



Annual Report 2021

For the year ended 30 September 2021

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Corporate Directory

Directors	Bradley Lingo (<i>Executive Chairman</i>) Anthony (Tony) Strasser (<i>Managing Director</i>) Daniel Chen (<i>Non-Executive Director</i>) Bruce Gordon (<i>Non-Executive Director</i>)
Company Secretary	Cate Friedlander
Registered and Principal Office	Level 1, 85 Elizabeth Street Paddington NSW 2021 www.pilotenergy.com.au info@pilotenergy.com.au
Auditors	MNSA Pty Ltd Level 1, 283 George Street Sydney NSW 2000
Legal Advisers	MinterEllison Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000 Squire Patton Boggs Level 17, 88 Phillip Street Sydney NSW 2000
Share Registry	Boardroom Pty Limited Level 12, 225 George St, Sydney NSW 2000
ASX Code	ASX: PGY
Legal Form of Entity	Public Company
Country of Incorporation and Domicile	Australia

Chairman's Letter

Dear Shareholder,

On behalf of the board of directors of Pilot Energy Limited ('Pilot', or the 'Company') it is my pleasure to present the 2021 Annual Report.

In 2020 major shareholders of the Company recognised that a growing interest in clean energy sources and the emergence of the COVID-19 pandemic was resulting in significant decline in investor interest in traditional oil and gas exploration and production businesses and as such Pilot needed a change of strategy. In responding to shareholders, the Board undertook in the first half of CY 2020 a strategic review of Pilot's assets at that time.

A major outcome of this review was the recognition that the Company held 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 recognised 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 repurposed to build the future of the Company around the energy transition. The business plan is in place and the Company is aggressively pursuing the diversification and transition to the development of integrated renewable energy, hydrogen and carbon management projects by leveraging its existing oil and gas tenements and infrastructure to cornerstone these developments.

In implementing the new energy transition strategy, the 2020/2021 year has been a very exciting time in the repositioning of Pilot Energy and in particular with the successful conclusion of key transactions which has set the foundations for the energy transition pathway. These include the following:

- Completion of the acquisition of Royal Energy Pty Ltd (and gaining exposure to a strategic interest in the Cliff Head Oil Field and associated infrastructure) on 1 June 2021. Following completion, Tony Strasser joined Pilot as the Company's Managing Director;
- Recapitalising the Company by successfully raising \$11 million from institutional and sophisticated investors; and
- Commencing the Mid West and South West Feasibility Studies with Australian and world leading engineering consultants and advisers. These Studies will form the basis for the development pathway for the CCS, hydrogen and renewables projects.

Furthermore, we have also made significant advancements with key partners in the region, namely APA and Warrego who have partnered with Pilot in the Mid West Hydrogen and CCS Feasibility study. The consortium represents an exciting evolution of Pilot's business plan with the participation of key Australian energy industry participants supporting Pilot's feasibility studies and vision for the Mid West Blue Hydrogen project.

I would like to thank fellow directors, Tony Strasser (Managing director), Daniel Chen and Bruce Gordon, and Cate Friedlander (In house legal counsel and Company Secretary) and Nick Watson (Head of Commercial & Renewables) for their continued dedication and hard work with the single focus of the leading the Company through a complex transition from a junior oil & gas exploration and production company to a significant operator and provider of clean energy (through CCS, hydrogen and renewables projects) into Western Australia.

To our shareholders, we thank you for your ongoing support during the year. With significant progress with the recapitalisation of the Company, a renewed energetic management team, and the engagement of blue chip world renowned consultants who have commenced the energy transition feasibility studies, Pilot is set for an exciting year of partnership and development.

Yours faithfully,



For and on behalf of the Board
Brad Lingo, *Chairman*

Review of Operations

As at 30 September 2021

Highlights

- Completion of \$3 million equity capital raising via share placement to institutional and sophisticated investors in November 2020 (\$2.5 million) and fully underwritten share purchase plan in January 2021 (\$0.5 million).
- Capital raising of \$8 million completed in August 2021 following shareholder approval. Funds raised have provided sufficient capital to conclude the Feasibility Studies, Cliff Head expenditure and corporate costs.
- Following satisfaction of key conditions including the capital raising, the Company was reinstated to the ASX Official List on 11 August 2021. In parallel with reinstatement the Company issued a prospectus dated 9 August 2021 to raise a nominal amount (\$1000) and to remove any trading restrictions that may have previously attached to shares issued before the closing date of the prospectus.
- Major restructure of the ownership of offshore Perth Basin exploration permit WA-481-P securing \$300,000 in cash and 3-year work programme full carry valued at approximately \$1.2 million. Formation of the Cliff Head Wind & Solar Project Joint Venture with Triangle Energy and Pilot as 80% owner and operator centred on the Cliff Head Offshore Oil Field (Transaction remains subject to regulatory approval of the WA-481P transfer).
- Acquisition of additional interest in South Perth Basin exploration permits which provides foundation for the South West Blue Hydrogen and Carbon Capture Storage Project.
- Submission of expression of interest for the Oakajee Strategic Industrial Area Renewable Hydrogen Project to the Government of West Australia providing comprehensive renewable energy, hydrogen, and carbon management solutions.
- Grant funding application submitted for funding under the Commonwealth Government's Carbon Capture, Use and Storage Development Fund to accelerate two Western Australian CCS projects.
- Completed the acquisition of Royal Energy Pty Ltd (and interest in the Cliff Head Oil Field) on 1 June 2021. Following completion, Tony Strasser (Managing Director) and Bruce Gordon (Non-Executive Director) joined the Pilot Board and executive team.
- Key consultants engaged to conduct Feasibility Studies for Mid West WA Blue Hydrogen and Mid West WA Wind and Solar Projects.

Subsequent to the end of the year:

- Pilot formed consortium with APA Group and Warrego Energy to jointly undertake and fund Pilots Mid West Blue Hydrogen and CCS Feasibility Study. Consortium to work with leading consultants contributing funding and sector expertise, further strengthening the team working on the study.
- Pilot commenced the South West Carbon Management and Blue Hydrogen Feasibility Study with RISC, Genesis and Technip. The study will explore the opportunity to capture and store the South West Western Australian regions CO2 and flue gas emissions generated in the Kwinana Industrial Precinct, in addition to the potential development of a Blue Hydrogen project.
- Pilot finalised farmin terms with Advanced Energy Transition Pty Ltd to drill one exploration well in either EP 416 or EP 480 which overlie the Western Australian Government-sponsored South West Hub Carbon Capture & Storage Project and to test the natural gas potential of the Leschenault Gas Prospect .
- Cliff Head joint venture (CHJV) completed a lifting on 26th October 2021, of 107,000 bbls of Cliff Head crude under the Offtake Agreement with BP Singapore, with the CHJV receiving approximately A\$10.7 million in November 2021.
- Grant funding applications submitted for funding under the Carbon Capture, Use and Storage Hubs and Technologies Program – Technologies Stream to progress a CCS project to final investment decision and complete Front End Engineering and Design (FEED) on an innovative Blue Hydrogen production technology designed to optimise the CO2 stream for capture and storage.

Review of Activities

Corporate Activities

Capital Raising / Share Issues

- From November 2020 – January 2021, the Company raised \$3.0 million of equity funds at an issue price of \$0.033, being \$2.5M via share placement to institutional and sophisticated investors and \$0.5M via a fully underwritten share purchase plan. The total number of shares issued pursuant to this placement was 90,909,091.
- In July/August 2021, the Company raised \$8.0 million of equity funds at an issue price of \$0.06 via share placement to institutional and sophisticated investors. The total number of shares issued pursuant to this placement was 133,333,333.

Other Share Issues

- On 6 October 2020, Pilot entered into a Sale and Purchase Agreement with Key Petroleum Limited (“Key”) pursuant to which Pilot acquired Key’s 40% interest in WA-481-P (previously announced on 8 September 2020). Completion of this transaction occurred on 18 December 2020. Pilot currently holds a 100% beneficial interest of WA 481-P (transfer of KEY’s 40% registered interest remains subject to regulatory approval). Under the SPA, the consideration payable by Pilot to Key comprised the issue of 21,000,000 fully paid ordinary shares in the capital of the Company. The first tranche of 4,276,703 shares was issued in October 2020, and the remaining 16,723,297 shares were issued on 17 December 2020.
- As announced to the market on 31 May 2021, on completion of the acquisition agreement entered into between Pilot and Royal Energy Pty Ltd (“Royal”) in September 2020, and in consideration for the transfer of all the issued shares in Royal, Pilot issued a total of 143,900,000 shares in the Company to the Royal shareholders and their advisers to the transaction RFC Ambrian, as well as 3,598,485 shares to Castle Rock Pty Ltd as part of the transaction costs.

- During the September 2021 quarter, the Company issued a total of 2,367,431 Shares pursuant to a contractual settlement between Pilot and Black Swan Resources Pty Ltd in connection with WA 503 P, to investor(s) under the Prospectus, and to option holders on the conversion of options. Details of the shares issued are set out in the prospectus issued on 9 August 2021 and in subsequent ASX announcements on 20 August 2021 and 30 September 2021.

Capital Structure

As at the date of this Report, the Company has the following capital structure:

- 501,601,701 ordinary, fully paid shares on issue; and
- 77,999,971 outstanding (unlisted) options, as follows:

As specified in section 2.6 of the prospectus lodged with ASX and announced to the market on 9 August 2021, with following key terms:

- 7,090,910 options expiring 18 December 2022 (exercise price - \$0.033)
- 37,575,727 options expiring 18 December 2022 (exercise price - \$0.066)
- 10,000,000 options expiring 13 January 2023 (exercise price - \$0.066)
- 10,000,000 options expiring 4 November 2025 (exercise price - \$0.070); and
- 13,333,334 options issued to 8 Rivers Capital LLC (“8RC”) on 11 November 2021 expiring on 2 November 2024 (exercise price of \$0.08). As announced on 12 August 2021, these options were to be issued in part payment of fees due and payable to 8RC for services provided under the Mid West Feasibility Study.

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ASX Reinstatement

- On 10 February 2021, the Company requested a trading halt (and subsequent periods of voluntary suspension) pending the announcement of discussions relating to a potential acquisition at that time. Following months of consultation with the ASX and satisfaction of key conditions including the capital raising as mentioned above and the confirmation referred to below, the Company was reinstated to the ASX Official List on 11 August 2021. In parallel with reinstatement the Company issued a prospectus dated 9 August 2021 to raise a nominal amount (\$1000) and to remove any trading restrictions that may have previously attached to shares issued before the closing date of the prospectus.

ASX Reconciliation

- One of the key conditions for the securities in Pilot to be reinstated to official quotation on ASX referred to above was a requirement that the Company accept and confirm the decision of the ASX regarding the application of ASX Listing Rule Chapter 11 to the Company's proposed transition to the production of wind and solar forms of renewable energy. Chapter 11 of the ASX Listing Rules requires companies seeking to change the nature and scale of their activities to re-comply for listing on ASX.
- Accordingly, Pilot announced to the market on 11 August 2021, that it has accepted and confirmed the decision of ASX that if the Company proceeds beyond the feasibility study stage of the Wind & Solar Project (or incurring expenditure in excess of the \$1,200,000 in relation to the Wind & Solar Project) that will constitute a change in the nature and scale of PGY's activities in terms of ASX Listing Rule 11.1 and PGY will be required under Listing Rule 11.1.3 to comply with all of the requirements of Chapters 1 and 2 of the Listing Rules and, in particular, Listing Rule 1.1 condition 1, before it proceeds beyond the feasibility study or incurs expenditure in excess of the \$1,200,000 on the Wind & Solar Project.

