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Pilot Energy

PILOT ENERGY LIMITED
ABN 86 115 229 984
and Controlled Entities

Annual Financial Report
For the Year Ended 30 September 2020

Pilot Energy Limited

A.B.N 86 115 229 984

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For the Year Ended 30 September 2020

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Pilot Energy Limited

A.B.N 86 115 229 984

Corporate Directory

30 September 2020

Directors

Mr Bradley Lingo
Mr Michael Lonergan
Mr Daniel Chen

Company Secretary

Lisa Dadswell

Registered and Principal Office

Level 12, Grosvenor Place
225 George Street, SYDNEY NSW 2000

Website: www.pilotenergy.com.au
Email: info@pilotenergy.com.au
Telephone: +61 2 8016 2819
Facsimile: +61 2 9279 0664

Postal Address

Level 12, Grosvenor Place
225 George Street, SYDNEY NSW 2000

Auditors

MNSA Pty Ltd
Level 1, 283 George Street
SYDNEY NSW 2000

Bankers

National Australia Bank Limited
Bankstown Central S/C North Terrace
BANKSTOWN NSW 2200

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
SYDNEY NSW 2000

ASX Code

Shares: PGY

Legal Form of Entity

Public Company

Country of Incorporation and Domicile

Australia

Chairman's Report

30 September 2020

Dear Shareholder,

Against the backdrop of the COVID-19 pandemic, it is well understood that for all of us -corporate and personal alike - the last year has been extremely challenging. It is against this backdrop that the Company has embraced and risen to the challenge to see the opportunity to look at its business, projects and assets and see them afresh and in an entirely different light. The Company is inspired by the support of its shareholders that they recognized the need to look at the Company's business with a new set of eyes and to embrace a new vision of the Company's business.

From the outset, Pilot's shareholders understood and embraced the need for change and the need to embrace a new vision for the Company and for the business and its projects and assets. In committing to undertake a strategic review to formulate a new vision for the Company, emerged a recognition that the Company holds a material position in one of Australia's most significant renewable resource areas – the Mid West coastal region of Western Australia.

The strategic review also recognized that the Company's historical focus on upstream oil and gas exploration and its exploration asset holdings in the Mid West Renewable Zone could be repositioned to build the future of the Company around the energy transition based on marrying the Company's upstream exploration tenures with a focus on sustainable and renewable energy development. This recognition is delivering a material opportunity for the Company and in turn a material appreciation in shareholder value.

This commitment from the Company's major shareholders has resulted in the announcement of the Company's new corporate strategy focusing on the energy transition and a commitment to build the Company around the energy transition. In implementing the new energy transition strategy, this has quickly led the Company to:

- firstly, consolidate its ownership in one of the largest offshore petroleum exploration licenses - WA-481-P,
- secondly, announce that the Company was going to explore the feasibility of developing the World-class offshore and onshore wind and solar renewable energy resources in the Mid West Renewable Zone which also coincide with WA-481-P,
- thirdly, enter in to binding agreements (subject to shareholder approval) to acquire 100% of Royal Energy Pty. Ltd, the owner of 50% interest in the licensed operator of the offshore Cliff Head Oil Field giving the Company an effective 21.25% net interest in the Cliff Head Oil Field and all of the offshore and onshore assets and infrastructure,
- fourthly, realign the ownership and operatorship of WA-481-P with the newly acquired interest Cliff Head Oil Field assets and operations through the formation of joint venture with Triangle Energy and in turn securing a full carry on the WA-481-P exploration commitments through the Year 3 work programme commitments, and
- fifth, formation of a joint venture with Triangle Energy to explore the development of an integrated large-scale offshore wind and onshore wind and solar renewable energy project anchored around the Cliff Head Oil Field offshore and onshore production facilities and assets.

Pilot Energy Limited

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Chairman's Report

30 September 2020

The 2020 financial year started out with significant challenges and quite an adverse and deteriorating market environment, but it is out of these challenges that the Company has risen to the challenge.

In taking on and rising to this challenge, I would like to thank my fellow company directors Mr. Mike Lonergan, Mr. Walker Li and Dr. Guoping Bai for their hard work during the year. I would also like to thank Mr. Daniel Chen as the newest director who joined the Board in September to help continue the focus on building the Company around the energy transition and in turn delivering value to shareholders flowing from delivering on this focus.

Lastly, I would like to acknowledge and thank our shareholders for their support in being able to embrace the new vision for the Company and their backing that has enabled the Company to high grade and reposition our asset base and build value from successfully delivering on the energy transition.

Yours faithfully,



For and on behalf of the Board

Brad Lingo
Chairman

Review of Operations

30 September 2020

Highlights

- Undertaking of a strategic review to assess the Company's position and outline a new strategy and business focus for the Company;
- Announcement of a new strategy for the Company focussing on the energy transition;
- Appointment of a new Chairman for the Company to drive forward the new corporate strategy;
- Securing renewal of WA-481-P exploration license for a further 5-year exploration term;
- Consolidating the Company's ownership and operatorship of WA-481-P through acquiring Key Petroleum 40% interest taking the Company to 100%;
- Announcement of the Mid West Wind & Solar Project feasibility study to explore the development of a major offshore wind and onshore wind and solar project in the Mid West coastal region of Western Australia;
- Entering into definitive, binding purchase and sale agreement to acquire Royal Energy as the 50% owner of the operator of the Cliff Head Oil Field giving the company an effective 21.25% interest in the Cliff Oil Field; and
- Successfully executing an equity placement capital raising to institutional and sophisticated investors securing \$2.5 million in equity capital funding and undertaking a share purchase plan in conjunction with the equity placement which successfully raised an additional \$500,000.

Overview

Pilot Energy Limited is listed on the Australian Securities Exchange (ASX: PGY) with a focus on the energy transition bringing together the identification, assessment and development of upstream oil and gas and renewable energy resources into delivering integrated and sustainable energy solutions.

The Company's focus is on the renewable energy resources of the Mid West and South West of Western Australia and the integration of these resources with the Company's existing oil and gas assets and tenures in both the Mid West and South West Renewable Resource Zones both onshore and offshore Western Australia.

Company Goals and Strategy

The Board's vision for Pilot Energy is for the Company to become a leading energy transition company.

In pursuit of that goal, the Company's strategy is to build the future of the Company around the energy transition based on marrying the Company's upstream exploration tenures with a focus on sustainable and renewable energy development coincident with those holdings. In committing to this vision for the Company, emerged a recognition that the Company holds a material position in one of Australia's most significant renewable resource areas – the Mid West coastal region and the South West of Western Australia.

Review of Operations

30 September 2020

The Company has recognized that its historical focus on upstream oil and gas exploration and its exploration asset holdings in the Mid West and South West Renewable Zone could be repositioned to build the future of the Company around the energy transition based on marrying the Company's upstream exploration tenures with a focus on sustainable and renewable energy development.

The Financial Year

In implementing the new strategic vision and focus on the energy transition, the Company also focussed on strengthening the Company's financial position. Prevailing capital market conditions for the Company's embracing of the energy transition and renewable energy development are much stronger than the market for companies focused on traditional oil and gas exploration and development activities. The Company has significantly strengthened its financial position through:

- In May 2020 undertaking a \$100,000 equity placement to a sophisticated investor issuing 5,000,000 fully paid ordinary shares at \$0.02/share;
- In May 2020, the conversion of \$300,000 convertible loan into 21,458,332 fully paid ordinary shares;
- In September 2020 completing a \$2.5 million equity placement issuing 75,757,576 fully paid shares initially raising approximately \$525,000 via unconditional equity placement with the balance of \$1.975 million via conditional placement to be approved by shareholders at an extraordinary general meeting on 10 December 2020;
- In September 2020 announcing a share purchase plan on the same terms as the equity placement which concluded on 20 November 2020 and successfully raised \$500,000; and
- Shortly following the end of the 2020 Financial Year, announcing the sale of a majority interest in WA-481-P to and the formation of a joint venture with Triangle Energy which provides the Company with an additional \$300,000 and a full exploration work programme commitment through the Year Three work programme valued at approximately \$1.2 million.

For the financial year ending 30 September 2020, the following securities were on issue:

- 105,928,974 fully paid ordinary shares

Review of Operations

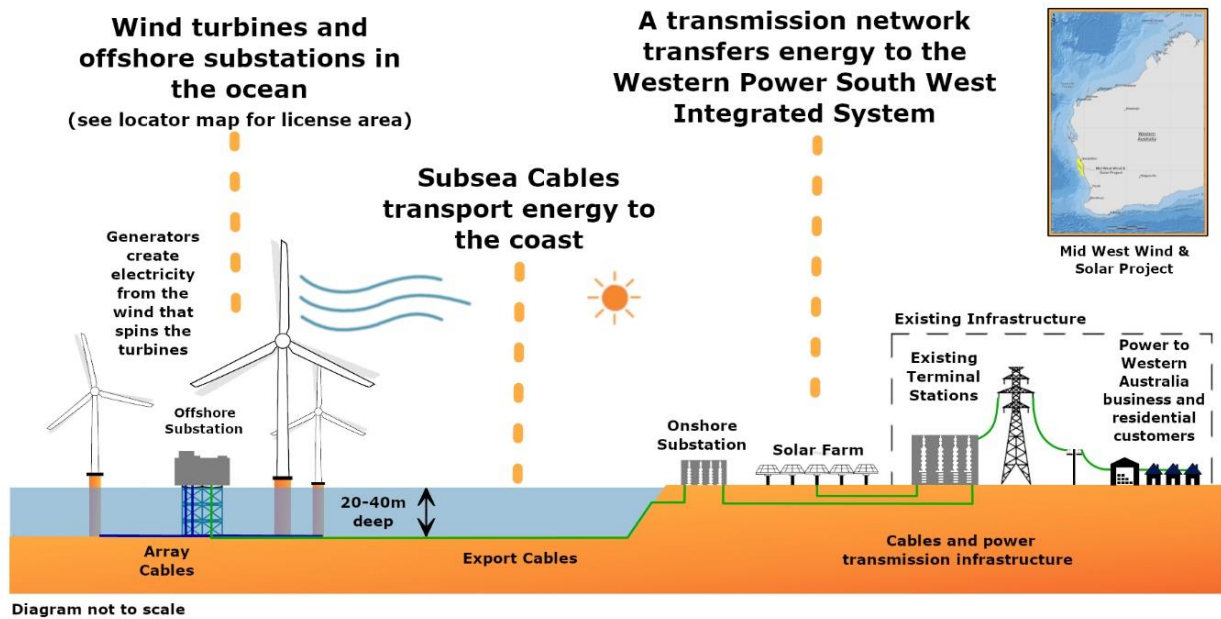
30 September 2020

Mid West Wind and Solar Project

On 4 September 2020, the Company announced that it was commencing a detailed feasibility study to pursue the development of an offshore wind and onshore wind and solar power project to be located along the offshore/onshore coast of the Mid West Region of Western Australia (the “Mid West Wind and Solar Project” or the “Project”).

