specified future costs ("ground floor"); while a 2:1 promote indicates that the farminee will pay in addition to its acquired interest share of costs, an equal amount of the farminor's costs.

This implies a 100% uplift or premium to the farminor's equity share of the future exploration costs. The market value, therefore to the farminor, is the value of the share of its costs that are being carried by the farminee.

As an example in June 2014, Rey Resources farmed-in to EP 437, earning 43.47% by funding 86.94% of the Dunnart-2 well costs capped at A$1.7 million implying a 2:1 promote. In light of current market conditions, RISC considers a 1.75:1 promote the high end of the permit value with a mid and low-range value based on a 1.5:1 to a 1.25:1 promote respectively. The low end of the value range is supported by Pilot's November 2015 acquisition of Caracal's 13.058% interest for A$15,000 cash, 20 million shares and 20 million options.

8.4. Valuation summary

The Pilot Australian permits have been evaluated using the methods described in Section 2.2 and are summarised below:

Table 9-1: Valuation Summary

Exploration Assets	Equity Interest %	Gross Notional farm-in entry program US$M	Valuation (US$ million)			Comments
			Low	Mid	High	
WA-507-P	80%	Seismic costs $3.6 Drill one well well cost $25 mill (+30%)	2.9	10.0	15.0	Low value based on 2:1 carry on seismic costs. Mid and High values based respectively on 1.5:1 and 1.75:1 carries on Year 6 well (US$25 million)
WA-503-P	80%	Seismic costs $1.55 (including farmin equity uplift) Drill one well at $15 mill	0.6	1.2	9.0	Low and Mid values based respectively on 1.5:1 and 2:1 carries on seismic costs. High value based on 1.75:1 carry on 1 well (US$15 million)
WA-481-P	60%	Seismic reprocessing and inversion $0.65 mill Drill one well at $17 mill	1.2	5.1	7.7	Low case based on 4:1 carry on remaining G&G program US$0.65 million, Mid and High case based on 1.5:1 and 1.75:1 carries on well at US$17 million
EP416 & EP480	60%	G&G over 2 permits $0.75 mill Drill one well at $8 mill	0.7	1.2	3.6	Low Mid and High values based on 1.15:1, 1.25:1 and 1.75:1 carries on 1 well at $8 million
EP437	13.058%	Drill one well $1.44 mill	0.03	0.05	0.14	Low Mid and High values based on 1.15:1, 1.25:1 and 1.75:1 carries on 1 well at US$1.44 million. Low equivalent to Pilot's purchase of Caracal 13.058% interest.
Total Pilot Permit Value			5.4	17.6	35.4	
Pilot Early Stage Exploration Portfolio Valuation Range			**12.6**	**17.6**	**22.6**	Rounded to one standard deviation

RISC has recognised that the farmout market has remained soft and has lowered its expectations since March 2016 when we last reviewed the value of Pilot. We believe that exploration projects are very difficult to farmout at the traditional 2:1 carry for major expenditures such as wells and have set the maximum carry at 1.75:1 to reflect this. To be consistent we have also lowered the mid case to 1.25:1 except for WA-507-P where the scale of the prospects should attract a premium farmout to a major player and WA-481-P where proximity to infrastructure and existing contingent resources will help create a premium.

The low side case is generally related value or a carry on seismic and G&G costs which can attract higher premiums as it gives the incoming party the right to participate in drilling at their earned interest cost without a promote. RISC has also used a 1.15:1 farmin promote on the onshore well commitments in EP 416/480 and EP 437.

9. Declarations

9.1. Qualifications

RISC is an independent oil and gas advisory firm founded in 1994 to provide independent advice to companies associated with the oil and gas industry. We have completed over 1500 assignments in 68 countries for nearly 500 clients. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/Portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

The preparation of this report has been supervised by Mr Geoffrey Barker, RISC Partner. He has over thirty years of global experience in the upstream hydrocarbon industry, with extensive expertise in the areas of asset valuation, business strategies, evaluation of conventional and non-conventional petroleum (coal seam gas and tight gas), due diligence assessment for mergers, acquisitions and project finance requirements and reserves assessment/certification and preparation of Independent Technical Specialist reports. Mr. Barker is a Past Chairman of the SPE WA Section, a past member of the SPE International's Oil and Gas Reserves Committee 2007-2009, and is a co-author of the Guidelines for Application of the Petroleum Resources Management System published by the SPE in November 2011 (Chapter 8.5 Coal Bed Methane). Mr Barker is a Member of the Society of Petroleum Engineers (SPE), and holds a BSc (Chemistry), Melbourne University, 1980 and an M.Eng.Sc (Pet Eng), Sydney University, 1989 and is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules.