Corporate Governance

- The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, the Company has adopted the fourth edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 February 2019 and became effective for financial years beginning on or after 1 January 2020. The Company's corporate governance statement for the financial year ending 30 September 2021 was approved and adopted by the Board on 13 October 2021. The corporate governance statement is available on Pilot's website.

Review of Operations

Blue Hydrogen and Renewables Feasibility Studies

On 12 August 2021, Pilot announced arrangements with key contractors to commence the Mid West Blue Hydrogen and Renewables feasibility studies.

Pilot is undertaking three studies focused on the Mid West region and an additional study focused on the South West region. The following table provides an overview of the studies and forecast timing.

Feasibility Study	Forecast total cash cost	Timing
Blue Hydrogen Studies		
1. Mid West Blue Hydrogen & CCS	\$0.6m	Q3 FY21 – Q2 FY22
2. Blue Hydrogen and CO2 technology study	\$0.9m	Q3 FY21 – Q2 FY22
3. South West Blue Hydrogen & CCS	\$0.6m	Q3 FY21 – Q2 FY22
Renewables Study		
Mid West Wind & Solar	\$0.9m	Q3 FY21 – Q2 FY22
Total forecast cash cost	\$3.0m	

Since engagement, the consultants for the Mid West Wind & Solar study have progressed their initial assessments of the renewable energy resource potential, the domestic and international hydrogen markets for green hydrogen and basis of design for the project. These aspects coupled with the selection of hydrogen production (via electrolysis) system sizes will guide the review and assessment of project concepts to commercialise the regions renewable energy resources.

The Mid West Blue Hydrogen study consultants have initiated assessments of the Cliff Head CCS capacity and the domestic and international hydrogen markets for blue hydrogen and basis of design for the project. The CCS potential and demand forecast for blue hydrogen guide the review and assessment of project concepts to commercialise the CCS resource.

The Blue Hydrogen and CO2 technology study is focussed on 8 Rivers who developed two powerful technologies that will aid in the global transition to clean energy: the Allam-Fetvedt Cycle for power generation and 8RH2 for hydrogen production. Initial activities include sizing key modules for the power generation and 8RH2 technology suitable for Western Australian conditions and preparing a basis of design.

Subsequent to the end of the financial year, as announced to the market on 21 October 2021, Pilot commenced the South West Carbon Management feasibility study with RISC, Genesis and Technip scopes expanded to cover this additional study. The study will explore the opportunity to capture and store the South West Western Australian regions CO2 and flue gas emissions generated in the Kwinana Industrial Precinct, in addition to the potential development of a Blue Hydrogen project. This additional study is being conducted in parallel with the Mid West studies and is expected to complete in the first quarter of CY2022.

Also subsequent to the end of the year, as announced to the market on 4 November 2021, Pilot along with APA Group (ASX: APA) (“APA”), and Warrego Energy Limited (ASX: WGO) (“Warrego”) (together the “Consortium”) have formed a consortium to undertake and jointly fund Pilot’s Mid West Blue Hydrogen and CCS Feasibility Study.

Blue Hydrogen projects require expertise and collaboration from across the energy industry. Pilot has established the Consortium, which represents the key components of a Blue Hydrogen project:

- APA Group – Infrastructure
- Pilot Energy – Carbon Management
- Warrego Energy – Natural gas supply

The Consortium will participate in and jointly fund the feasibility study with a focus on the Blue Hydrogen technology, regional CCS potential, hydrogen markets, project infrastructure and commercialisation. Pilot will undertake a standalone assessment of the Cliff Head project’s CCS potential to provide the feasibility study with the necessary assumptions regarding the potential CO2 injection rate and CO2 storage capacity.

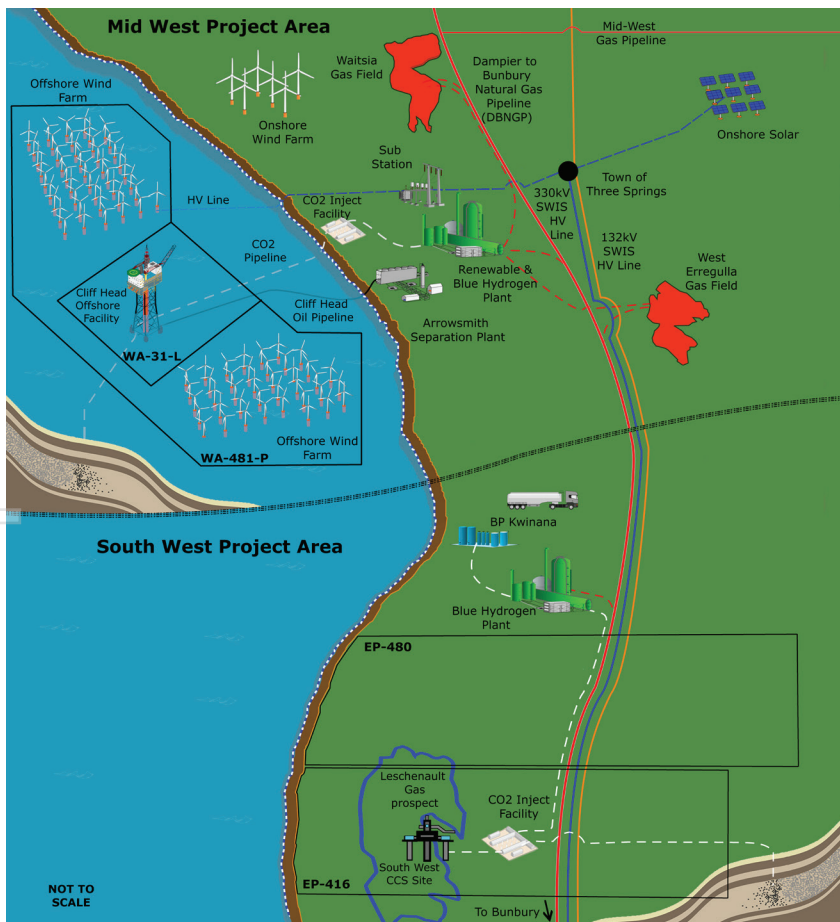


Figure 1. depicts Pilot’s projects and facilities together with infrastructure that Pilot proposes to develop subject to the results of the feasibility studies. Pilot’s future projects anticipate leveraging its existing assets and resources to develop world class clean energy projects across the Mid West and South West regions of Western Australia. The future infrastructure projects may include, as shown above, a CO2 pipeline and injection facility, blue hydrogen plants, CCS sites, offshore and onshore wind, solar, renewable hydrogen plant, substation, transmission lines and hydrogen pipelines.

Figure 1. Pilot’s Mid West and South West project overview in WA

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Oil and Gas Operations

Cliff Head Oil field, Perth Basin, Western Australia

The Cliff Head Oil Field (“Cliff Head”) is located approximately 270km north of Perth and 10km off the coastal town of Dongara in Western Australia at a water depth of 15-20m. The Production Licence WA-31-L covers 72km² and the oil field covers 6km². It was the first commercial oil discovery developed in the offshore Perth Basin with first oil production commencing in May 2006.

The Cliff Head Joint Venture is effectively held by the following group entities:

- Triangle Energy (Global) Limited (ASX: TEG) (“Triangle”): 78.75%
- Pilot Energy Limited: 21.25%¹

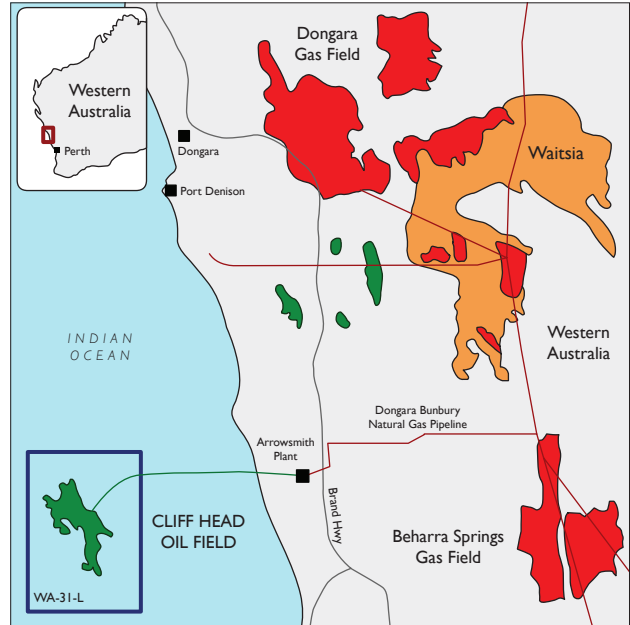


Figure 2. Cliff Head Oil Field Location ■ Oil Field ■ Gas Field
— Oil Pipeline — Gas Pipeline

Facilities and Infrastructure

The Cliff Head facilities are the only offshore and operational onshore infrastructure in the highly prospective Perth Basin, and are therefore important for any exploration success or development in the surrounding area. An unmanned platform in 15m -20m of water with a 14km pipeline, carries the crude oil to a dedicated stabilisation processing plant at Arrowsmith with a production capacity of 15,000bopd. The crude oil is trucked 350km to the BP refinery in Kwinana. The Arrowsmith stabilisation processing plant has the capacity to process third party crude.

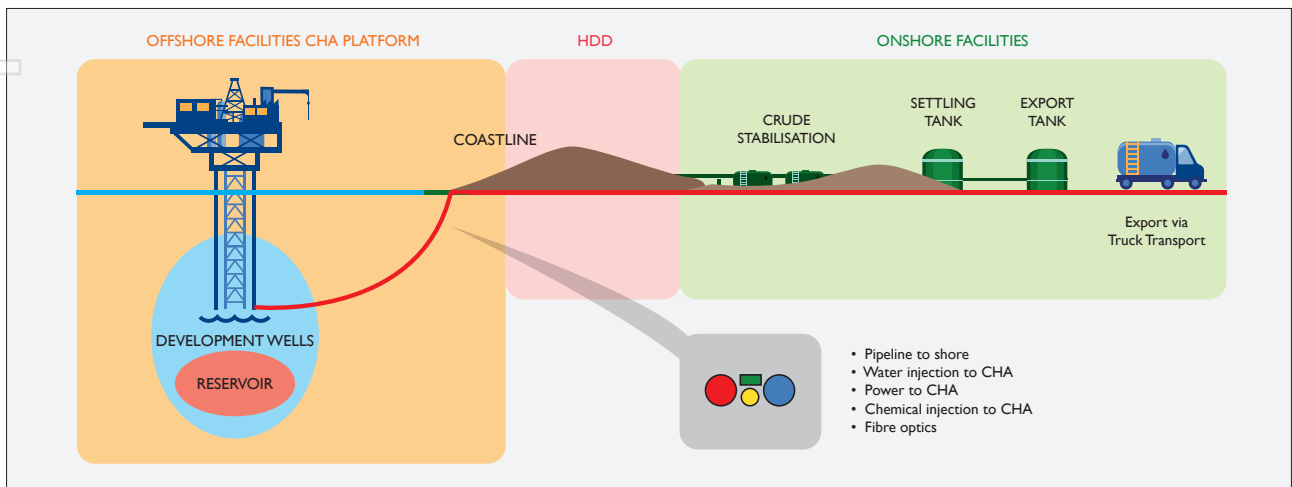


Figure 3. Cliff Head Facilities and Infrastructure

1. Pilot (via its 100% subsidiary, Royal Energy) holds a 50% interest in Triangle Energy (Operations) Pty Ltd (“TEO”) which itself holds a 42.5% direct interest in WA -31 L and the Cliff Head Oil Field project. In accordance with applicable accounting standards, Pilot accounts for this investment on an equity accounting basis.