The Company already holds a significant operating interest in offshore petroleum exploration license WA-481-P (see discussion below) along the Mid West coastal region of Western Australia. As an existing operator in the area, the Company has recognised that the offshore wind resource within the area covered by WA-481-P has been measured to have an annual mean wind speed greater than 9 m/s at a hub height 100 meters.

Mid-West Wind & Solar Project

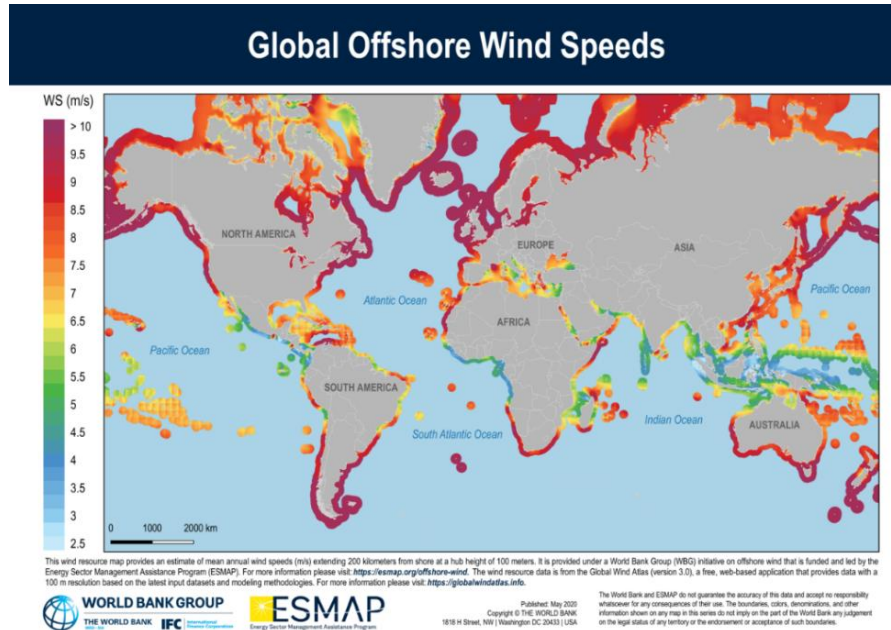


Pilot considers that the Mid West Coastal region of Western Australia contains both world-class offshore and onshore wind resources and onshore solar resources. The renewable energy resource potential of the Mid West Region has been well documented by the World Bank, CSIRO, ABARE, Geoscience Australia and ARENA (see map on page 7).

Review of Operations

30 September 2020

Australian Offshore Wind Resources – Global Comparison



Meso-scale maps show that Australia's greatest wind potential lies in the coastal regions of western, south-western, southern and south-eastern Australia and the coastal regions with high wind resources (wind speeds above 7.5 m/s) include the coast of Western Australia south of Shark Bay to Cape Leeuwin which cover the area of WA-481-P).

Royal Energy Acquisition

On 25 September 2020, the Company announced that it has entered into a definitive share sale deed to acquire 100% of the shares of Royal Energy Pty. Ltd. (Royal Energy) for 143,939,394 Pilot shares (the Acquisition). Royal Energy is a privately owned Australian oil and gas company. The Acquisition is subject to the approval of Pilot shareholders which will be sought at a general meeting of shareholders expected to be held in January 2021.

Royal Energy holds an indirect 21.25% interest in the Cliff Head Oil Field Joint Venture (CHJV) through 50% ownership of Triangle Energy (Operations) Pty. Ltd (TEO). TEO is the operator of the Cliff Head Joint Venture and owner of 42.5% interest in the Cliff Head Oil Field Joint Venture. Through the 50% ownership of TEO, Royal Energy holds joint operational control of the CHJV and holds 50% of the Board seats for TEO. Royal Energy's other assets also include approximately \$1 million in cash and a holding of 5,208,488 shares in Vintage Energy Limited (ASX: VEN).

The Cliff Head Oil Field (Cliff Head) is located in the offshore portion of the Perth Basin about 270 kilometres north of Perth and 12 kilometres off the coast of Dongara in Western Australia. Cliff Head resides in the Production License WA-31-L which covers 72km², and the oil field covers 6km². Cliff Head is located at a water depth of 15-20 metres. Current oil production is approximately 600 bopd gross from the Cliff Head field. Oil is produced via five production wells at the offshore Cliff Head A Production Platform. The platform is connected to the onshore Arrowsmith Stabilisation Plant by twin 14km production and injection pipelines.

Review of Operations

30 September 2020

Cliff Head A Production Platform



The Cliff Head facilities are the only offshore and operating onshore infrastructure in the Perth Basin and therefore important for any development in the surrounding area. Cliff Head was the first commercial oil discovery developed in the offshore Perth Basin. The development cost of the field was A\$327m with first oil production commencing in May 2006. To-date the field has produced over 14.8 million barrels and continues to produce at above originally forecast rates.

Pilot sees Royal Energy's assets and management as highly complementary to Pilot's focus on the development of the Mid West Wind & Solar Project (see PGY ASX announcement 4 September 2020) and Pilot's 100% ownership and operatorship of WA-481-P which is located immediately adjacent to and surrounds the Cliff Head Oil Field offshore production area, facilities and license. (see maps on page 10).

Capital Raising – Equity Placement

On 25 September 2020, the Company announced that in conjunction with the Royal Energy acquisition, it had received firm commitments from sophisticated and professional investors to subscribe for 75,757,576 shares at an issue price of \$0.033 per share to raise \$2.5 million before costs (Placement). The Company will also issue a total of 37,878,783 options (Options) on the basis of one Option for every two shares acquired in the Placement. The Placement will proceed in two tranches as follows:

- Tranche 1 raised \$525,000 via the issue of 15,909,091 shares and 7,954,545 Options pursuant to the Company's existing placement capacity under ASX Listing Rules 7.1 (Tranche 1). The Tranche 1 shares settled on 30th September 2020; and
- Tranche 2 will raise \$1,975,000 via the issue of 59,848,479 shares and 29,924,238 Options (Tranche 2). The issue of the Tranche 2 shares and Options and the Tranche 1 Options is subject to the approval of Pilot shareholders. This was approved at the 10 December 2020 general meeting of shareholders.

Review of Operations

30 September 2020

Capital Raising – Share Purchase Plan

The Company also announced that it would also undertake a Share Purchase Plan (SPP) following completion of Tranche 1 of the Placement. The SPP has been offered to eligible shareholders to enable the Company to raise additional funds and provide an opportunity for shareholders to participate in the capital raising program of the Company.

Pilot will give eligible shareholders who were on the Company's share register at 7.00pm (AEST) on Thursday 23rd September 2020 and having a registered address in Australia or New Zealand an opportunity to subscribe for new fully paid ordinary shares (SPP Shares) and Options. Eligible shareholders will be entitled to acquire up to \$30,000 of SPP Shares and Options on identical terms as the Placement, being \$0.033 per share and one Option for every two shares acquired.

Participation in the SPP is optional but will give eligible shareholders the opportunity to increase their shareholding without paying brokerage fees or transaction costs, irrespective of the size of their shareholding. Full details of the Share Purchase Plan, including offer letters and the entitlement and acceptance form, were mailed to eligible shareholders on 7 October 2020 with a copy of the SPP documentation lodged with the ASX. On 27 October 2020, the Company announced the extension of the closing date for the SPP to Friday, 20 November 2020.

Offshore North Perth Basin - WA-481-P (Operator, 100%)

The National Offshore Petroleum Titles Administrator (NOPTA) on behalf of the Delegates of the Commonwealth-Western Australia Offshore Petroleum Joint Authority advised Pilot on 13 August 2020 that Petroleum Exploration Permit WA-418-P had been renewed for a term of five years, after expiry of the previous six year term on 19 February 2020.

The renewal of WA-481-P comes with a 5-year work program consisting of geological and geophysical studies, 2D seismic reprocessing and 2D and 3D seismic acquisition in Permit Years 1 through 3 for a total expenditure of \$5.75 million and one exploration well in Permit Year 5.

Pilot announced on 8 September 2020 that Pilot Energy Ltd (Pilot) and Key Petroleum Ltd (Key) have agreed to rationalise the ownership of WA 481-P with Pilot to acquire Key's 40% interest in Offshore Petroleum Exploration License WA-481-P. The acquisition would lead to Pilot having 100% ownership of WA-481-P. Key also agreed to relieve the Company of any continuing funding commitments for EP 437.

In accordance with the terms of the transaction documents and subject to regulatory and shareholder approvals, Pilot Energy will acquire the 40% interest in WA-481-P in return for issuing to Key 21 million shares in two tranches - an initial tranche of 4,276,703 shares will be issued and a further 16,723,297 shares upon Pilot Energy receiving shareholder approval for the transaction. This transaction received approval at the 10 December 2020 general meeting of shareholders.

Following the completion of the Financial Year, the Company announced the sale of a majority interest (78.75%) interest in WA-481-P and transfer of operatorship to Triangle Energy in return for \$300,000 and a full carry on the permit work programme through Permit Year 3 valued at \$1.2 million.