David Cliff, Head of Geoscience, prepared the majority of the report. David is a Petroleum Geologist with over 30 years of upstream experience, focused mainly on exploration in technical and management roles. He has worked for Australian and international companies, both large and small, from Woodside Petroleum to Bridge Oil. More recently David has held the position of Exploration Manager at Hardman Resources and Neon Energy giving him exposure to exploration in Africa and Southeast Asia respectively. He has also had experience as a resource stock analyst at BBY and held the role of Managing Director at Gas Link Global. David is a past President of PESA, a long-time member of AAPG and a graduate of the Australian Institute of Company Directors. David has a BSc in Geology from the University of Exeter, 1980.

9.2. VALMIN Code and ASIC Regulatory Guides

This Report has been prepared by RISC. This Report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2015 Edition ("The VALMIN Code") as well as the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112.

9.3. Petroleum Resources Management System

In the preparation of this Report, RISC has complied with the guidelines and definitions of the Petroleum Resources Management System approved by the Board of the Society of Petroleum Engineers in 2007 (PRMS).

9.4. Report to be presented in its entirety

RISC has been advised by Pilot that this report will be presented in its entirety without summarisation.

9.5. Independence

This report does not give and must not be interpreted as giving, an opinion, recommendation or advice on a financial product within the meaning of section 766B of the Corporations Act 2001 or section 12BAB of the Australian Securities and Investments Commission Act 2001.

RISC is not operating under an Australian financial services licence in providing this report.

In accordance with regulation 7.6.01(1)(u) of the Corporations Regulation 2001 and clause 6.3 of the VALMIN Code. RISC makes the following disclosures:

- RISC is independent with respect to Pilot and BDO Corporate Finance and confirms that there is no conflict of interest with any party involved in the assignment;
- Under the terms of engagement between RISC and Pilot for the provision of this report RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report, or the success or failure of the reason for which the report was commissioned. Except for this fee, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report;
- Neither RISC nor any of its personnel involved in the preparation of this report have any material interest in Pilot or in any of the properties described herein;
- RISC has not provided professional services to Pilot in the past two years apart from providing this and a similar report in March 2016 and a prospective resources audit of the Leschenault Prospect in EP 416 and EP 480 in October 2016;
- RISC has not provided advice to Pilot specifically in relation to the Proposed Transaction.

9.6. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from Pilot as well as information in the public domain.

The information provided to RISC has included both hard copy and electronic information supplemented with discussions between RISC and key Pilot staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, we believe our review and conclusions are sound, but neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose.

Under the VALMIN Code 2015 Edition, Clause 2, RISC has acted as the Specialist in determining the status of the permit titles and has found that all the titles have been properly assigned to Pilot and the commitments shown above are correct. RISC has relied on permit grant or renewal documents and variation approvals and change of ownership approvals from the various Government bodies to ascertain the permit status. These documents were supplied by Pilot and are the generally accepted forms of proof that the titles are in good standing and the ownership is verified. RISC has not made independent enquiries of the various Government bodies.

RISC has not audited the opening balances at the economic evaluation date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

This report was substantially completed by 18 May 2017. We are not aware of any changes since that date that would have a material impact on the values and opinions contained within this report.

9.7. Consent

RISC has consented to this report, in the form and context in which it appears, being included in the Independent Expert's Report prepared by BDO Corporate Finance for Pilot. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC.

This Report is authorised for release by Mr. Geoffrey Barker, RISC Partner dated 26 May 2017.

Geoffrey J Barker
Partner

10. List of terms

The following lists, along with a brief definition, abbreviated terms that are commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1st Quarter
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2nd Quarter
2D	Two Dimensional
3D	Three Dimensional
4D	Four Dimensional – time lapsed 3D in relation to seismic
3P	The sum of Proved, Probable and possible Reserves or in-place quantities, depending on the context.
3Q	3rd Quarter
4Q	4th Quarter
AFE	Authority for Expenditure
Bbl	US Barrel
BBL/D	US Barrels per day
BCF	Billion (109) cubic feet
BCM	Billion (109) cubic meters
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BTU	British Thermal Units
BOEPD	US barrels of oil equivalent per day
BWPD	Barrels of water per day
°C	Degrees Celsius
Capex	Capital expenditure
CAPM	Capital asset pricing model
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
CO_2	Carbon dioxide
CP	Centipoise (measure of viscosity)
CPI	Consumer Price Index
DEG	Degrees
DHI	Direct hydrocarbon indicator
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
DST	Drill stem test
E&P	Exploration and Production
EG	Gas expansion factor. Gas volume at standard (surface) conditions / gas volume at reservoir conditions (pressure & temperature)