The remotely operated unmanned offshore platform has five production wells and three water injection wells. The two 14km, 250mm diameter pipelines connect the offshore platform to the onshore crude stabilisation plant. The facility operates on a closed loop water re-injection system.

Operations

The key operational statistics for the year ended 30 September 2021 for the CHJV (100% basis) are set out in the table below.

October 2020 - September 2021	CHJV (100%)	Pilot (21.25%)
Production (bbls)	251,264	53,394
Average production per day (bopd)	688	146
Sales (bbls)	128,729	27,355
Average oil price received A\$ per bbl	68	68
Sales revenue (\$'000)	8,742	1,858
Oil inventory (122,271 bbls) (\$'000)*	7,437	1,580
Routine operating costs (\$000)	(9,282)	(1,972)
Operating Margin (\$'000)	6,897	1,466
Trucking, storage and handling (\$'000)	(1,829)	(389)
Gain/(Loss) from routine operations (\$'000)	5,068	1,077
Non-routine operating costs (\$'000)	(3,848)	(818)
Gain/(Loss) after non-routine costs (before tax) (\$'000)	1,220	259

Notes:

*Crude oil delivered and stored at BP Kwinana recorded as inventory until sale/offtake is completed. Crude oil sale/offtake arrangements with BP Singapore were announced on the ASX 14 October 2021.

**Figures may differ immaterially to Triangles reported numbers due to the exchange rate applied to sales revenue (if applicable), methodology in valuing inventory and classification of non-routine costs.

The Cliff Head Joint Venture (“CHJV”) continued to produce and deliver crude oil to BP Refinery (Kwinana) Pty Ltd (“BP Kwinana”) during the year. Crude oil delivered to BP Kwinana is recorded as oil inventory until sold. Cliff Head financials have continued to improve during the period because of the increase in the crude oil price.

As announced to the market on 27 October 2021, the CHJV completed a lifting on 26th October 2021, of 107,000 bbls of Cliff Head crude under the Offtake Agreement with BP Singapore. The CHJV received USD\$8.1 million in November 2021. In addition, in respect of 10,900 bbls

of Cliff Head crude delivered and sold, in April 2021, under the amendment to the previous Crude Oil Supply Agreement with BP Australia (announced by TEG on 1 March 2021), the CHJV received USD\$0.8 million, at end November 2021.

During the year, workover activities successfully concluded at Cliff Head in relation to CH-6 (to replace failed ESP) and reconfigure the CH-11 completion to increase production. It was confirmed that a downhole electrical fault had caused a shut in on CH-10. Field production has stabilised at circa 750 bopd.

The CHJV made ASX announcements on 22 April 2021 and 14 October 2021 in relation to the execution of the Product Storage and Services Agreement (Storage Agreement) with BP Kwinana Pty Ltd and the binding Offtake Agreement (Offtake Agreement) with BP Singapore Pte Ltd.

The initial term of the Storage Agreement was agreed to be one year from 22 April 2021 and the initial term of the Offtake Agreement is aligned with the term of the Storage Agreement. At the time of signing the Storage Agreement, BP Kwinana and the CHJV agreed to discuss in good faith a possible extension of the term for 1 year or any other term mutually agreed by all parties.

As announced by the CHJV on 29 November 2021, BP Kwinana have indicated to the CHJV that they do not intend to extend the term of the Storage Agreement past 22 April 2022. As the term of the Offtake Agreement is aligned with the term of the Storage Agreement, this will also terminate as at the same date, after the next crude oil lifting by BP Singapore scheduled for April 2022.

The CHJV continues to investigate alternate storage and offtake strategies both domestically and internationally. Through the Mid West Feasibility studies, Pilot is separately assessing opportunities to leverage the existing Cliff Head infrastructure into transitional energy projects which may involve carbon capture and storage and offshore wind.

Cliff Head Offshore compliments proposed Mid West Wind & Solar Project

As outlined numerous ASX releases announcing Pilot's intention to focus on the Mid West Wind & Solar Project, the Company has identified that the area of WA-481-P has significant potential for the commercial development of a large scale offshore wind farm. Anchoring a potential development around the Cliff Head Oil Field offshore facilities can greatly simplify and accelerate the project through leveraging off:

- **existing offshore infrastructure:** facilities, offshore easements and shore crossing;
- **existing onshore facilities and infrastructure;** and
- **historical operating data set:** significant marine, geotechnical, environmental and wind and climatic information built up over the development of the Cliff Head Oil Field and 14-years of operations since production operations commenced in May 2006.

It is estimated by BVG Associates, a leading strategic consultant in renewable energy with significant experience in offshore wind and in advising the oil and gas industry seeking to diversify into renewable energy, that based on an analysis of multiple offshore wind projects located offshore the UK that the cost of offshore substation is approximately 3.5% of the total offshore wind project total cost. The structural component of an offshore substation is approximately GBP 60,000/MW (\$ 106,000/MW) and that the other offshore substation facilities (excluding electrical systems) is an additional GBP 20,000/MW (\$35,000/MW).

On this basis the ability to potentially multitask the Cliff Head Oil Field offshore facilities for the Mid West Wind & Solar Project represents a capital cost component of over \$150 million based on the notional 1.1 GW offshore wind project. The Company is currently undertaking a feasibility study of the Mid West Wind & Solar Project. The study will consider opportunities to integrate the offshore wind project into the existing Cliff Head Oil Field offshore and onshore facilities and operations. The Company believes that the potential integration synergies and cost savings both in development and operation of the offshore wind project are likely to be significant and have the potential to materially improve the projects overall economic attractiveness. Multitasking the CHJV facilities to allow concurrent oil production with offshore wind farm operations, should result in the facilities fixed costs to be allocated across a broader asset base therefore potentially lowering the economic threshold for Cliff Head extension opportunities.

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Exploration permit WA 481P, Perth Basin, Western Australia

During the reporting year, Pilot and Triangle executed the joint venture agreements and access deeds formalising the WA-481-P upstream joint venture and the Cliff Head Wind and Solar joint venture, the signing of which were conditions precedent under the WA-481-P Sale agreement. The remaining condition precedent relates to the Approval and Registration of the transfer of Key’s 40% registered interest to Pilot. The Regulator (NOPTA) is finalising the transfer and during the year Pilot and Triangle have actively assisted NOPTA with assessment of the proposed transfer. Completion of the transaction anticipated to occur in the first quarter 2022. On completion:

- Triangle will Pay Pilot \$300,000 in cash and 100% free carry Pilot through the completion of the Year 3 \$5.75 million minimum work programme, with a value of approximately \$1.23 million for Pilot’s work programme share;
- Triangle operated WA-481-P joint venture (78.75% Triangle, 21.25% Pilot) will commence; and
- Pilot operated Cliff Head Wind and Solar joint venture (Pilot 80%, Triangle 20%) will commence.

Throughout the year Pilot and Triangle have progressed feasibility work and planning for further 3D and 2D seismic acquisition in the permit. The feasibility work has focussed on possible acquisition solutions (e.g. streamer and/or ocean bottom nodes) in the most prospective areas of the permit where water depths range from as shallow as 10 metres, up to around 45 metres.

A recent seismic mapping review of the permit indicates the prospects and leads south of the Cliff Head field to be of primary interest for the joint venture because of their proximity to Cliff Head facilities and favourable position for reservoir presence/quality and hydrocarbon migration. This area will form the basis for defining future seismic line locations.

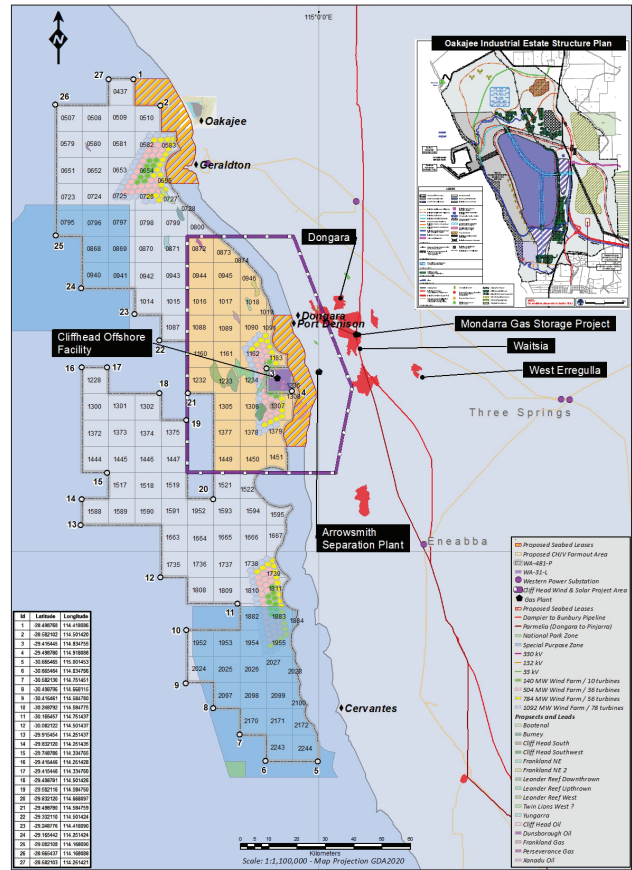


Figure 4. Cliff Head, Mid West Wind and Solar Project Area

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Exploration Permits EP 416 & EP 480, South Perth Basin, Western Australia

In December 2020, Pilot announced the acquisition of the 40% interest held by Energy Resources Limited in both EP 416 and EP 480. Following the acquisition Pilot is the 100% owner/operator of these South Perth Basin (SPB) permits.

The SPB permits cover the area for the Western Australian Government proposed SW Hub CCS Project. The South West Hub is managed by (DMIRS) with funding from the Australian Government’s CCS Flagships program through the Department of Industry, Innovation and Science (DIIS).

The acquisition of the SPB permits provides the foundation for the Company to focus on the South West Blue Hydrogen and CCS Project. Figure 5 shows the exploration permits along with the CCS project areas.

The work undertaken to date by the Western Australian Government and the CSIRO has established that the SW Hub Carbon Capture potential (in a success case) is up to 800,000 tonnes per annum (tpa) to be injected for a period of 30 years and to remain within the reservoir for at least 1000 years. This work forms the foundational data set for Pilot’s South West Carbon management feasibility study.

During the year Pilot and the WA Department of Mines, Industry and Safety agreed to an amended work program for the SPB permits. The amended minimum work programs are summarised in the following table.