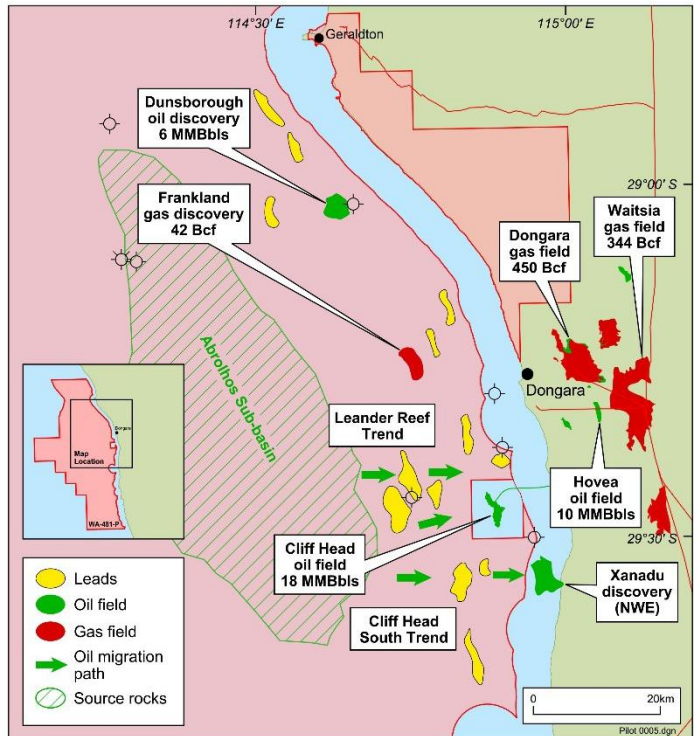
Review of Operations

30 September 2020

WA-481-P is located adjacent to existing oil and gas infrastructure, within shallow waters to the west of numerous oil and gas fields, including the offshore Cliff Head oil field and the onshore Waitsia gas field and the recent West Erregulla gas discovery. The permit covers a major portion of the offshore extension of the north Perth basin. The primary petroleum plays are for oil and/or gas within the Dongara Sandstone and the Irwin River Coal Measures (IRCM). Both oil and gas are proven within the permit, with the Frankland gas and the Dunsborough oil discoveries representing contingent resources of up to 59 Bcf gas and 9.8 MMbbls oil, respectively.

The permit is extensively covered by 2D and 3D seismic data, which confirms the presence of thirteen structural prospects in four distinct areas. Individual prospects offer potential for up to 78 MMbbls of oil, and three of the areas are substantially de-risked by prior discoveries on-block at Cliff Head, Dunsborough and Frankland.

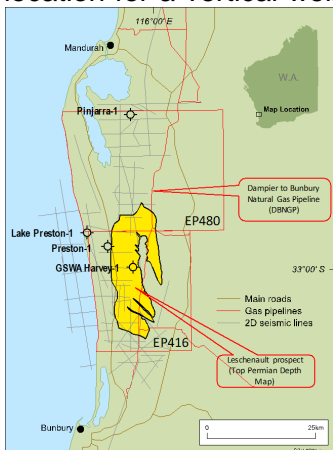
Additional information regarding the prospectivity of WA-481-P is included in a Permit Datasheet attached to the 31 August 2018 ASX announcement.



Onshore South Perth Basin - EP416 & EP480 Exploration Permits (Operator, 60%)

The Titleholders applied to DMIRS on 2 April 2020 for a suspension and extension of the permits such that work commitments could be met. In particular, the geochemical survey over the Leschenault conventional gas prospect, representing Year 1 and Year 3 commitments in EP 416 and EP 480 respectively, has been delayed due to difficulty with land access preventing this activity over key areas of the prospect. DMIRS advised the Joint Venture on 19 June 2020 that the suspension / extension applications for both permits were successful.

Leschenault is a “three-way dip” feature that relies on closure to the west by a bounding fault. The well-defined structure has two structural culminations, either of which is a potential drilling location for a vertical well to test the two conventional reservoir targets, being the Permian Sue Sandstone and the Triassic Lesueur Sandstone.



The main geological risk associated with Leschenault is one of cross-fault seal, i.e. whether the western bounding fault has sealing capacity to retain hydrocarbon gas migrating into the structure. To address this risk a non-invasive geochemical survey is planned over the coming months, with results expected in this year. The aim of the survey is to identify anomalies due to micro-seepage of hydrocarbon gas components from depth, that are broadly conformable to the prospect’s area of structural closure. This would suggest that either or both reservoir targets are gas-bearing, de-risking the prospect for future drilling.

Review of Operations

30 September 2020

Onshore North Perth Basin - EP437 Exploration Permit (13.058%)

With the emergence of Covid-19 and associated social distancing and restrictions on travel, application was lodged with the Regulator on 23 March 2020 for a suspension and extension for the Year 3 Work Program. A 12-month suspension/extension was subsequently granted for the Year 3 Work Program with the exploration commitment well Wye Knot-1 required to be drilled by 28 May 2021. As noted above, Key has agreed to relieve the Company of any continuing funding commitments for EP 437.

WA-503-P Exploration Permit (Operator, 80%)

The JV submitted an application to the Regulator for transfer of the WA-503-P title to Black Swan in May 2019. On 11 November 2019 NOPTA advised that, in accordance with subsection 478(2)(b) of the Offshore Petroleum and Greenhouse Gas Storage Act 2006, it was refusing to approve the transfer.

The JV met with NOPTA on 27 February 2020 for the regular 6 monthly meeting commitment and to discuss the future for the permit. NOPTA advised at this time that the only option available to the JV should it not wish to continue with WA-503-P was for the permit to be cancelled. NOPTA advised on 12 September 2020 that it was initiating cancellation proceedings and would be corresponding further with the JV in due course.

Competent Person Statement

This announcement contains information on conventional petroleum resources which is based on and fairly represents information and supporting documentation reviewed by Dr Xingjin Wang, a Petroleum Engineer with over 30 years' experience, a Master's Degree in Petroleum Engineering from the University of New South Wales and a PhD in applied Geology from the University of New South Wales. Dr Wang is an active member of the SPE and PESA, and is qualified in accordance with ASX listing rule 5.1. He is a former Director of Pilot Energy Ltd, and has consented to the inclusion of this information in the form and context to which it appears.

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Report

30 September 2020

The directors present their report, together with the financial statements of the Group, being Pilot Energy Limited (the Company) and its controlled entities, for the financial year ended 30 September 2020.

1. Directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Name and independence status

Bradley Lingo
Executive Director

Appointed: 12 May 2020

Appointed positions:
Chairman on
12 May 2020
Executive Director on
12 May 2020

Michael Lonergan
Non-executive Director

Appointed: 8 December 2017

Appointed positions:
Non-executive Director on
8 December 2017

Walker Li
Non-executive Director

Appointed: 20 September 2018
Resigned: 1 December 2020

Appointed positions:
Non-executive Director on
20 September 2018

Experience, qualifications, special responsibilities and other directorships

Brad has extensive experience in developing and implementing business strategy to create and maximize value in the Australian and International oil, gas and energy markets. Throughout his 30 year career, Brad has held a number of senior executive roles namely at Drillsearch, Commonwealth Bank of Australia, Sunshine Gas and Epic Energy – all focussed on developing and implementing focussed business development strategies aimed at growing and delivering shareholder value.

Directors holdings as at date of report
Nil ordinary shares

Michael is a Petroleum Geophysicist with over 33 years of domestic and international oil and gas experience. He has held senior technical and project management roles during his career, having worked for Delhi Petroleum, Oil Company of Australia, Origin Energy, Rohöl-Aufsuchungs Aktiengesellschaft, Mosaic Oil, AGL and Pangaea Resources.

Directors holdings as at date of report
Nil ordinary shares

Dr Li has more than 13 years of overseas work experience and is currently Chief Representative of the China Resource Fund in Indonesia. He is a senior-level executive with extensive experience in administration, management and operations. He was previously a Joint-Venture Oilfield Project Manager of CNOOC Oil Base-Oilfield Technology Services Co. and is Project Supervisor of PT Kamundan Energy and PT Wiriagar Energy at Mirach Energy Limited (SGX Listed Code: C68). Dr. Li is a graduate of Huazhong University of Science & Technology, China in Materials Physics and Chemistry and obtained a Ph.D in 2008.

Directors holdings as at date of resignation
15,894,128 ordinary shares ⁽¹⁾

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Directors' Report

30 September 2020

Guoping Bai

Non-executive Director

Appointed: 14 June 2019
Resigned: 1 December 2020

Appointed positions:
Non-executive Director on
14 June 2019

Dr. Bai earned degrees in geology from East-China Petroleum Institute (B.Sc. Hons I, 1984) and Sydney University, Australia (Ph.D, 1992). After completing his Ph.D, he did two years postdoctoral research at CSIRO Division of Petroleum Resources, Australia. Subsequently, he worked as a research assistant professor at Energy & Geoscience Institute at the University of Utah for five years. In 1999, he joined the faculty of College of Geosciences at China University of Petroleum (Beijing) and is currently a professor. He has published three monographs and over 30 peer-reviewed papers in Chinese and international journals. He has won a Second Class State Science and Technology Advancement Award and a First Class Beijing Municipality Science and Technology Advancement Award. His research interests include integrated basin analysis, play and prospect evaluation, and reservoir geology.

Directors holdings as at date of resignation

Nil ordinary shares

Daniel Chen

Non-executive Director

Appointed: 15 September 2020

Appointed positions:
Non-executive Director on
15 September 2020

Daniel has over 17 years of business, project management and leadership experience, predominantly with Fortune Top 200 companies in port, maritime and logistic industries. He has led several global implementation projects in Asia, Europe and Oceania throughout his career thus far. Highlights include development of the world's first fully automated container terminal, regional procurement responsibilities for an annual spend of USD 200 million, and working with multiple global supply chain providers to reengineer existing processes to improve operational efficiency. Recently, Daniel has advised Orient Energy and Denison Gas in Australia on various corporate initiatives.