Term	Definition
EIA	US Energy Information Administration
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery
ESP	Electric submersible pump
EUR	Economic ultimate recovery
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front End Engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating Production Storage and offtake unit
FWL	Free Water Level
FVF	Formation volume factor
GIIP	Gas Initially In Place
GJ	Giga (109) joules
GOC	Gas-oil contact
GOR	Gas oil ratio
GPOS	Probability of Geological success
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas To Liquid(s)
GWC	Gas water contact
H2S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal Rate of Return is the discount rate that results in the NPV being equal to zero.
JV(P)	Joint Venture (Partners)
Kh	Horizontal permeability
km2	Square kilometres
Krw	Relative permeability to water
Kv	Vertical permeability
kPa	Kilo (thousand) Pascals (measurement of pressure)
Mstb/d	Thousand Stock tank barrels per day
LIBOR	London inter-bank offered rate
LNG	Liquefied Natural Gas
LTBR	Long-Term Bond Rate
m	Metres
MDT	Modular dynamic (formation) tester
mD	Millidarcies (permeability)
MJ	Mega (106) Joules
MMbbl	Million US barrels

Term	Definition
MMscf(d)	Million standard cubic feet (per day)
MMbbl	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
MOU	Memorandum of Understanding
Mscf	Thousand standard cubic feet
Mstb	Thousand US stock tank barrels
MPa	Mega (106) pascal (measurement of pressure)
mss	Metres subsea
MSV	Mean Success Volume
mTVDss	Metres true vertical depth subsea
MW	Megawatt
NPV	Net Present Value (of a series of cash flows)
NTG	Net to Gross (ratio)
ODT	Oil down to
OGIP	Original Gas In Place
OOIP	Original Oil in Place
Opex	Operating expenditure
OWC	Oil-water contact
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + possible (3P) confidence levels respectively.
PBU	Pressure build-up
PJ	Peta (1015) Joules
GPOS	Probability of Success
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.
Proved Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as “Proven”.
PSC	Production Sharing Contract

Term	Definition
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
p.u.	Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%
PVT	Pressure, volume & temperature
QA/QC	Quality Assurance/ Control
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
RFT	Repeat Formation Test
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
Reserves	RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
RT	Measured from Rotary Table or Real Terms, depending on context
SC	Service Contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Sg	Gas saturation
Sgr	Residual gas saturation
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers
SPE-PRMS	Petroleum Resources Management System, approved by the Board of the SPE March 2007 and endorsed by the Boards of Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
stb	Stock tank barrels
STOIIP	Stock Tank Oil Initially In Place
Sw	Water saturation
TCM	Technical committee meeting
Tcf	Trillion (1012) cubic feet
TJ	Tera (1012) Joules
TLP	Tension Leg Platform
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth
US$	United States dollar
US$ million	Million United States dollars
WACC	Weighted average cost of capital
WHFP	Well Head Flowing Pressure
Working interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil

PROXY FORM

PILOT ENERGY LIMITED

ACN 115 229 984

GENERAL MEETING

I/We _____

Address _____

being a Member of Pilot Energy Limited entitled to attend and vote at the General Meeting, hereby

Appoint: _____

Name of proxy (**Please note:** Leave blank if you have selected the Chair of the General Meeting as your proxy)

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at 10.00 am (WST) on 12 July 2017 at Level 1, 31 Cliff Street, Fremantle, Western Australia, and at any adjournment of that meeting.

The Chair intends to vote undirected proxies in favour of all Resolutions.

Voting on business of the Meeting		**FOR**	**AGAINST**	**ABSTAIN**
Ordinary Resolution 1	Approval of issue of New Shares	☐	☐	☐
Ordinary Resolution 2	Consolidation of Capital	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%.

Signature of Member(s)

_____ **Date:** _____

Individual or Member 1	**Member 2**	**Member 3**
Sole Director/Company Secretary	**Director**	**Director/Company Secretary**

Contact Name: _____ **Contact Ph (daytime):** _____ **Date:** _____