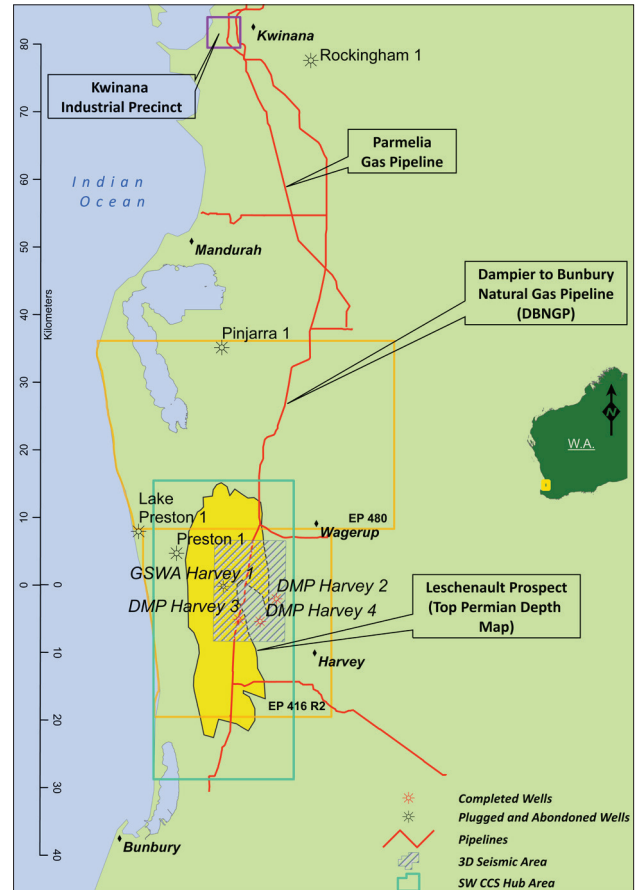


Figure 5. South West Project Overview

EP 416

Permit Year	Proposed Permit Year Start	Proposed Permit Year End	Minimum Work Requirements
1	14/10/2016	14/10/2016	Geochemical Survey (48km) Geophysical (Seismic) Processing Geological & Geophysical Studies 30km 2D Seismic Inversion Processing
2	14/10/2019	14/10/2019	Geological & Geophysical Studies
3	14/10/2022	14/10/2022	Geological & Geophysical Studies
4	14/10/2023	14/10/2023	One (1) Exploration Well
5	14/10/2024	14/10/2024	Geological & Geophysical Studies

EP 480

Permit Year	Proposed Permit Year Start	Proposed Permit Year End	Minimum Work Requirements
3	01/04/2016	13/04/2022	Geological & Geophysical Studies Geochemical Survey Geophysical Processing 30km 2D Seismic Inversion Processing
4	01/04/2019	31/03/2022	Geotechnical Studies
5	01/04/2022	31/03/2023	One (1) Exploration Well
6	01/04/2023	31/03/2024	Geotechnical Studies

During the year Pilot has progressed both the baseline geochemical surveying and legacy 2D seismic reprocessing / inversion commitment work programs. These programs straddle both permits and are designed to further de-risk the greater Leschenault prospect for future drilling.

Currently the geochemical survey, to be undertaken by Land and Water Consulting (Perth), is awaiting regulatory approval whilst the seismic reprocessing is at the initial parameter testing stage with Velseis Processing (Brisbane).

AET Farm In – South Perth Basin Permits

On 14 July 2021, Pilot and Advanced Energy Transition Pty Ltd (“AET”) reached agreement to a farm-in by AET into a 50% interest in a future retention lease or future production licence granted to Pilot by fully funding the drilling of one exploration well in Exploration Permit EP 416 or EP 480 to test the natural gas potential of the Leschenault Gas Prospect (see map below) in the primary reservoir target of the Permian Sue Group sandstone and the Triassic age Lesueur sandstones.

On 22 October 2021, Pilot and AET finalised the terms of the farm-in agreement with drilling operations forecast to commence by December 2022.

As a secondary target of the Leschenault Gas Prospect exploration well, Pilot and AET also intend to confirm that the key carbon sequestration reservoirs focused on as part of the South West Hub CCS Project are also present in the exploration well and suitable for carbon sequestration. The Company sees establishing the suitability of the exploration well location for carbon sequestration and as part of the overall South West Hub CCS Project, as a key step in assessing the feasibility of the South West Carbon Management Project.

Contingent and Prospective Resources

The Company confirms there are no changes to the WA 31-L and WA 481-P Contingent Resource information which was previously presented to the market in the Company's ASX Announcement "Resources Update" dated 23 April 2021.

The Cliff Head Oil field Contingent Resources have not been re-assessed since the estimate dated 31 March 2021. However the Company notes that during the period 1 April

2021 through to 30 September 2021 126,916 bbls (Pilot share 26,970 bbls) of oil have been produced.

The Contingent Resource estimates set out in the following tables are based on (1) the Cliff Head independent resources report prepared by RISC Advisory Pty Ltd (RISC) dated 16 April 2021 and (2) an Independent Technical Specialist Report prepared by RISC dated 28 January 2021 relating to the Company's Australian exploration assets.

Cliff Head Field Oil Contingent Resources

Cliff Head Oil Field Contingent Resources Net to Pilot as of 31 March 2021			
	1C	2C	3C
Total Crude Oil (MMstb)	0.125	0.272	0.383

Source: RISC: Cliff Head Independent reserves report; Royal Energy Pty Ltd 16 April 2021

WA-481-P Contingent Resources

WA-481-P Contingent Oil Resources (MMbbl) as of 31 March 2021				
Accumulation		1C	2C	3C
Dunsborough	Gross	3.3	6.0	9.8
	Pilot Net (21.25%)	0.7	1.3	2.1

WA-481-P Contingent Gas Resources (Bcf) as of 31 March 2021				
Accumulation		1C	2C	3C
Frankland	Gross	29.4	41.6	58.9
	Pilot Net (21.25%)	6.2	8.8	12.5

Source: RISC Technical Specialist Report January 2021

Given the CHJV announcement on 29 November 2021 regarding the termination of the Storage and Offtake Agreements with BP Kwinana and BP Singapore in April 2022, the Company is reviewing its assessment of the WA-31-L Contingent and Prospective Resources.

Tenement Details

The following table summarises Pilot's interest in its Oil and Gas tenements which are also presented on the map below.

Tenement reference	Tenement Location	Interest at end of quarter
WA-31-L ⁱ	Western Australia – Offshore Commonwealth Waters	21.25%
WA-481-P ⁱⁱ	Western Australia – Offshore Commonwealth Waters	100%
EP416	Western Australia – Onshore	100%
EP480	Western Australia – Onshore	100%
EP437	Western Australia – Onshore	13.058%

i The Company holds a 50% interest in TEO which has a 42.5% direct interest in WA-31L. Pilot acquired this indirect interest through its acquisition of Royal Energy on 1 June 2021.

ii As at the date of this report, Pilot has a 60% legal interest and 100% beneficial interest in this permit. Subject to the completion of the sale of an interest to Triangle Energy (Global) Limited, Pilot will hold a 21.25% beneficial interest.

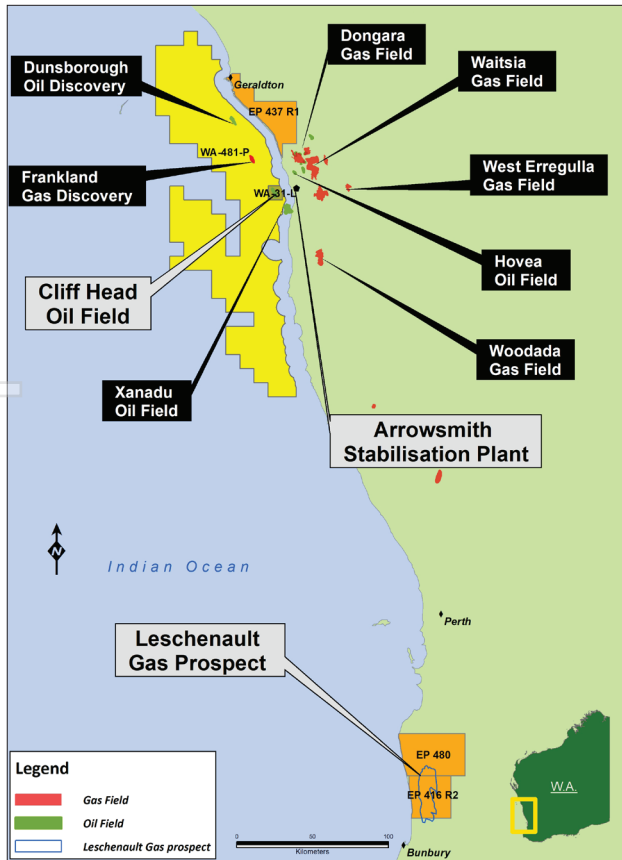


Figure 6. Oil & Gas Assets - Location Map

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Competent Person Statement

This report 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 and a Master 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 2021

The Directors present their report, together with the financial statements of Pilot Energy Limited and its controlled entities (referred to as Pilot, the Company or the Group), for the financial year ended 30 September 2021.

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

Directors - Current

Bradley Lingo

Executive Chairman

Appointed: 12 May 2020

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.

Director's holdings as at date of report

10,000,000 options expiring 4 November 2025

Other Directorships

- Armour Energy Limited (ASX: AJQ)
- Port Anthony Renewables Limited (not listed)

Anthony Strasser

Managing Director

Appointed: 31 May 2021

Tony brings extensive oil and gas company leadership and management experience in both listed and unlisted oil and gas companies. He is a qualified Chartered Accountant with extensive experience in corporate finance, M&A and capital raising with a strong pedigree in project and capital management and corporate governance. He led the Anzon Energy Group to successful IPO's on the ASX and London AIM stock exchange, and was the co-founder of Australian energy companies, Bridgeport Energy Limited and Royal Energy Pty Ltd. Formerly Tony worked in a professional advisory capacity on corporate transactions, due diligence assignments and M&A, having worked in taxation and corporate finance at Arthur Andersen Coopers & Lybrand respectively.

Director's holdings as at date of report

21,766,138 ordinary shares ⁽¹⁾

(1) held in related entities, Mandaton Holdings Pty Ltd and Strassfamily Pty Ltd

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Directors' Report

30 September 2021

Directors - Current (continued)

Daniel Chen

Non-executive Director

Appointed: 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.

Director's holdings as at date of report

5,000,000 ordinary shares ⁽²⁾

Bruce Gordon

Non-executive Director

Appointed: 31 May 2021

Bruce is a corporate finance and corporate audit specialist with over 25 years' experience acting for, and advising, ASX and international and Asia/Pacific companies. He has extensive knowledge in public accounting, financial reporting and corporate governance. Previously Bruce held positions as the Lead Partner of the BDO National Corporate Finance Team and the BDO East Coast Partnership Corporate Finance Team, the Leader of the BDO East Coast Partnership Natural Resources Team, a member of BDO's National Natural Resources Team and the Business Development Team. Bruce is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and Fellow of The Australian Institute of Company Directors.

Director's holdings as at date of report

4,703,855 ordinary shares ⁽³⁾

Other Directorships

- Cellmid Limited (ASX: CDY)

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

(3) held in related entity, P A D Pty Limited

Directors - Resigned

Michael Lonergan

Non-executive Director

Appointed: 8 December 2017
Resigned: 31 May 2021

Walker Li

Non-executive Director

Appointed: 20 September 2018
Resigned: 1 December 2020

Guoping Bai

Non-executive Director

Appointed: 14 June 2019
Resigned: 1 December 2020

2. Company Secretary

Ms Sally McDow was appointed to the position of Company Secretary on 19 February 2021 replacing Ms Lisa Dadswell. Ms McDow resigned as co-company secretary on 10 December 2021.