Directors holdings as at date of report

5,000,000 ordinary shares ⁽²⁾

(1) held in related entity, Walkerindo Nusatama Mandiri, PT

(2) held in related entity, DVAC Holding Pty Ltd

2. Chief Executive Officer

Alan Teimoori stepped down as acting Chief Executive Officer of the Company on 19 May 2020. A new CEO will be appointed in due course.

3. Company Secretary

Lisa Dadswell has been the company secretary since 1 September 2017. Lisa Dadswell is a Chartered Secretary recognised by the Institute of Chartered Secretaries and Administrators with over 18 years of corporate governance experience.

Pilot Energy Limited

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Directors' Report

30 September 2020

4. Director's Meetings

During the financial year, 6 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Full meetings of directors		
	Number of meetings attended	Number of meetings held whilst a director
Bradley Lingo (appointed 12/05/2020)	5	5
Michael Lonergan	6	6
Walker Li (resigned 01/12/2020)	-	6
Guoping Bai (resigned 01/12/2020)	1	6
Daniel Chen (appointed 15/09/2020)	-	-

The audit, finance, remuneration, nomination, risk management and environmental functions are handled by the full board of the Company.

5. Principal Activities

The principal activity of the Group during the course of the financial year was oil and gas exploration.

The Group is currently engaged in the acquisition, exploration and development of various petroleum exploration projects, targeting conventional oil and gas resources.

There were no significant changes in the nature of the Group's principal activities during the financial year.

6. Operating Results and Financial Review

Operating and financial review

Information on the operations and financial position of the Group and its strategies and prospects is set out in the Review of Operations at the beginning of this Annual Report.

The consolidated loss of the Group amounted to \$889,388 (2019: loss of \$661,640).

With respect to COVID-19 during the year, there has been no material impact on the operation of the company.

7. Significant Changes in State of Affairs

In the opinion of the directors, there were no matters that significantly affected the state of affairs of the Group during the financial year, other than those matters referred to in the overview above.

8. Dividends

The Directors recommend that no dividend be provided for the year ended 30 September 2020 (2019: Nil).

9. Environmental Issues

The Group is subject to significant environmental regulation in relation to its exploration activities. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

Pilot Energy Limited

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Directors' Report

30 September 2020

10. Events After the Reporting Date

On 4th September 2020, it was announced that Pilot Energy is commencing a feasibility study to pursue the development of an offshore wind and onshore wins and solar project to be located along the Mid West Region of Western Australia.

A General Meeting was held on 10th December which passed all resolutions.

Further to the announcement on 8th September 2020 Pilot has acquired an additional 40% interest in WA-481-P in return for 21,000,000 shares. The first tranche of 4,276,703 shares were allotted on 7th October 2020. The remaining shares will be issued shortly after receiving shareholder approval. This was approved at the General Meeting dated 10th December 2020.

As announced on 25th September 2020, the Company's Share Purchase Plan (SPP) opened on 7th October 2020 and was fully underwritten to \$500,000. Further, subject to shareholder approval, 7,575,757 free-attaching options to SPP participants on a 2:1 basis were to be issued. Both, resolutions were approved at the General Meeting on 10th December 2020.

As announced on 25th September 2020, the first tranche of 15,909,097 shares were issued at 3c per share on 1 October 2020. Subject to shareholder approval, 7,954,545 Options will be issued to complete tranche one. Further to this, Tranche 2 will consist of the issue of 59,848,479 shares and 29,924,238 Options and is subject to shareholder approval. Both Tranche 1 options and Tranche 2 shares and Options were approved at the General Meeting on 10th December 2020.

Further to the announcement on 25th September 2020, shareholder approval was received at the General Meeting on 10th December 2020 to issue the 10,000,000 Options to Bridge Street Capital.

As announced on 9th November 2020, Pilot has entered into an agreement to sell a 78.75% interest in and operatorship of WA-481-P to Triangle Energy (Global) Ltd. Pilot is to receive \$300,000 and be free-carried through completion of Year 3 work programme commitments of \$5.5 million.

As announced on 10th November 2020, 4,123,485 shares are proposed to be issued to Castle Rock Energy Pty Ltd shortly after receiving shareholder approval. This was approved at the General Meeting on 10th December 2020.

As announced on 10th November 2020, 10,000,000 options are proposed to be issued to Bradley Lingo shortly after receiving shareholder approval. This was approved at the General Meeting on 10th December 2020.

On 25th November 2020, Pilot announced the results of the SPP which closed on 20th November. The total of applications accepted from eligible shareholders totalled \$115,500 and resulted in the issue of 3,500,000 shares on 27th November 2020.

On 1st December 2020, Pilot announced the resignation of Dr Walker Li and Dr Guoping Bai as directors of the company.

There have been no material impacts from COVID-19 after balance date.

Pilot Energy Limited

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Directors' Report

30 September 2020

11. Indemnification and Insurance of Officers and Auditors

During the financial year, the Company paid an insurance premium of \$18,231 (2019: \$15,946) to insure the directors and key management of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Group has agreed to indemnify each of the directors and the company secretary of the Company and its controlled entity, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and company secretary of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

No agreements have been entered into to indemnify the Group's auditors against any claims by third parties arising from their report on the Annual Financial Statements.

12. Likely Developments and Expected Results

The Group will continue to pursue its strategy to further develop its exploration portfolio.

13. Share Options

Unissued shares under options

At the date of this report, there are no unissued ordinary shares of Pilot Energy Limited under option.

All unissued shares are ordinary shares of the Company.

These options do not entitle the holder to participate in any share issue of the Company.

Further details in relation to the share-based payments to directors are included in the Remuneration Report.

Shares issued on exercise of options

During or since the end of the financial year, no shares were issued as a result of the exercise of options.

Options Expired

During the year ended 30 September 2020, 2,600,000 options expired (2019: 900,000 expired).

14. Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Report

30 September 2020

15. Remuneration Report - Audited

The Directors are pleased to present your Company's 2020 Remuneration Report prepared in accordance with the *Corporations Act 2001*. The Report sets out the detailed remuneration information for Pilot Energy's Non-executive Directors, Executive directors and other Key Management Personnel (KMP) of the Group. The remuneration disclosures in this Report cover the following persons:

	Position	Date Appointed	Date Resigned
Bradley Lingo	Executive Director & Chairman	12 May 2020	-
Alan Teimoori	Acting Chief Executive Officer	31 July 2019	19 May 2020
Michael Lonergan	Non-executive Director	8 December 2017	-
Walker Li	Non-executive Director	20 September 2018	1 December 2020
Guoping Bai	Non-executive Director	14 June 2019	1 December 2020
Daniel Chen	Non-executive Director	15 September 2020	-
Benson Wong	Other Key Management Personnel		
Xingjin Wang	Other Key Management Personnel		

The Report contains the following sections:

- (a) Remuneration governance
- (b) Executive remuneration strategy and framework
- (c) Board and management changes
- (d) Service contracts
- (e) Non-executive director remuneration
- (f) Key management personnel remuneration
- (g) Other KMP disclosures

(a) Remuneration Governance

The remuneration of directors and key management is the responsibility of the Remuneration and Nomination Committees.

(b) Executive remuneration strategy and framework

Remuneration is referred to as compensation in this report.

Compensation levels for key management personnel of the Group are set to attract, retain and motivate appropriately qualified and experienced Directors and Executives. As the Group's principal activities during the year were new ventures and exploration / evaluation, measurement of remuneration policies against financial performance is not considered relevant. The measurement of remuneration policies considered a range of factors including budget performance, delivery of results and timely completion of development programmes.

The objective of the Group's reward framework is to ensure that remuneration policies and structures are fair and competitive. The Board ensures that remuneration satisfies the following criteria for reward:

- competitiveness and reasonableness;
- transparency;
- attracts and retains high calibre executives; and
- rewards capability and experience

Executive remuneration mix

The remuneration of the Managing Director and other KMP was structured as a mix of fixed remuneration and variable "at risk" remuneration through short-term and long-term incentive components.

Directors' Report

30 September 2020

15. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework

Fixed compensation

Fixed compensation consists of base compensation plus employer contributions to superannuation funds (unless otherwise stated). Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group and compares compensation to ensure it is comparable and competitive within the market in which the Group operates.

Fixed compensation is not “at risk” but is appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

Performance-linked compensation

Performance-linked compensation consists of both short-term and longer-term remuneration. Performance-linked remuneration is not based on specific financial indicators such as earnings or dividends as the Group is at the exploration and development stage. Vesting of long term incentives is based on the market conditions, which is considered an appropriate measure of the outcome of overall performance. There is no separate profit-share plan.

Short-term incentive

Short term incentives (STI) reward employees for their individual achievements and contributions to business success and organisation outcomes during the financial year. STI's are a variable reward and are not guaranteed.

Each year, the Board considers the appropriate targets and Key Performance Indicators (KPI's) to link the STI and the level of payout if targets are met. This includes capping the maximum payout under the STI scheme and determining the minimum levels of performance to trigger payment of the STI's. Depending upon the level of management, KPI's include the following:

- competitiveness and reasonableness;
- transparency;
- attracts and retains high calibre executives; and
- rewards capability and experience

Long-term incentive

Long-term incentives (LTI) are comprised of share options and performance rights (PR), which are granted from time to time to encourage sustained performance in the realisation of strategic outcomes and growth in shareholder value. Options and rights are granted for no consideration and do not carry voting rights or dividend entitlements.

The Company adopted an Employee Share Options Scheme (ESOS) effective 23 February 2010. Under the ESOS, the Company may grant options to Company eligible employees to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is estimated using the Black Scholes Option Pricing model.

(i) Performance Rights

There were no new performance rights granted during the reporting period.

(ii) New options

There were no new options granted during the reporting period.

(iii) Vested options

There were no options that vested during the reporting period.

(iv) Expired options or forfeited

2,600,000 options expired during the reporting period.