Cate Freidlander was appointed as an additional Company Secretary on 22 March 2021.

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Directors' Report

30 September 2021

3. Director's Meetings

During the financial year, 5 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
Anthony Strasser (Appointed 31/05/2021)	3	3
Daniel Chen (appointed 15/09/2020)	5	5
Bruce Gordon (appointed 31/05/2021)	3	3
Michael Lonergan (Resigned 31/05/2021)	2	2
Walker Li (resigned 01/12/2020)	-	-
Guoping Bai (resigned 01/12/2020)	-	-

- The audit & risk committee comprises Bruce Gordon (Chairman) and Daniel Chen.
- All other functions including finance, remuneration, nomination, risk management and environmental functions are handled by the full Board of Directors of the Company.

4. Principal Activities

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

Pilot is currently engaged in oil and gas production, development and exploration activities and is pursuing the diversification and transition to the development of integrated renewable energy, hydrogen and carbon management projects by leveraging its existing oil and gas tenements and infrastructure to cornerstone these developments.

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

5. 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 \$3,828,787 (2020: loss of \$889,388).

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

6. 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 review of operations report.

During the year from 10 February 2021 to 11 August 2021, Pilot's securities were in a trading halt on the ASX. One of the key conditions for the securities in Pilot to be reinstated to official quotation on ASX was a requirement that the Company accept and confirm the decision of the ASX regarding the application of ASX Listing Rule Chapter 11 to the Company's proposed transition to the production of wind and solar forms of renewable energy. Chapter 11 of the ASX Listing Rules requires companies seeking to change the nature and scale of their activities to re-comply for listing on ASX.

Pilot Energy Limited

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Directors' Report

30 September 2021

6. Significant Changes in State of Affairs (continued)

Accordingly, Pilot announced to the market on 11 August 2021, that it has accepted and confirmed the decision of ASX that if the Company proceeds beyond the feasibility study stage of the Wind & Solar Project (or incurring expenditure in excess of the \$1,200,000 in relation to the Wind & Solar Project) that will constitute a change in the nature and scale of the Company's activities in terms of ASX Listing Rule 11.1 and Pilot will be required under Listing Rule 11.1.3 to comply with all of the requirements of Chapters 1 and 2 of the Listing Rules and, in particular, Listing Rule 1.1 condition 1, before it proceeds beyond the feasibility study or incurs expenditure in excess of the \$1,200,000 on the Wind & Solar Project.

7. Dividends

The Directors recommend that no dividend be provided for the year ended 30 September 2021 (2020: Nil).

8. 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.

9. Events After the Reporting Date

As announced on 14 October 2021, the Cliff Head Joint Venture (CHJV) has entered into a Binding Offtake Agreement with BP Singapore to sell 100% of the crude produced from the Cliff Head Oil Field. This Offtake Agreement is aligned with the term of the Storage Agreement.

As announced on 21 October 2021, Pilot commences feasibility study on South West Carbon Management and Blue Hydrogen projects. Key consultants engaged to conduct the feasibility study include Genesis, Technip Energies and RISC. The feasibility study is forecast to complete in the first quarter of CY2022.

As announced on 22 October 2021, Pilot and Advanced Energy Transition Pty Ltd (AET) have entered into a binding farm in agreement whereby AET fully funds the drilling of an exploration well in EP416 or EP480 in return for up to 50% interest in a future retention lease or production license.

As announced on 27 October 2021, the CHJV has completed a lifting of 107,000 bbls of crude with CHJV to receive approximately US\$8.1M per the Offtake Agreement with BP Singapore.

As announced on 4 November 2021, a consortium has been formed to jointly undertake and fund the Mid West Blue Hydrogen and Carbon Capture & Storage Feasibility Study. The consortium members are APA Group, Warrego Energy Limited and Pilot Energy. Key consultants engaged to conduct the feasibility study include Genesis, Technip Energies and RISC. The feasibility study is forecast to complete in the first quarter of CY2022.

As announced on 10 November 2021, the CHJV has completed an updated decommissioning estimate for Cliff Head, prepared by Elemental Group. The estimated decommissioning cost has been reduced to \$28.7M from \$39.5M.

As announced on 11 November 2021, Pilot issued 13,333,334 unlisted options expiring 2 November 2024 with a vesting date of 9 August 2022.

As announced on 29 November 2021, BP Kwinana have indicated that they do not intend to extend the term of the Storage Agreement beyond 22 April 2022. The CHJV continues to investigate alternative storage and offtake strategies beyond the expiry of the Storage and Offtake Agreements.

As announced on 10 December 2021, Ms Sally McDow resigned as co-company secretary.

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

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Directors' Report

30 September 2021

10. Indemnification and Insurance of Officers and Auditors

During the financial year, the Company paid an insurance premium of \$28,902 (2020: \$18,231) 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.

11. Likely Developments and Expected Results

The Group will continue to pursue its business plans as noted in section 4 above and in accordance with the results of the feasibility studies as referred to in section 6 above.

12. Share Options

Unissued shares under options

At the date of this report, the unissued ordinary shares of Pilot Energy Limited under option are as follows:

Date of Expiry	Exercise Price	Number under Option
18 December 2022	\$0.033	7,090,910
18 December 2022	\$0.066	37,575,727
13 January 2023	\$0.066	10,000,000
2 November 2024	\$0.080	13,333,334
4 November 2025	\$0.070	10,000,000

- 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, 787,889 shares were issued as a result of the exercise of options.

Options Expired

During the year ended 30 September 2021, no options expired (2020: 2,600,000 expired).

13. 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.

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Directors' Report

30 September 2021

14. Remuneration Report - Audited

The Directors are pleased to present your Company's 2021 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 Chairman	12 May 2020	-
Anthony Strasser	Managing Director	31 May 2021	-
Daniel Chen	Non-executive Director	15 September 2020	-
Bruce Gordon	Non-executive Director	31 May 2021	-
Michael Lonergan	Non-executive Director	8 December 2017	31 May 2021
Walker Li	Non-executive Director	20 September 2018	1 December 2020
Guoping Bai	Non-executive Director	14 June 2019	1 December 2020

The Report contains the following sections:

- Remuneration governance
- Executive remuneration strategy and framework
- Board and management changes
- Service contracts
- Non-executive director remuneration
- Key management personnel remuneration
- Other KMP disclosures

(a) Remuneration Governance

The remuneration of directors and key management is the responsibility of the full Board of Directors at this time.

(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 2021

14. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

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

The following options were granted to Directors & Key Management Personnel.

Bradley Lingo – 10,000,000 options expiring 4 November 2025 with an exercise price of \$0.07.

(iii) Vested options

There were no options that vested during the reporting period.

(iv) Expired options or forfeited

There were no options that expired or were forfeited during the reporting period.

Directors' Report

30 September 2021

14. 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	2021	2020	2019	2018	2017
Net (loss) / profit attributable to equity holders (\$)	(3,828,787)	(889,388)	(661,640)	(1,162,778)	(1,368,008)
Basic (loss) / earnings per share (cents)	(1.43)	(1.00)	(0.83)	(1.83)	(2.29)
Share price at year end	0.055	0.034	0.031	0.021	0.05
Market capitalisation (\$)	27,588,094	3,601,585	2,463,590	1,589,413	2,988,096
Net tangible assets / (liabilities) (NTA) (\$) ⁽¹⁾	11,958,456	(1,229,949)	(641,838)	(249,622)	705,756
NTA Backing (cents)	0.024	(0.012)	(0.008)	(0.004)	0.011

(1) Net tangible assets comprise of net assets less right-of-use assets per the consolidated statement of financial position on page 34.

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.

(c) Board and management changes

- On 1 December 2020, Dr Walker Li resigned as Non-executive Director of the Company.
- On 1 December 2020, Dr Guoping Bai resigned as Non-executive Director of the Company.
- On 31 May 2021, Mr Michael Lonergan resigned as Non-executive Director of the Company.
- On 31 May 2021, Mr Anthony Strasser was appointed as Managing Director of the Company.
- On 31 May 2021, Mr Bruce Gordon was appointed as Non-executive Director of the Company.

Directors' Report

30 September 2021

14. 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 ⁽¹⁾	Termination Benefit ⁽²⁾
Mr Bradley Lingo	Ongoing from 12 May 2020	6 months	12 months	\$276,000 ⁽³⁾	12 months' base salary
Mr Anthony Strasser	Ongoing from 8 June 2021	2 months	2 months	\$350,000	6 months' base salary ⁽⁴⁾
Mr Daniel Chen	Ongoing from 15 September 2020	30 days	30 days	\$150,000	30 days' base salary
Mr Bruce Gordon	Ongoing from 31 May 2021	-	-	\$71,500	-

(1) The base salary figures do not include superannuation.

(2) Termination benefits are payable upon early termination by the Group, other than for gross misconduct.

(3) Brad Lingo is contracted on a 0.6 FTE basis.

(4) If termination occurs two years or more after 8 June 2021, 10 month's salary will be paid as a separation payment

(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 full Board of Directors at this time.

The current base fees were last reviewed with effect from 1 May 2015. The fees approved by the Board are exclusive 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.

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Directors' Report

30 September 2021

14. 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)	2021	-	-	-	-	-	-	-	-	-
(Resigned 19/05/2020)	2020	83,218	-	-	-	-	-	83,218	100%	-
Sub-total Chief Executive Officer Remuneration	2021	-	-	-	-	-	-	-	-	-
	2020	83,218	-	-	-	-	-	83,218	100%	-
Executive Directors										
Bradley Lingo (appointed 15/05/2020)	2021	358,355 ¹	50,000	-	34,044 ¹	-	1,785	444,184	88%	12%
	2020	-	-	-	-	-	-	-	-	-
Anthony Strasser (appointed 31/05/2021)	2021	87,500	-	-	8,312	-	-	95,812	100%	-
	2020	-	-	-	-	-	-	-	-	-
Benson Wong (resigned 07/02/2019)	2021	-	-	-	-	-	-	-	-	-
	2020	114,000 ²	-	-	-	-	-	114,000 ¹	100%	-
Xingjin Wang (resigned 07/02/2019)	2021	-	-	-	-	-	-	-	-	-
	2020	125,120 ²	-	-	-	-	-	125,120 ¹	100%	-
Sub-total executive directors' remuneration	2021	445,855	50,000	-	42,356	-	1,785	539,996	90%	10%
	2020	239,120	-	-	-	-	-	239,120	100%	-

¹ Remuneration includes \$82,355 unpaid salary for prior years' service and \$7,824 associated superannuation.

² 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.

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Directors' Report

30 September 2021

14. 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 (resigned 31/05/2021)	2021	195,000	-	-	18,525	-	-	213,525	100%	-
	2020	123,292	-	-	3,470	-	-	126,762	100%	-
Daniel Chen (appointed 15/09/2020)	2021	156,250 ³	-	-	14,844	-	-	171,094	100%	-
	2020	-	-	-	-	-	-	-	-	-
Bruce Gordon (appointed 31/05/2021)	2021	23,806	-	-	-	-	-	23,806	100%	-
	2020	-	-	-	-	-	-	-	-	-
Walker Li (resigned 1/12/2020)	2021	-	-	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-	-	-
Guoping Bai (resigned 1/12/2020)	2021	-	-	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-	-	-
Sub-total non-executive directors' remuneration	2021	375,056	-	-	33,369	-	-	408,425	100%	-
	2020	123,292	-	-	3,470	-	-	126,762	100%	-
Total directors' remuneration	2021	820,911	50,000	-	75,725	-	1,785	948,421	95%	5%
	2020	362,412	-	-	3,470	-	-	365,882	100%	-
Total key management remuneration	2021	820,911	50,000	-	75,725	-	1,785	948,421	95%	5%
	2020	445,630	-	-	3,470	-	-	449,100	100%	-

³ Remuneration includes \$6,250 unpaid salary for prior years' service and \$594 associated superannuation.