Pilot Energy Limited

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Directors' Report

30 September 2020

15. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

Consequences of performance on shareholder wealth

The overall level of key management personnel compensation takes into account the performance of the Group over a number of years, however as the Company is not a petroleum producer, does not specifically relate to financial performance.

Financial performance in respect of the current financial year and the previous four financial years is detailed below:

Shareholder returns	2020	2019	2018	2017	2016
Net (loss) / profit attributable to equity holders (\$)	(889,388)	(661,640)	(1,162,778)	(1,368,008)	(1,864,313)
Basic (loss) / earnings per share (cents)	(1.00)	(0.83)	(1.83)	(2.29)	(0.09)
Share price at year end	0.0340	0.031	0.021	0.05	0.20
Market capitalisation (\$)	3,601,585	2,463,590	1,589,413	2,988,096	5,877,634
Net tangible assets / (liabilities) (NTA) (\$)	(1,229,949)	(641,838)	(249,622)	705,756	1,254,228
NTA Backing (cents)	(0.012)	(0.008)	(0.004)	0.011	0.043

During the financial years noted above, there were no dividends paid or other returns of capital made by the Group to shareholders. The Group's financial performance is impacted by a number of factors.

As the Group is still in the exploration phase of its operations, and as such does not generate revenue, the share price and thus the Company's market capitalisation is the only indicator of the Group's overall performance.

(c) Board and management changes

On 12 May 2020, Mr Bradley Lingo was appointed as Chairman and Executive Director of the Company.

On 19 May 2020, Dr Alan Teimoori resigned as acting Chief Executive Officer of the Company.

On 15 September 2020, Mr Daniel Chen was appointed as Non-executive Director of the Company

Directors' Report

30 September 2020

15. Remuneration Report – Audited (continued)

(d) Service contracts

On appointment to the Board, all non-executive directors enter into a consultancy agreement with the Group in the form of a contract of appointment. The contract summarises the Board's policies and terms, including compensation, relevant to the officer or director.

Executive remuneration and other terms of employment are formalised in service agreements. The service agreements outline the components of compensation paid to key management personnel (KMPs) but do not prescribe how compensation levels are modified year by year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performance by KMPs and any changes required to meet the principles of the compensation policy.

The major provisions of the agreements relating to remuneration are set out below:

Name	Term of agreement	Employee notice period	Employer notice period	Base salary	Termination Benefit **
Mr Bradley Lingo	Ongoing from May 2020	6 months	12 months	\$276,000 *	12 months' base salary
Mr Daniel Chen	Ongoing from September 2020	30 days	30 days	\$150,000 *	30 days base salary

* The base salary figures of Mr Bradley Lingo and Mr Daniel Chen do not include superannuation.

** Termination benefits are payable upon early termination by the Group, other than for gross misconduct. For both Mr Bradley Lingo and Mr Daniel Chen, this would be equal to base salary for the notice period.

(e) Non-executive director remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the Remuneration and Nomination Committee.

The current base fees were last reviewed with effect from 1 May 2015. The fees approved by the Board are inclusive of the statutory superannuation amount.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$340,000 per annum and was approved by shareholders at the Annual General Meeting on 27 February 2015.

In addition to their base fees, non-executive directors may also receive payment for consultancy services at the lesser of \$200 per hour or \$1,500 per day plus any reimbursable expenses.

The Chairman's fees are determined independently to the fees paid to the non-executive directors, based on comparative roles in the external market.

Pilot Energy Limited

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Directors' Report

30 September 2020

15. Remuneration Report – Audited (continued)

(f) Key Management Personnel Remuneration

Name		Short-term employee benefits			Other long-term benefits	Share based payments		Total	Fixed Remuneration %	Performance based %
		Salary and fees (A)	Short term incentive bonus (B)	Non-monetary benefits (C)	Superannuation	Rights (D)	Options (D)			
Chief Executive Officer										
Alan Teimoori(Acting CEO) (Resigned 19/05/2020)	2020	83,218	-	-	-	-	-	83,218	100%	-
	2019	49,577	-	-	-	-	-	49,577	100%	-
Robert Gard (Resigned 31/07/2019)	2020	-	-	-	-	-	-	-	100%	-
	2019	82,628	-	-	-	-	-	82,628	100%	-
Sub-total Chief Executive Officer Remuneration	2020	83,218	-	-	-	-	-	83,218	100%	-
	2019	132,205	-	-	-	-	-	132,205	100%	-
Executive Directors										
Bradley Lingo (appointed 15/05/2020)	2020	-	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-	-
Benson Wong (resigned 07/02/2019)	2020	114,000 ¹	-	-	-	-	-	114,000 ¹	100%	-
	2019	27,937	-	-	1,229	-	-	29,166	100%	-
Xingjin Wang (resigned 07/02/2019)	2020	125,120 ¹	-	-	-	-	-	125,120 ¹	100%	-
	2019	12,938	-	-	1,229	-	-	14,167	100%	-
Sub-total executive directors' remuneration	2020	239,120	-	-	-	-	-	239,120	100%	-
	2019	40,875	-	-	2,458	-	-	43,333	100%	-

¹ Benson Wong & Xingjin Wang resigned from management positions 7th February 2019 however continued as consultants. The consultancy agreement has ended as at 12th October 2020.

Pilot Energy Limited

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Directors' Report

30 September 2020

15. Remuneration Report – Audited (continued)

(f) Key Management Personnel Remuneration (continued)

Name		Short-term employee benefits			Other long-term benefits	Share based payments		Total	Fixed Remuneration %	Performance based remuneration %
		Salary and fees (A)	Short term incentive bonus (B)	Non-monetary benefits (C)	Superannuation	Rights (D)	Options (D)			
Non-Executive Directors										
Michael Lonergan	2020	123,292	-	-	3,470	-	-	126,762	100%	-
	2019	46,155	-	-	3,470	-	-	49,625	100%	-
Wilson Xue (resigned 14/06/2019)	2020	-	-	-	-	-	-	-	100%	-
	2019	27,397	-	-	2,603	-	-	30,000	100%	-
Walker Li (resigned 1/12/2020)	2020	-	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-	-
Guoping Bai (resigned 1/12/2020)	2020	-	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-	-
Daniel Chen (appointed 15/09/2020)	2020	-	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-	-
Sub-total non-executive directors' remuneration	2020	123,292	-	-	3,470	-	-	126,762	100%	
	2019	73,552	-	-	6,073	-	-	79,625	100%	
Total directors' remuneration	2020	362,412	-	-	3,470	-	-	365,882	100%	
	2019	114,427	-	-	8,531	-	-	122,958	100%	
Total key management remuneration	2020	445,630	-	-	3,470	-	-	449,100	100%	
	2019	246,632	-	-	8,531	-	-	255,163	100%	

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Report 30 September 2020

15. Remuneration Report – Audited (continued)

(g) Other KMP disclosures *KMP option holdings*

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

	Held at 1 October 2019	Options cancelled	Options expired	Held at 30 September 2020	Vested during the year	Vested and Exercisable at 30 September 2020
Other KMP						
Benson Wong	400,000	-	(400,000)	-	-	-
Xingjin Wang	400,000	-	(400,000)	-	-	-

KMP shareholdings

	Held at 1 October 2019	Held on Appointment or (resignation)	Purchases/ (Disposals)	Held at 30 September 2020
Executive directors				
Bradley Lingo	-	-	-	-
Non-Executive directors				
Walker Li ⁽¹⁾	15,894,128	-	-	15,894,128
Daniel Chen	-	-	5,000,000	5,000,000
Michael Lonergan	-	-	-	-
Guoping Bai ⁽¹⁾	-	-	-	-
Other KMP				
Benson Wong	4,061,392 ⁽²⁾	-	(357,652) ⁽³⁾	3,703,740
Xingjin Wang ⁽⁴⁾	740,520	-	-	740,520

(1) resigned 1 December 2020

(2) 3,703,740 of these shares are held in related entity, Sunpex International Pty Ltd

(3) shares disposed were held personally

(4) held in related entity. Austar Nominees Pty Ltd

THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Report

30 September 2020

16. Lead Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* can be found on page 25 of the financial report.

This report is made in accordance with a resolution of the Directors.

17. Corporate Governance Statement

The company's corporate governance practices and policies have been made publicly available on the company's website at <http://www.pilotenergy.com.au/corporate-governance>



Bradley Lingo
Chairman & Executive Director

Dated at Sydney, New South Wales this 14th December 2020.



**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE
CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF PILOT ENERGY LIMITED ABN 86 115 229 984
AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 September 2020 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro

Director

Sydney

Dated this 14th day of December 2020

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Pilot Energy Limited

A.B.N 86 115 229 984

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 September 2020

	Note	2020 \$	2019 \$
Revenue from continuing operations	4	355,606	321,545
Administrative expenses		(71,383)	(71,562)
Amortisation		(14,729)	-
Personnel expenses		(79,890)	(294,333)
Professional fees		(403,171)	(172,094)
Exploration expenses		(668,719)	(430,399)
Finance expenses	5	(6,938)	(3,787)
Other expenses		(164)	(11,010)
Loss before income tax		(889,388)	(661,640)
Income tax expense	6	-	-
Loss from continuing operations		(889,388)	(661,640)
Loss from discontinued operations		-	-
Loss for the year		(889,388)	(661,640)
Total comprehensive loss for the year		(889,388)	(661,640)
(Loss) / earnings per share (cents per share)			
<u>From continuing operations</u>			
Basic and diluted	17	(1.00)	(0.83)

The accompanying notes form part of these financial statements.