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Directors' Report 30 September 2021

14. 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 2020	Options granted	Options expired	Held at 30 September 2021	Vested during the year	Vested and Exercisable at 30 September 2021
Executive directors						
Bradley Lingo	-	10,000,000	-	10,000,000	10,000,000	10,000,000

KMP shareholdings

	Held at 1 October 2020	Held on Appointment or (resignation)	Purchases/ (Disposals)	Held at 30 September 2021
Executive directors				
Bradley Lingo	-	-	-	-
Anthony Strasser ⁽¹⁾	-	21,766,136	-	21,766,136
Non-executive directors				
Daniel Chen ⁽²⁾	5,000,000	-	-	5,000,000
Michael Lonergan	-	-	-	-
Bruce Gordon ⁽³⁾	-	4,287,189	416,666	4,703,855
Walker Li ⁽⁴⁾	15,894,128	(15,894,128)	-	-
Guoping Bai ⁽⁴⁾	-	-	-	-

(1) held in related entity, Mandaton Holdings Pty Ltd and Strassfamily Pty Ltd

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

(3) held in related entity P A D Pty Limited

(4) resigned 1 December 2020

THIS IS THE END OF THE REMUNERATION REPORT - AUDITED

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Report

30 September 2021

15. 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 32 of the financial report.

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

16. Corporate Governance Statement

The company's corporate governance practices and policies have been made publicly available on the company's website at [https://www.pilotenergy.com.au/sites/pilotenergy.com.au/files/files/Pilot%20Energy%202021%20Corporate%20Governance%20Statement%20\(2\).pdf](https://www.pilotenergy.com.au/sites/pilotenergy.com.au/files/files/Pilot%20Energy%202021%20Corporate%20Governance%20Statement%20(2).pdf)



Bradley Lingo
Executive Chairman

Dated at Sydney, New South Wales this 16th December 2021.



**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 2021 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

Mark Schiliro
Director

Sydney

Dated this 16th December 2021

For personal use only

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 2021

	Note	2021 \$	2020 \$
Revenue from continuing operations	6	313,151	355,606
Gain from held-for-sale investments		8,231	-
Administrative expenses		(377,157)	(71,383)
Amortisation	14	(40,643)	(14,729)
Depreciation	15	(1,666)	-
Employee benefits expense		(1,640,012)	(79,890)
Professional fees		(1,204,634)	(403,171)
Exploration expenses		-	(668,719)
Finance expenses	7	(4,634)	(6,938)
Share of loss of associate	9	(628,882)	-
Share based payments expense	24	(237,860)	-
Foreign exchange losses		(14,681)	(164)
Loss before income tax		(3,828,787)	(889,388)
Income tax expense	10	-	-
Loss from continuing operations		(3,828,787)	(889,388)
Loss from discontinued operations		-	-
Loss for the year		(3,828,787)	(889,388)
Total comprehensive loss for the year		(3,828,787)	(889,388)
(Loss) / earnings per share (cents per share)			
<u>From continuing operations</u>			
Basic and diluted	25	(1.43)	(1.00)

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 2021

	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	5,455,419	7,317
Trade and other receivables	13	878,300	35,212
Right-of-use-assets	14	34,080	-
TOTAL CURRENT ASSETS		6,367,799	42,529
NON-CURRENT ASSETS			
Trade and other receivables	13	41,742	41,742
Right-of-use-asset	14	-	74,723
Property, Plant and Equipment	15	2,891	-
Investment in associate	16	212,473	-
Cliff Head and other non-current assets	5	4,450,266	-
Exploration, evaluation and development assets	17	917,365	-
TOTAL NON-CURRENT ASSETS		5,624,737	116,465
TOTAL ASSETS		11,992,536	158,994
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	748,356	503,620
Employee benefits	19	137,834	1,785
Other liabilities	20	-	721,400
Financial liabilities	21	34,080	53,335
TOTAL CURRENT LIABILITIES		920,270	1,280,140
NON-CURRENT LIABILITIES			
Financial liabilities	21	-	34,080
TOTAL NON-CURRENT LIABILITIES		-	34,080
TOTAL LIABILITIES		920,270	1,314,220
NET ASSETS/(DEFICIENCY)		11,072,266	(1,155,226)
EQUITY			
Issued capital	22	60,580,248	44,525,754
Reserves	23	1,785	-
Accumulated losses		(49,509,767)	(45,680,980)
TOTAL EQUITY		11,072,266	(1,155,226)

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 2021

	Ordinary Shares	Accumulated Losses	Share-based Payments Reserve	Total
	\$	\$	\$	\$
2021				
Balance at 1 October 2020	44,525,754	(45,680,980)	-	(1,155,226)
Loss attributable to members of the parent entity	-	(3,828,787)	-	(3,828,787)
Transactions with owners in their capacity as owners				
Shares issued during the year	16,054,494	-	-	16,054,494
Equity-based compensation	-	-	1,785	1,785
Balance at 30 September 2021	60,580,248	(49,509,767)	1,785	11,072,266
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 lapse of options	-	189,000	(189,000)	-
Balance at 30 September 2020	44,525,754	(45,680,980)	-	(1,155,226)

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 2021

	2021	2020
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	114,315	-
Joint venture receipts	20,850	345,205
Payments to suppliers and employees	(3,354,260)	(240,193)
Payments for exploration, evaluation and development	-	(337,534)
Other income	-	10,400
Government subsidy	35,450	-
Interest received	154	1
Interest paid	(5,618)	(1,725)
Net cash used in operating activities	33 (3,189,109)	(223,846)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from available for sale assets	320,741	-
Acquisition of Royal Energy Pty Ltd, net cash acquired	914,156	-
Payments for loan to associate	(460,811)	-
Payments for property, plant and equipment	(2,302)	-
Payments for carbon capture projects	(574,519)	-
Payments for wind and solar feasibility studies	(256,627)	-
Payments for capitalised exploration, evaluation and development	(914,598)	-
Net cash used in investing activities	(973,960)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares and options	11,037,006	100,000
Payments for capital raising	(742,328)	-
Proceeds from borrowings	11,150	42,500
Repayment of borrowings	(694,617)	-
Net cash provided by financing activities	9,611,211	142,500
Net increase/(decrease) in cash and cash equivalents held	5,448,142	(81,346)
Effect of exchange rate fluctuations on cash held	(40)	(166)
Cash and cash equivalents at beginning of year	7,317	88,829
Cash and cash equivalents at end of financial year	12 5,455,419	7,317

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 2021

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 16th December 2021.

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.

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.

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.

(b) 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 surplus of \$5,447,529 (2020: deficit of \$1,237,611) and net cash inflow for the 30 September 2021 financial year of \$5,448,142 (2020: outflow of \$81,346). The Group incurred a loss for the year of \$3,828,787 (2020: loss of \$889,388) and has net operating cash outflow for the year of \$3,189,109 (2020: outflow of \$223,846).

Notes to the Financial Statements

For the Year Ended 30 September 2021

2 Summary of Significant Accounting policies (continued)

(b) Going Concern (continued)

The Directors are aware that the Group's ability to continue as a going concern, and to fund its exploration, evaluation and development activities and project costs may require the Group securing further working capital sourced from one or more of the following alternatives in addition to its current cash reserves:

- Capital market raising such as:
 - Private placement
 - Entitlements issue
 - Share purchase plan
- Borrowings from related or third parties;
- Farming out assets to reduce future 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 if necessary. The Directors are therefore of the opinion that the use of going concern basis is appropriate.

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.

(c) New Accounting Standards and Interpretations

International Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 September 2021.

The adoption of these new and revised Standards and Interpretations will not have an impact on the financial position or performance of the Group.

(d) Critical Accounting Estimates and Judgements

Key estimates

(i) *Impairment*

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgements

(i) *Exploration, evaluation and development expenditure (oil and gas)*

The Group capitalises expenditure relating to exploration, evaluation and development where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

(ii) *Cliff Head and other projects*

Pilot is also engaged in pursuing carbon management projects utilising the Cliff Head infrastructure, as well as the transition to the development of integrated renewable energy including hydrogen and other carbon management projects by leveraging its existing oil and gas tenements and infrastructure to cornerstone these developments.

The Group is undertaking feasibility studies in relation to these projects and in this regard, all related expenditure will be capitalised where it is considered likely to be recoverable or where the activities have not reached a stage where a reasonable assessment of the viability of the projects can be determined.

Notes to the Financial Statements

For the Year Ended 30 September 2021

2 Summary of Significant Accounting policies (continued)

(d) Critical Accounting Estimates and Judgements (continued)

(iii) *COVID-19 pandemic*

Judgement has been exercised in considering the impact that the COVID-19 pandemic has had, or may have, on the consolidated group based on known information. This consideration extends to supplier, staffing and geographic regions in which the consolidated group operates. Other than as addressed in specific notes, there was not any significant impact for the year ended 30 September 2021. It is uncertain if there is any significant impact with respect to events or conditions which may impact the consolidated group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

(iv) *Cashflow Projections*

Management estimates its cashflow projections based on information available to management at that time and projections are revised on a rolling basis to ensure they are relevant and realistic. Cashflow projections require the use of assumptions when estimating the timing of the payments of forward estimates. The actual performance of the business may be materially different to that projected due to factors which were not foreseeable or controllable by management at the time the original estimates were prepared.

(v) *Share-based payment transactions*

The consolidated group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes valuation model taking into account the terms and conditions upon which the instruments were granted. The inputs to the Black-Scholes valuation model include the share price at grant date, exercise price, the term of the right, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right. The accounting estimates and assumptions relating to equity-settled share-based payments, most significantly the volatility assumption, would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(vi) *Uncertainty over tax provision*

The Company has used its best estimate in instances where accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment.

(vii) *Employee benefits*

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(e) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Notes to the Financial Statements

For the Year Ended 30 September 2021

2 Summary of Significant Accounting policies (continued)

(f) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of goods and service tax (GST) except:

- (i) where the amount of GST incurred is not recoverable from the relevant taxation authority.
- (ii) for receivables and payables which are recognised inclusive of GST.

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

(g) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current assessments of the time value of money and, where appropriate, specific risks to the liability. Increases in the provision from the passage of time is recognised in finance costs.

(h) Joint Venture Interests

An interest in a joint venture operation is brought to account by including in the respective financial statement categories:

- the consolidated entity's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture including the economic entity's share of any liabilities for which the consolidated entity is jointly and/or severally liable; and
- the consolidated entity's share of expenses of the joint venture.

Farmouts

The Group ("farmor") has recognised one of its joint venture arrangements in EP-480 with AET ("farmee") as a farmout arrangement. The farmor uses the carrying amount of the interest before the farmout as the carrying amount of the portion of the interest retained, credits any cash consideration received against the carrying amount, with excess included as a gain in profit or loss. The farmor does not record exploration expenditures on the exploration tenements and licences made by the farmee.

(i) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Notes to the Financial Statements

For the Year Ended 30 September 2021

2 Summary of Significant Accounting policies (continued)

(j) Research and Development

Costs associated with maintaining research and development programs are recognised as an expense as incurred. Research and development costs that are directly attributable to the design and testing of identifiable and unique products and or processes controlled by the group are recognised as intangible assets where the following criteria are met:

- it is feasible to complete the research and development so that the end product or process will be available for use;
- management intends to complete the research and development and use or sell the product or process;
- there is an ability to use or sell the research and development expenditure;
- it can be demonstrated how the research and development of the product or process will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development expenditure are available; and
- the expenditure incurred during research and development can be reliably measured.

Directly attributable costs that are capitalised as part of the research and development include employee costs and an appropriate portion of relevant overheads.

Capitalised research and development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3 Voluntary Change in Accounting Policy

Capitalisation of exploration, evaluation and development expenditure

For the financial year ended 30 September 2021 the Group adopted a voluntary change in accounting policy relating to capitalisation of exploration, evaluation and development expenditure. The Directors believe that this change in accounting policy will provide more relevant information on the Group's operations, expenditure and activities in relation to the Group's assets and projects especially noting the Group's business plans.

The Group previously accounted for exploration, evaluation and development expenditure by expensing the costs in the year they were incurred. Under the new accounting policy, where no impairment exists, exploration, evaluation and development expenditure relating to each area of interest will be capitalised and carried forward. This includes acquisition costs carried forward where the rights of tenure of the area of interest are current, they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgments are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating relevant overhead costs. To the extent that capitalised costs are determined not to be recoverable in the future, they will be subject to impairment in the period in which the determination is made. Both the previous and the new accounting policy are compliant with *AASB6: Exploration for Evaluation of Mineral Resources*.

The change in accounting policy has been implemented from the earliest practicable date, being 1 October 2020 as retrospective application to determine the carrying values of prior to that date is deemed to be impractical.

Pilot Energy Limited

A.B.N 86 115 229 984

Notes to the Financial Statements

For the Year Ended 30 September 2021

4 Business Combinations

As announced to the ASX, the Group entered into a definitive share sale deed (SSD) to acquire 100% of the shares of Royal Energy Pty Ltd (Royal) at the end of September 2020. The purchase consideration was 143,939,384 Pilot shares. From this date, the Group worked with the Board of Royal and in accordance with the terms of the SSD, the operations and activities of Royal were effectively subject to the control of Pilot. In this regard and in accordance with applicable accounting standards, the acquisition date for all practicable purposes has been deemed to be as at 1 October 2020, being the date of effective control gained by Pilot, notwithstanding the transaction officially completed on 31 May 2021 as per the terms of the SSD.

The acquisition constituted a business combination and was accounted for using the acquisition method of accounting. The following table sets forth the details of the purchase consideration and allocation to net identifiable assets acquired:

	1 October 2020
	\$
Purchase Consideration (143,939,384 Pilot Shares @ 3.3 cents per share)	4,750,000
Fair Value of Assets acquired	
Cash and cash equivalents	914,156
Receivables and other assets	167,083
Available for sale investments	312,510
Property, plant and equipment	2,255
Investment in associate	841,355
Cliff Head	3,619,120
Payables	(154,910)
Other current liabilities	(90,602)
Loans from associate	(860,967)
	<hr/> 4,750,000 <hr/>

Notes to the Financial Statements

For the Year Ended 30 September 2021

5 Cliff Head and Other Non-Current Assets

Accounting Policy

Cliff Head and Other Non-Current Assets

The asset, Cliff Head, was recognised as a result of a Business Combination. The asset was measured at fair value at the date of acquisition as probable that associated future economic benefits would flow to the Group.

Expenditure incurred relating to the Group's Projects and Feasibility Studies is recognised in the Statement of Financial Position for each Project, or separately identifiable asset, when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. The assessment of probability attaching to the flow of economic benefits is made on the basis of the evidence available when the expenditure is incurred.

Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure but does not include general overheads or administrative expenditure not having a specific connection to a particular project.

	2021	2020
	\$	\$
Cliff Head	3,619,120	-
Carbon Capture Projects	574,519	-
Wind and Solar Feasibility Expenditure	256,627	-
Total Cliff Head and Other Non-Current Assets	4,450,266	-

6 Revenue from Continuing Operations

	2021	2020
	\$	\$
Revenue from related parties	251,493	-
Joint venture receipts	20,850	345,205
Other income	-	10,400
Interest	5,358	1
Government Subsidies	35,450	-
Total Revenue	313,151	355,606

7 Finance Expenses

	2021	2020
	\$	\$
Interest	4,634	6,938
Total finance expenses	4,634	6,938

Notes to the Financial Statements

For the Year Ended 30 September 2021

8 Impairment of Assets

Accounting Policy

The Directors assess at each reporting date whether there is an indication that an asset has been impaired.

Impairment

The Directors assess at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are impaired when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount.

Associates

The requirements of AASB 128: *Investments in Associates and Joint Ventures* and AASB 9: *Financial Instruments* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136: *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Cliff Head and other non-current assets

An impairment test is carried out on the assets by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. The assessment includes considerations of external and internal sources of information for indicators of impairment. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

The Directors have assessed any indicators of impairment and have assessed that there is no material impairment of the Group's assets.

9 Share of Loss of Associate

Accounting Policy

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 at 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.

The Group has a 21.25% equity interest in the Cliff Head Oil Field through 50% interest in Triangle Energy (Operations) Pty Ltd (TEO), the operator and owner of 42.5% joint venture interest in the Cliff Head Oil Field.

	TEO	Pilot Energy Portion (50%)
	\$	\$
Total Share of Loss of Associate for the year	(1,257,765)	(628,882)

Notes to the Financial Statements

For the Year Ended 30 September 2021

10 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 Income Tax Assets relating to temporary differences, carry forward of unused tax assets and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilized.

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:

	2021	2020
	\$	\$
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:

	2021	2020
	\$	\$
Loss for the period	(3,828,787)	(889,388)
Applicable Group domestic income tax rate	26.00%	27.50%
Loss excluding income tax	(3,828,787)	(889,388)
Add:		
Tax effect of:		
- Income tax using the Group's domestic tax rate of 26% (2020: 27.5%)	(995,485)	(244,582)
- non-deductible expenses	35,837	-
- Tax losses carried forward and other timing differences not brought to account	959,648	244,582
Income tax expense	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 30 September 2021

10 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 \$9,613,466 (2020: \$8,653,818) 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 legislation 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:

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

	2021	2020
	\$	\$
Deferred tax assets (DTAs)		
Share issue costs	28,509	28,509
Exploration expenditure	74,395	74,395
Carry forward tax losses	9,508,370	8,548,722
Other	2,192	2,192
	<u>9,613,466</u>	<u>8,653,818</u>
DTAs not brought to account		

Notes to the Financial Statements

For the Year Ended 30 September 2021

11 Operating Segments

Information about reportable segments

Pilot is currently engaged in oil and gas production, development and exploration activities and is pursuing the diversification and transition to the development of integrated renewable energy, hydrogen and carbon management projects by leveraging its existing oil and gas tenements and infrastructure to cornerstone these developments, subject to the findings of the feasibility studies in progress.

Therefore at this time, the Group has not identified additional operating segments in assessing performance and determining the allocation of resources.

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; 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 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 33 and 34 respectively.

12 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.

	2021	2020
	\$	\$
Cash at bank and in hand	5,455,419	7,317
	<u>5,455,419</u>	<u>7,317</u>

Notes to the Financial Statements

For the Year Ended 30 September 2021

13 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.

	2021	2020
<i>Current</i>	\$	\$
GST	117,977	35,212
Amounts Rechargeable to TEO	205,767	-
Loan to TEO	549,587	-
Prepayments	3,338	-
Other	1,631	-
Total current trade and other receivables	878,300	35,212
<i>Non-Current</i>		
Deposits	41,742	41,742
Total non-current trade and other receivables	41,742	41,742

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.

Notes to the Financial Statements

For the Year Ended 30 September 2021

14 Right-of-use Assets

Accounting Policy

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.

	Right of Use Asset
At Cost	\$
At 1 October 2019	-
Additions	89,452
At 30 September 2020	89,452
Additions	-
At 30 September 2021	89,452
 Amortisation and impairment	
At 1 October 2019	-
Amortisation charge for the year	14,729
At 30 September 2020	14,729
Amortisation charge for the year	40,643
At 30 September 2021	55,372
 Net book value	
At 30 September 2020	74,723
At 30 September 2021	34,080

The Group recognises a right-of-use asset for the office premises in accordance with *AASB 16: Leases*. The current lease expires 30 June 2022.

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For the Year Ended 30 September 2021

15 Property, Plant and Equipment

Accounting Policy

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset

	2021	2020
	\$	\$
Furniture at cost	163	-
Accumulated depreciation	(163)	-
Total Furniture	-	-
Office equipment at cost	1,340	-
Additions	1,707	-
Total Office equipment at cost	3,047	-
Accumulated depreciation	(1,201)	-
Depreciation charge for year	(491)	-
Total Office Equipment	1,355	-
Computers at cost	5,675	-
Additions	595	-
Total Computers at cost	6,270	-
Accumulated depreciation	(3,559)	-
Depreciation charge for year	(1,175)	-
Total Computers	1,536	-
Total Property, Plant and Equipment	2,891	-

Reconciliation of Property, Plant and Equipment

Property, Plant and Equipment acquired through Royal Energy Pty Ltd	2,255	-
Additions during the year	2,302	-
Depreciation during year	(1,666)	-
Total, Property, Plant and Equipment	2,891	-

Notes to the Financial Statements

For the Year Ended 30 September 2021

16 Investment in Associate

Accounting Policy

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 at 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.

The Group has a 21.25% equity interest in the Cliff Head Oil Field through 50% interest in Triangle Energy (Operations) Pty Ltd (TEO), the operator and owner of 42.5% joint venture interest in the Cliff Head Oil Field.

Summarised aggregated financial information of the Group's share

	\$
<i>Triangle Energy (Operations) Pty Ltd</i>	
Acquisition of the Group's interest	841,355
Share of associate loss for the year	<u>(628,882)</u>
Closing carrying amount of the Group's Interest	<u>212,473</u>

Notes to the Financial Statements

For the Year Ended 30 September 2021

17 Exploration, Evaluation and Development Assets

Accounting Policy

Exploration, Evaluation and Development

Exploration, evaluation and development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration, evaluation and development costs in relation to separate areas of interest for which grants of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Development

Once a development decision has been taken, all past and future exploration and evaluation assets in respect of the area of interest are tested for impairment and transferred to the cost of development. To date, no development decision has been made.

Restoration

Costs of site restoration are provided over the life of the facility from when development commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for in the financial year of the change in estimate. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

	2021	2020
	\$	\$
Exploration, Evaluation and Development Assets	917,365	-
	917,365	-

During the year, the Group reviewed the accounting policy to expense exploration, evaluation and development expenditure in the financial statements in order to provide more relevant information in relation to the Group's activities and assets. The capitalisation of exploration, evaluation and development expenditure has been implemented from the earliest practicable date, being 1 October 2020. See Note 3.

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For the Year Ended 30 September 2021

18 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.