Pilot Energy Limited

A.B.N 86 115 229 984

Consolidated Statement of Financial Position As at 30 September 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	7,317	88,829
Trade and other receivables	9	35,212	1
TOTAL CURRENT ASSETS		<u>42,529</u>	<u>88,830</u>
NON-CURRENT ASSETS			
Trade and other receivables	9	41,742	29,093
Intangible Assets	10	74,723	-
TOTAL NON-CURRENT ASSETS		<u>116,465</u>	<u>29,093</u>
TOTAL ASSETS		<u>158,994</u>	<u>117,923</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	493,446	13,541
Employee benefits	12	11,959	2,653
Other liabilities	13	721,400	439,780
Financial liabilities	14	53,335	303,787
TOTAL CURRENT LIABILITIES		<u>1,280,140</u>	<u>759,761</u>
NON-CURRENT LIABILITIES			
Financial liabilities	14	34,080	-
TOTAL NON-CURRENT LIABILITIES		<u>34,080</u>	<u>-</u>
TOTAL LIABILITIES		<u>1,314,220</u>	<u>759,761</u>
NET DEFICIENCY		<u>(1,155,226)</u>	<u>(641,838)</u>
EQUITY			
Issued capital	15	44,525,754	44,149,754
Reserves	16	-	189,000
Accumulated losses		(45,680,980)	(44,980,592)
TOTAL EQUITY		<u>(1,155,226)</u>	<u>(641,838)</u>

The accompanying notes form part of these financial statements.

Pilot Energy Limited

A.B.N 86 115 229 984

Consolidated Statement of Changes in Equity

For the Year Ended 30 September 2020

	Ordinary Shares	Accumulated Losses	Share-based Payments Reserve	Total
	\$	\$	\$	\$
2020				
Balance at 1 October 2019	44,149,754	(44,980,592)	189,000	(641,838)
Loss attributable to members of the parent entity	-	(889,388)	-	(889,388)
Transactions with owners in their capacity as owners				
Shares issued during the year	376,000	-	-	376,000
Transfer to accumulated losses on expiry of options	-	189,000	(189,000)	-
Balance at 30 September 2020	44,525,754	(45,680,980)	-	(1,155,226)
2019				
Balance at 1 October 2018	43,672,930	(44,345,677)	215,725	(457,022)
Loss attributable to members of the parent entity	-	(661,640)	-	(661,640)
Transactions with owners in their capacity as owners				
Shares issued during the year	476,824	-	-	476,824
Transfer to accumulated losses on lapse of options	-	26,725	(26,725)	-
Balance at 30 September 2019	44,149,754	(44,980,592)	189,000	(641,838)

The accompanying notes form part of these financial statements.

Pilot Energy Limited

A.B.N 86 115 229 984

Consolidated Statement of Cash Flows For the Year Ended 30 September 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Joint Venture Receipts	345,205	-
Payments to suppliers and employees	(241,918)	(279,135)
Payments for exploration, evaluation and development	(337,534)	(535,512)
Receipts from customers	10,400	10,400
Interest received	1	1,544
Net cash used in operating activities	25 <u>(223,846)</u>	<u>(813,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash provided by/(used in) investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares and options	100,000	-
Proceeds from borrowings	42,500	300,000
Net cash provided by financing activities	<u>142,500</u>	<u>300,000</u>
Net (decrease) in cash and cash equivalents held	(81,346)	(513,103)
Effect of exchange rate fluctuations on cash held	(166)	383
Cash and cash equivalents at beginning of year	88,829	601,549
Cash and cash equivalents at end of financial year	8 <u>7,317</u>	<u>88,829</u>

The accompanying notes form part of these financial statements.

Pilot Energy Limited

A.B.N 86 115 229 984

Notes to the Financial Statements For the Year Ended 30 September 2020

The financial report covers Pilot Energy Limited and its controlled entities ('the Group'). Pilot Energy Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepares their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 14th December 2020.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Summary of Significant Accounting Policies

(a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. Please refer to Note 22 for the financial year end for each controlled entity.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Associates

Interests in associates, where the investor has significant influence over the investee, are accounted for using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

Notes to the Financial Statements

For the Year Ended 30 September 2020

2 Summary of Significant Accounting Policies (continued)

(b) Exploration & evaluation expenditure

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and/or
- compiling pre-feasibility and feasibility studies.

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential. It is the policy of the Group to expense all exploration and evaluation expenditure as it is incurred.

This treatment is compliant with AASB 6 *Exploration for Evaluation of Minerals Resources*, which permits a choice of accounting policy.

(c) Leases

AASB 16 requires a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

The right of use asset and lease liability is recorded on the balance sheet in respect of the Group's portfolio of property leases, currently accounted for as operating leases.

(d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Notes to the Financial Statements

For the Year Ended 30 September 2020

2 Summary of Significant Accounting Policies (continued)

(e) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

(f) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(g) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items at fair value are translated using the rate at the date when fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

Notes to the Financial Statements

For the Year Ended 30 September 2020

2 Summary of Significant Accounting Policies (continued)

(h) New Accounting Standards now in effect

AASB 16: Leases

On 1 October 2019, the Group adopted AASB 16 using the modified retrospective approach. AASB 16 Leases replaces AASB 117 Leases for annual period beginning on or after 1 October 2019. Adoption of AASB 16 has resulted in the recognition of a right-of-use asset and a corresponding liability at 1 October 2019 for existing leases with a term of more than 12 months, unless the underlying asset is of low value. Future leases after 1 October 2019 with a term of more than 12 months will be recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- payments of penalties for terminating lease, if the lease reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If it cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms.

The Group has analysed all their leases and have determined that the appropriate interest rate to calculate the net present value due to the adoption of AASB 16 would be the incremental borrowing rate. Currently, all right of use assets are calculated based on an interest rate of 2.95% p.a.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Notes to the Financial Statements

For the Year Ended 30 September 2020

3 Critical Accounting Estimates and Judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included below.

Going Concern

The directors have prepared the financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has a working capital deficit of \$1,237,611 and net cash outflows for the 30 September 2020 financial year of \$ 81,512 (2019: outflow \$513,103). The Group incurred a loss for the year of \$889,388 and has net operating cash outflows for the year of \$223,846.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are aware that the Group's ability to continue as a going concern, and to fund its exploration and evaluation activities is dependent on the Group securing further working capital sourced from one or more of the following alternatives:

Capital market raising such as:

- Private placement
- Entitlements issue
- Share purchase plan

Borrowings from related or third parties.

Farming out assets to recoup past costs and reduce expenditure obligations.

The Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs. The directors are therefore of the opinion that the use of going concern basis is appropriate in the circumstances.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

Share-based payments

The fair value of share options is measured using the binomial options pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term) and weighted average expected life of the instruments (based on historical experience), expected dividends (if any) and the risk-free interest rate (based on government bonds). Service and non-market conditions are not taken into account in determining fair value.

Notes to the Financial Statements

For the Year Ended 30 September 2020

4 Revenue and Other Income

Accounting Policy

Other income is recognised when the amount can be reliably measured and the right to receive the income is passed to the Group.

Revenue from continuing operations

	2020	2019
	\$	\$
Administrative services	-	320,000
Other income	10,400	-
Interest received	1	1,545
Joint Venture Receipts	345,205	-
Total Revenue	355,606	321,545

5 Net Finance Costs

Accounting Policy

Net finance costs comprise income on funds invested and interest expense on borrowings. Interest income and interest expense on short term borrowings is recognised as it accrues in profit or loss, using the effective interest method.

The result for the year was derived after charging / (crediting) the following items:

	2020	2019
	\$	\$
Finance Costs		
Financial liabilities measured at amortised cost:		
- Interest paid	6,938	3,787
Total finance costs	6,938	3,787

Notes to the Financial Statements

For the Year Ended 30 September 2020

6 Income Tax Expense

Accounting Policy

Income tax expense comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probably that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(a) Amounts recognised in profit or loss:

	2020	2019
	\$	\$
Current tax benefit		
Current period	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Total income tax benefit	<u>-</u>	<u>-</u>

(b) Reconciliation of effective tax rate:

	2020	2019
	\$	\$
Loss for the period	(889,388)	(661,640)
Applicable Group domestic income tax rate	27.50%	27.50%
Loss excluding income tax	(889,388)	(661,640)
Add:		
Tax effect of:		
- Income tax using the Group's domestic tax rate of 27.5% (2019: 27.5%)	(244,582)	(181,951)
- non-deductible expenses	-	(726)
- Tax losses carried forward and other timing differences not brought to account	244,582	182,677
Income tax expense	<u>-</u>	<u>-</u>

Notes to the Financial Statements
For the Year Ended 30 September 2020

6 Income Tax Expense (continued)

(b) Reconciliation of effective tax rate (continued)

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits up to \$8,653,818 (2019: \$8,409,236) attributed to tax losses have not been brought to account.

The benefit of these tax losses will only be obtained if:

- i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- ii) the conditions for the deductibility imposed by tax legalisation continue to be complied with;
- iii) no changes in tax legislation adversely affect the Group in realising the benefit; and
- iv) satisfaction of either the continuity of ownership or the same business.

(c) Unrecognised deferred tax assets and liabilities:

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	2020	2019
	\$	\$
Deferred tax liabilities (DTLs)		
Prepaid expenditure	-	-
Set-off against DTAs	-	-
	<u>-</u>	<u>-</u>
Deferred tax assets (DTAs)		
Share issue costs	28,509	28,509
Exploration expenditure	74,395	74,395
Carry forward tax losses	8,548,722	8,304,140
Other	2,192	2,192
DTAs not brought to account	<u>8,653,818</u>	<u>8,409,236</u>

There were no unregistered deferred tax liabilities.

The Group does not recognise deferred tax.

Notes to the Financial Statements

For the Year Ended 30 September 2020

7 Operating Segments

Information about reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being oil and gas exploration and evaluation.

Reportable segments disclosed are based on aggregating tenements where the evaluation and exploration interests are considered to form a single project. This is indicated by:

- having the same ownership structure;
- exploration being focused on the same petroleum resource or type of petroleum resource; and
- exploration programs targeting the tenements as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the tenements.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating tenements, are determined in accordance with *AASB 8 Operating Segments*.

Information provided to the Board of Directors is consistent with information presented in the Consolidated Statement of Profit or Loss and Consolidated Statement of Financial Position on pages 25 and 26 respectively.

8 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

	2020	2019
	\$	\$
Cash at bank and in hand	7,317	88,829
	<u>7,317</u>	<u>88,829</u>

9 Trade and Other Receivables

Accounting Policy

Trade receivables are recognised initially at the value of the invoice sent to the counter-party and subsequently at the amounts considered recoverable (amortised cost). Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding charge to the consolidated statement of profit or loss.

	2020	2019
	\$	\$
<i>Current</i>		
GST	35,212	1
Total current trade and other receivables	<u><u>35,212</u></u>	<u><u>1</u></u>

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Notes to the Financial Statements

For the Year Ended 30 September 2020

9 Trade and Other Receivables (continued)

	2020	2019
	\$	\$
<i>Non-Current</i>		
Deposits	41,742	29,093
Total non-current trade and other receivables	41,742	29,093

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

10 Intangible Assets

Accounting Policy

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included profit or loss.

	Right of Use Asset
	\$
At Cost	
At 1 October 2019	-
Additions	-
At 30 September 2019	-
Additions	89,452
At 30 September 2020	89,452
Amortisation and impairment	
At 1 October 2019	-
Amortisation charge for the year	-
At 30 September 2019	-
Amortisation charge for the year	14,729
At 30 September 2020	14,729
Net book value	
At 30 September 2019	-
At 30 September 2020	74,723

Notes to the Financial Statements

For the Year Ended 30 September 2020

11 Trade and Other Payables

Accounting Policy

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid at the end of the month following date of recognition.

	2020	2019
	\$	\$
<i>Current</i>		
Trade payables	493,446	13,541
	<u>493,446</u>	<u>13,541</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

12 Employee Benefits

	2020	2019
	\$	\$
<i>Current liabilities</i>		
Provision for employee benefits	11,959	2,653
	<u>11,959</u>	<u>2,653</u>

13 Other Liabilities

	2020	2019
	\$	\$
<i>Other liabilities</i>		
Accrued consulting fees	678,900	439,780
Loans from related parties	42,500	-
	<u>721,400</u>	<u>439,780</u>

14 Financial Liabilities

	2020	2019
	\$	\$
<i>Current</i>		
Insurance premiums	9,051	-
Lease liabilities	44,284	-
Convertible notes at face value	-	300,000
Accrued interest	-	3,787
	<u>53,335</u>	<u>303,787</u>

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Notes to the Financial Statements

For the Year Ended 30 September 2020

14 Financial Liabilities (continued)

	2020	2019
	\$	\$
<i>Non-Current</i>		
Lease liabilities	34,080	-
	<u>34,080</u>	<u>-</u>

15 Issued Capital

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

	2020	2019
	\$	\$
Ordinary shares	44,525,754	44,149,754
Total	<u>44,525,754</u>	<u>44,149,754</u>

(a) Ordinary shares

	2020	2019
	No.	No.
At the beginning of the reporting period	79,470,642	63,576,514
Placement of fully paid ordinary shares at 0.3 cents each	-	15,894,128
Allotment of fully paid ordinary shares at 1.44 cents each	21,458,332	-
Allotment of fully paid ordinary shares at 2 cents each	5,000,000	-
At the end of the reporting period	<u>105,928,974</u>	<u>79,470,642</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The Company does not have authorised capital or par value in respect of its shares.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's debts. Throughout the year, the Company has complied with these covenants.

Notes to the Financial Statements

For the Year Ended 30 September 2020

16 Reserves

(a) Reserves

	2020	2019
	\$	\$
Share-based Payments Reserve	-	189,000
Total	-	189,000

(b) Share-based Payments Reserve

Equity-settled share option programme

The Company adopted an Employee Share Options Scheme (ESOS) effective 23 February 2010. Under the ESOS, the Company may grant options and rights to Company eligible employees to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is estimated using the Black-Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and is granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is 5 years from grant date and are settled in cash.

Options may not be transferred other than to an associate of the holder.

Accounting Policy

The share option programme allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses.

The share-based payment expense included within the consolidated statement of comprehensive profit or loss can be broken down as follows:

	2020	2019
	\$	\$
(a) Expensed in personnel expenses (director remuneration)		
Options issued to directors	-	-
(b) Expensed in professional fees		
Options issued to advisors	-	-
Total	-	-

No new options have been issued during the year.

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Notes to the Financial Statements

For the Year Ended 30 September 2020

16 Reserves (continued)

(b) Share-based Payments Reserve (continued)

Options (continued)

At 30 September 2020, a summary of the Company options issued and not exercised are as follows:

Grant Date	Vesting Date	Expiry Date	Exercise price (cents)	Balance at the start of the year	Granted during the year	Forfeited or exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
23 June 2016	23 June 2017	31 December 2019	0.20	1,200,000	-	(1,200,000)	-	-
23 June 2016	23 June 2018	31 December 2019	0.20	1,400,000	-	(1,400,000)	-	-
				2,600,000	-	(2,600,000)	-	-

During the year ended 30 September 2020, 2,600,000 options expired, and no options were modified (2019: 900,000 options expired, no options modified).

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Notes to the Financial Statements

For the Year Ended 30 September 2020

16 Reserves (continued)

(b) Share-based Payments Reserve (continued)

Options (continued)

At 30 September 2019, a summary of the Company options issued and not exercised are as follows:

Grant Date	Vesting Date	Expiry Date	Exercise price (cents)	Balance at the start of the year	Granted during the year	Forfeited or exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
06 August 2015	7 August 2015	30 June 2019	0.10	500,000	-	(500,000)	-	-
17 November 2015	18 November 2015	30 June 2019	0.10	400,000	-	(400,000)	-	-
23 June 2016	23 June 2017	31 December 2019	0.20	1,200,000	-	-	1,200,000	1,200,000
23 June 2016	23 June 2018	31 December 2019	0.20	1,400,000	-	-	1,400,000	1,400,000
				3,500,000	-	(900,000)	2,600,000	2,600,000

During the year ended 30 September 2019, 900,000 options expired, and no options were modified (2018: no options expired, no options modified).

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Notes to the Financial Statements For the Year Ended 30 September 2020

16 Reserves (continued)

(b) Share-based Payments Reserve (continued)

Performance Rights

2020

No performance rights were on issue as at 30 September 2020.

2019

No performance rights were on issue as at 30 September 2019.

17 Loss per Share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

As the Group is in a loss position, there is no diluted EPS calculated.

(a) Reconciliation of earnings to profit or loss from continuing operations

	2020	2019
	\$	\$
Loss from continuing operations	(889,388)	(661,640)

(b) Earnings used to calculate overall earnings per share

Loss used to calculate overall loss per share	(889,388)	(661,640)
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(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2020	2019
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	88,569,571	79,427,096

18 Capital and Other Commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the requirements specified by the State Government. These obligations are subject to negotiation when application for a petroleum exploration lease is made and at other times. These commitments are not provided for in the financial report and are payable as follows:

	2020	2019
	\$	\$
Not later than one year	-	297,785
Between one and five years	-	20,168,955
	-	20,446,740

Notes to the Financial Statements

For the Year Ended 30 September 2020

19 Financial Risk Management

Accounting Policy

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with AASB 139 *Financial Instruments*:

- Loans and receivables – separately disclosed as cash and cash equivalents and trade and other receivables;
- Financial liabilities measured at amortised cost – separately disclosed as borrowings and trade and other payables

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

Recognition and de-recognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Notes to the Financial Statements

For the Year Ended 30 September 2020

19 Financial Risk Management (continued)

Liquidity Risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The Group's liabilities have contractual maturities which are summarised below excluding the impact of netting arrangements:

	Carrying amount		Contractual cash flows		12 months or less	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Trade and other payables	493,446	13,541	493,446	13,541	493,446	13,541
Other liabilities	721,400	439,780	721,400	439,780	721,400	439,780
Financial liabilities	87,415	303,787	87,415	303,787	53,335	303,787
Salary and superannuation accrual	11,959	2,653	11,959	2,653	11,959	2,653
Total	1,314,220	759,761	1,314,220	759,761	1,280,140	759,761

The balances above will not always agree to the financial statements as the contractual cash flows above are undiscounted. The carrying amount is the balance as recognised in the statement of financial position.

Notes to the Financial Statements

For the Year Ended 30 September 2020

19 Financial Risk Management (continued)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties .

On a geographical basis, the Group has significant credit risk exposures in Australia given the substantial operations in those regions.

The balances of receivables that remain within initial trade terms are considered to be of high credit quality.

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

There are no balances within trade receivables that contain assets that are not impaired and are past due. It is expected that these balances will be received when due.

Notes to the Financial Statements

For the Year Ended 30 September 2020

19 Financial Risk Management (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US Dollars.

To mitigate the Group's exposure to foreign currency risk, non-Australian Dollar cash flows are monitored, and a USD bank account is maintained.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

In order to monitor the effectiveness of this policy, the Board receives a monthly report showing the settlement date of transactions denominated in non-Australian Dollar currencies and expected cash reserves in that currency.

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

	USD
2020	\$
Nominal amounts	
Financial assets	<u><u>2,039</u></u>
2019	
Nominal amounts	
Financial assets	<u><u>3,242</u></u>

Notes to the Financial Statements

For the Year Ended 30 September 2020

19 Financial Risk Management (continued)

Market Risk (continued)

Foreign exchange risk (continued)

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the US Dollar – Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years.

It assumes a +/- 10% change of the Australian Dollar / US Dollar exchange rate for the year ended 30 September 2020 (30 September 2019: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

The year-end rate is 1 USD: 1.4006 AUD.

If the Australian Dollar had strengthened and weakened against the USD by 10% (30 September 2019: 10%) then this would have had the following impact:

	2020		2019	
	+10%	-10%	+10%	-10%
USD				
Net results	(285.57)	744.02	(324.24)	1,080.28

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Notes to the Financial Statements

For the Year Ended 30 September 2020

19 Financial Risk Management (continued)

Fair Value Measurement

A number of The Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurable date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurable date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

Cash and cash equivalents, trade and other receivables, trade creditors, other creditors, accruals and employee entitlements have been excluded from the above analysis as their fair values are equal to the carrying values.

20 Key Management Personnel Remuneration

Accounting Policy

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Share-based payments

The policy relating to share-based payments is set out in note 16(b).

Key management personnel remuneration included within employee expenses for the year is shown below:

	2020	2019
	\$	\$
Short-term employee benefits	445,630	246,632
Other long-term employee benefits	3,470	8,531
	<u>449,100</u>	<u>255,163</u>

Notes to the Financial Statements

For the Year Ended 30 September 2020

21 Auditor's Remuneration

	2020	2019
MNSA	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial reports	26,306	26,063
Total remuneration for audit and other assurance services	26,306	26,063
Total remuneration of MNSA	26,306	26,063

22 Subsidiaries

The subsidiary's listed below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. Under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 there is no requirement for these subsidiaries to prepare or lodge a financial report and directors' report.

The subsidiaries subject to the deed are:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2020 %	2019 %
Rampart Energy (USA) Pty Ltd	Dormant	Australia	30 September	100	100
Rampart Alaska LLC	Dormant	USA	31 December	100	100
Spring River Resources	Dormant	USA	31 December	100	100

These companies represent a closed group for the purposes of the class order.

23 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 September 2020 (30 September 2019: None).

24 Related Parties

(a) The Group's main related parties are as follows:

Key management personnel can be found in the remuneration report on page 16.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

- On 27th March 2020, a \$50,000 interest free loan was received from Southernpec (Australia) Pty Ltd. A further \$30,000 interest free loan was received on 29th July 2020. All amounts were repaid by 2nd October 2020.
- On 10th September 2020, Pilot received an interest free loan of \$12,500 from Royal Energy Pty Ltd. An increase to the loan of \$37,500 occurred on 12th November 2020.

Pilot Energy Limited

A.B.N 86 115 229 984

Notes to the Financial Statements

For the Year Ended 30 September 2020

25 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

	2020	2019
	\$	\$
Loss for the year	(889,388)	(661,640)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- accrued interest	6,526	3,787
- net profit in foreign exchange translation	167	(383)
- rent amortisation	14,729	-
- rent payments	(11,500)	-
- Other non-cash transactions	(24,851)	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(47,860)	77,404
- increase/(decrease) in trade and other payables	479,905	95,810
- increase/(decrease) in other liabilities	239,120	(320,000)
- (decrease)/increase in employee benefits	9,306	(8,081)
Cash flows (used in) operations	<u>(223,846)</u>	<u>(813,103)</u>

26 Events Occurring After the Reporting Date

On 4th September 2020, it was announced that Pilot Energy is commencing a feasibility study to pursue the development of an offshore wind and onshore wind and solar project to be located along the Mid West Region of Western Australia.

A General Meeting was held on 10th December which passed all resolutions.

Further to the announcement on 8th September 2020 Pilot has acquired an additional 40% interest in WA-481-P in return for 21,000,000 shares. The first tranche of 4,276,703 shares were allotted on 7th October 2020. The remaining shares will be issued shortly after receiving shareholder approval. This was approved at the General Meeting dated 10th December 2020.

As announced on 25th September 2020, the Company's Share Purchase Plan (SPP) opened on 7th October 2020 and was fully underwritten to \$500,000. Further, subject to shareholder approval, 7,575,757 free-attaching options to SPP participants on a 2:1 basis were to be issued. Both, resolutions were approved at the General Meeting on 10th December 2020.

As announced on 25th September 2020, the first tranche of 15,909,097 shares were issued at 3c per share on 1 October 2020. Subject to shareholder approval, 7,954,545 Options will be issued to complete tranche one. Further to this, Tranche 2 will consist of the issue of 59,848,479 shares and 29,924,238 Options and is subject to shareholder approval. Both Tranche 1 options and Tranche 2 shares and Options were approved at the General Meeting on 10th December 2020.

Further to the announcement on 25th September 2020, shareholder approval was received at the General Meeting on 10th December 2020 to issue the 10,000,000 Options to Bridge Street Capital.

As announced on 9th November 2020, Pilot has entered into an agreement to sell a 78.75% interest in and operatorship of WA-481-P to Triangle Energy (Global) Ltd. Pilot is to receive \$300,000 and be free-carried through completion of Year 3 work programme commitments of \$5.5 million.

As announced on 10th November 2020, 4,123,485 shares are proposed to be issued to Castle Rock Energy Pty Ltd shortly after receiving shareholder approval. This was approved at the General Meeting on 10th December 2020.

As announced on 10th November 2020, 10,000,000 options are proposed to be issued to Bradley Lingo shortly after receiving shareholder approval. This was approved at the General Meeting on 10th December 2020.

Pilot Energy Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2020

26 Events Occurring After the Reporting Date (continued)

On 25th November 2020, Pilot announced the results of the SPP which closed on 20th November. The total of applications accepted from eligible shareholders totalled \$115,500 and resulted in the issue of 3,500,000 shares on 27th November 2020.

On 1st December 2020, Pilot announced the resignation of Dr Walker Li and Dr Guoping Bai as directors of the company.

There have been no material impacts from COVID-19 after balance date.

27 Parent Entity

The following information has been extracted from the books and records of the parent, Pilot Energy Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Pilot Energy Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Statement of Financial Position	2020	2019
Assets	\$	\$
Current assets	42,529	88,830
Non-current assets	116,465	29,093
Total Assets	158,994	117,923
Liabilities		
Current liabilities	1,280,140	759,761
Non-current liabilities	34,080	-
Total Liabilities	1,314,220	759,761
Equity		
Issued capital	44,525,754	44,149,754
Reserves	-	189,000
Accumulated losses	(45,680,980)	(44,980,592)
Total Equity	(1,155,226)	(641,838)
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	(889,388)	(661,640)
Total comprehensive loss	(889,388)	(661,640)

Guarantees

The parent entity has entered into a Deed of Cross-Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Details of the Deed of Cross-Guarantee and the entity subject to the deed are disclosed in note 22.

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 September 2020 or (2019: Nil).

Contractual commitments

The parent entity did not have any commitments as at 30 September 2020 or (2019: Nil).

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 September 2020 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion and having regard to note 3 in the financial statements, and in specific continuing to secure future working capital sourced from private placements, borrowings and farm out there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Bradley Lingo
Chairman & Executive Director

Dated at Sydney, New South Wales this 14th December 2020



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PILOT ENERGY LIMITED ABN 86 115 229 984
AND CONTROLLED ENTITIES**

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Pilot Energy Limited (the Company) and controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 September 2020, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 September 2020 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding to Going Concern

We draw attention to Note 3 in the financial report which describes the events and/ or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realize its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are independent of the Group in accordance with *the Corporations Act 2001* and the Ethical Requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<h4>Going Concern</h4> <p>Following operating losses and cash flow deficits there is a heightened degree of judgment as to the group's ability to repay loans and liabilities throughout the going concern assessment period. Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management's disclosure to be a key risk.</p>	<p>We have challenged the key assumptions in management's forecast cash flows for the next 12 months (base case and downside possibilities) by:</p> <ul style="list-style-type: none"> • considering cash flow forecasts provided and questioning management on assumptions used when formulating cash inflows and outflows; • assessing the historical accuracy of forecasts prepared by management; • testing the mechanical accuracy of the model used; • performing stress tests for a range of reasonably possible scenarios on management's cash flow for the going concern period; • challenging management's plans for mitigating any identified exposures, including their ability to obtain additional sources of financing or undertake additional asset disposals; and • considering whether the disclosures relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear.



Other Information

The directors of Pilot Energy Limited are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 September 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2020.

In our opinion the remuneration report of Pilot Energy Limited for the year ended 30 September 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Pilot Energy Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 14th day of December 2020

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Additional Information for Listed Public Companies

30 September 2020

The shareholder information set out below was applicable as at 2 December 2020

Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	171	24,641	0.02
1,001 – 5,000	65	213,161	0.16
5,001 – 10,000	120	933,746	0.72
10,001 – 100,000	320	12,005,421	9.26
100,001 and over	110	116,437,799	89.83
Total	786	129,614,768	100.00

There were 401 holders of less than marketable parcel of ordinary shares.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholders	Number of Shares
West Energy Pty Ltd	21,458,332
Walkerindo Nustama Mandiri	15,894,128
GS Energy Pty Ltd	14,814,940
Billion Power Capital Investment Pty Ltd	7,407,600
Giant Rainbow Investments Limited	5,464,750

Voting rights

Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options and rights

No voting rights.

Options

There are no options on issue.

Additional Information for Listed Public Companies

30 September 2020

Twenty Largest Shareholders

Shareholders	Ordinary Shares	
	Number Held	% of issued shares
West Energy Pty Ltd	21,458,332	16.56
Walkerindo Nustama Mandiri	15,894,128	12.26
GS Energy Pty Ltd	14,814,940	11.43
Billion Power Capital Investment Limited	7,407,600	5.72
Giant Rainbow Investments Limited	5,465,740	4.22
Dvac Holding Pty Ltd	5,000,000	3.86
Key Perth Basin Investments	4,276,703	3.30
Pine Street Pty Ltd	3,754,892	2.90
Sunpex International Pty Ltd	3,703,740	2.86
Sergent Holdings Pty Ltd	2,209,411	1.70
Mr Thomas Fritz Ensmann	1,980,000	1.53
Mr Peter Fabian Hellings &	1,900,000	1.47
Yucaja Pty Ltd	1,777,792	1.37
Mr Darren John Hall	1,301,595	1.00
Mr Paul St Wood	1,100,000	0.85
Mr Ross Di Bartolo	1,001,762	0.77
BNP Paribas Nominees Pty Ltd	882,600	0.68
Mr William David Copland &	877,424	0.68
Melinda Louise Patton Pty Ltd	734,491	0.57
Petra Cotes Pty Ltd	669,000	0.52

Permits Listing

Permit Location	Permit Numbers	Status	Percentage Interest %
South Perth Basin	EP 416	Granted	60
South Perth Basin	EP 480	Granted	60
North Perth Basin	EP 437	Granted	13.058
Offshore WA	WA 481-P	Granted	60
Offshore WA	WA 503-P	Granted	80