	2021	2020
	\$	\$
Trade payables	582,429	493,446
Other payables	134,242	10,174
Accrued expenses	31,685	-
	<u>748,356</u>	<u>503,620</u>

19 Employee Benefits

	2021	2020
	\$	\$
<i>Current</i>		
Provision for Annual Leave	137,834	1,785
	<u>137,834</u>	<u>1,785</u>

20 Other Liabilities

	2021	2020
	\$	\$
<i>Current</i>		
Accrued consulting fees	-	678,900
Loans from related parties	-	42,500
	<u>-</u>	<u>721,400</u>

21 Financial Liabilities

	2021	2020
	\$	\$
<i>Current</i>		
Insurance premiums	-	9,051
Lease liabilities	34,080	44,284
	<u>34,080</u>	<u>53,335</u>
<i>Non-Current</i>		
Lease Liabilities	-	34,080
	<u>-</u>	<u>34,080</u>

Notes to the Financial Statements

For the Year Ended 30 September 2021

22 Issued Capital

Accounting Policy

Issued and paid-up capital is recognised as the fair value of the consideration received by the Group. The shares issued do not have a par value and there is no limit on the authorised share capital of the Group. Fully paid ordinary shares carry one vote per share, which entitles the holder to participate in the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

Any transaction costs arising on the issue of ordinary shares that would not have been incurred had ordinary shares not been issued are recognised directly in equity as a reduction of the share proceeds received.

The Group may issue shares to contractors at its discretion in exchange for services rendered. The cost of these issued shares is measured by reference to the fair value at the date at which they were granted.

	2021	2020
	\$	\$
Ordinary shares	60,580,248	44,525,754
Total	60,580,248	44,525,754
(a) Ordinary shares		
	Shares	
	No.	\$
At 1 October 2019	79,470,642	44,149,754
<i>Additions</i>		
Allotment of fully paid ordinary shares at 1.44 cents each	21,458,332	309,000
Allotment of fully paid ordinary shares at 2 cents each	5,000,000	100,000
Capital raising costs	-	(33,000)
At 30 September 2020	105,928,974	44,525,754
<i>Additions</i>		
Placement of fully paid ordinary shares at 3.3 cents each	15,909,097	525,000
Allotment of fully paid ordinary shares valued at 3.3 cents each	4,276,703	167,000
Issue of fully paid ordinary shares under SPP at 3.3 cents each	3,499,994	115,505
Issue of fully paid ordinary shares valued at 3.3 cents each	16,723,297	551,869
Issue of fully paid ordinary shares valued at 3.3 cents each	525,000	17,325
Placement of fully paid ordinary shares at 3.3 cents each	59,848,479	1,987,500
Issue of fully paid ordinary shares to underwriters of SPP at 3.3 cents each	11,651,514	372,000
Issue of fully paid ordinary shares valued at 3.3 cents each	143,939,384	4,750,000
Issue of fully paid ordinary shares valued at 3.3 cents each	3,598,495	118,750
Placement of fully paid ordinary shares at 6.0 cents each	12,500,000	750,000
Placement of fully paid ordinary shares at 6.0 cents each	120,833,333	7,250,000
Issue of fully paid ordinary shares valued at \$100,000 at 6.4 cents each	1,562,876	100,000
Exercise of options to fully paid ordinary shares at 3.3 cents each	454,545	15,000
Exercise of options to fully paid ordinary shares at 6.6 cents each	303,042	20,000

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22 Issued Capital (continued)

	Shares	
	No.	\$
Allotment of fully paid ordinary shares valued at 6.0 cents each	16,666	1,000
Exercise of options to fully paid ordinary shares at 3.3 cents each	15,151	500
Exercise of options to fully paid ordinary shares at 3.3 cents each	15,151	500
Capital raising costs	-	(687,455)
At 30 September 2021	501,601,701	60,580,248

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.

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22 Issued Capital (continued)

(b) Options

At 30 September 2021, 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
21 Dec 2020	21 Dec 2020	18 Dec 2022	3.3	-	7,575,757	(484,847)	7,090,910	7,090,910
21 Dec 2020	21 Dec 2020	4 Nov 2025	7.0	-	10,000,000	-	10,000,000	10,000,000
13 Jan 2021	13 Jan 2021	18 Dec 2022	6.6	-	37,878,769	(303,042)	37,575,727	37,575,727
13 Jan 2021	13 Jan 2021	13 Jan 2023	6.6	-	10,000,000	-	10,000,000	10,000,000
				-	65,454,526	(787,889)	64,666,637	64,666,637

During the year ended 30 September 2021, no options expired, and no options were modified (2020: 2,600,000 options expired, no options modified).

As announced on 11 November 2021, Pilot issued 13,333,334 unlisted options expiring 2 November 2024 with a vesting date of 9 August 2022.

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Notes to the Financial Statements

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22 Issued Capital (continued)

(b) 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 Dec 2019	20.0	1,200,000	-	(1,200,000)	-	-
23 June 2016	23 June 2018	31 Dec 2019	20.0	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).

Notes to the Financial Statements

For the Year Ended 30 September 2021

23 Reserves

Accounting Policy

Nature and purpose of reserves

Share-based payment reserve

This reserve is used to record the value of equity benefits provided to employees, contractors and Executive Directors as part of their remuneration.

Option premium reserve

This reserve is used to accumulate amounts received from the issue of options.

(a) Reserves

	2021	2020
	\$	\$
Share Based Payments Reserve	1,785	-
Total	1,785	-

(b) Share-based Payments Reserve

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:

	2021	2020
	\$	\$
(a) Expensed in share-based payments expense		
Options issued to directors	1,785	-
Total	1,785	-

10,000,000 options were issued to Bradley Lingo during the year.

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For the Year Ended 30 September 2021

24 Share-based Payments

Accounting Policy

The Group may issue shares to contractors at its discretion in exchange for services rendered. The Group measures the goods or services received, and the corresponding increase in equity, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

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:

	2021	2020
	\$	\$
Shares		
Shares issued for consulting	136,075	-
Shares issued for compensation of a failed transaction ¹	100,000	-
	<u>236,075</u>	<u>-</u>
Options		
Options issued to directors	1,785	-
	<u>1,785</u>	<u>-</u>
Total	<u>237,860</u>	<u>-</u>

¹ As a result of the National Offshore Petroleum Titles Administrator not providing regulatory approval in relation to Black Swan's acquisition of Pilot's 80% interest in WA-503-P in 2018, and the subsequent cancellation of WA-503-P, Pilot and Black Swan agreed to a settlement consideration of \$100,000 value of Pilot Shares.

25 Loss per Share

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

	2021	2020
	\$	\$
As the Group is in a loss position, there is no diluted EPS calculated.		
(a) Earnings used to calculate overall earnings per share		
Net profit/(loss) after income tax	<u>(3,828,787)</u>	<u>(889,388)</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	<u>267,538,569</u>	<u>88,569,571</u>
(c) Basic & diluted earnings per share (cents)	(1.43)	(1.00)

Notes to the Financial Statements

For the Year Ended 30 September 2021

26 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:

	2021	2020
	\$	\$
Not later than one year	1,575,000	-
Between one and five years	31,050,000	-
	32,625,000	-

- Subject to completion of the farmout of WA-481-P to Triangle Energy (Global) Limited (TEG), TEG will fund \$5.75 million of the work programme expenditure covering years 1 – 3 (as estimated in the above table). At the completion of the TEG farmin, Pilot will be responsible for 21.25% of the estimated expenditure (\$3.3 million)
- Subject to satisfaction of the terms and conditions of the AET Farmin Agreement (as announced on 22 October 2021), one of the exploration wells will be drilled and funded by AET under the terms of that Agreement (estimated at \$4.5 million in the above table).
- This does not include Pilot's share of Cliff Head's decommissioning expenditure due to the uncertainty of timing of such expenditure which is not expected to occur within 5 years given the Group's business plans.

27 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:

Notes to the Financial Statements

For the Year Ended 30 September 2021

27 Financial Risk Management (continued)

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.

Mitigation strategies for specific risks faced are described below:

Liquidity Risk

Liquidity risk arises from the Group's management of working capital. 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.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates. 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	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Trade and other payables	748,356	503,620	748,356	503,620	748,356	503,620
Other liabilities	-	721,400	-	721,400	-	721,400
Financial liabilities	34,080	87,415	34,080	87,415	34,080	53,335
Employee benefits	137,834	1,785	137,834	1,785	137,834	1,785
Total	920,270	1,314,220	920,270	1,314,220	920,270	1,280,140

Notes to the Financial Statements

For the Year Ended 30 September 2021

27 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.

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.

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.

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

	USD
2021	\$
Nominal amounts	
Financial assets	<u><u>2,219</u></u>
2020	
Nominal amounts	
Financial assets	<u><u>2,856</u></u>

Notes to the Financial Statements

For the Year Ended 30 September 2021

27 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 2021 (30 September 2020: 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: 1.3834 AUD.

If the Australian Dollar had strengthened and weakened against the USD by 10% (30 September 2020: 10%) then this would have had the following impact:

	2021		2020	
	+10%	-10%	+10%	-10%
USD				
Net results	221.88	(221.88)	285.57	(285.57)

Notes to the Financial Statements

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28 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 24.

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

	2021	2020
	\$	\$
Short-term employee benefits	870,911	445,630
Superannuation	75,725	3,470
Share based payments	1,785	-
	948,421	449,100

29 Auditor's Remuneration

	2021	2020
MNSA	\$	\$
Audit and other assurance services		
Audit and review of financial reports	26,153	26,306
Review of proforma information for ASX reinstatement	5,775	-
Total remuneration for audit and other assurance services	31,928	26,306

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Notes to the Financial Statements For the Year Ended 30 September 2021

30 Subsidiaries

Wholly owned subsidiaries of Pilot are set out below.

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2021 %	2020 %
Pilot Energy (CH WSP) Pty Ltd	Renewables	Australia	30 September	100	-
Pilot Energy (CH CCUS) Pty Ltd	Oil & Gas	Australia	30 September	100	-
Pilot Energy (SW CCS) Pty Ltd	Oil & Gas	Australia	30 September	100	-
Royal Energy Pty Ltd	Oil & Gas	Australia	30 June	100	-
Royal Energy (Cooper Basin) Pty Ltd	Dormant	Australia	30 June	100	-
Rampart Alaska LLC	Dormant	USA	31 December	100	100
Spring River Resources	Dormant	USA	31 December	100	100

31 Contingent Liabilities

In the opinion of the Directors, the Company did not have any contingent Liabilities at 30 September 2021 (30 September 2020: None).

32 Related Parties

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.
- Throughout the financial year, a net total of \$549,587 has been loaned to Triangle Energy (Operations) Pty Ltd for working capital for the Cliff Head Joint Venture under a loan agreement. In accordance with the Loan Agreement, the total amount outstanding was repaid in full in November 2021.
- Throughout the financial year, a total of \$251,493 has been charged to Triangle Energy (Operations) Pty Ltd for the provision of services.

Pilot Energy Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2021

33 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

	2021	2020
	\$	\$
Loss for the year	(3,828,787)	(889,388)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- accrued interest	(5,204)	6,526
- foreign exchange	14,681	167
- rent amortisation	40,643	14,729
- depreciation	1,666	-
- rent payments	-	(11,500)
- share based payments	237,860	-
- non-controlling interest	628,882	-
- non-operating receivables & payables	160,250	-
- other non-cash transactions	-	(24,851)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(87,651)	(47,860)
- increase/(decrease) in trade and other payables	120,668	479,905
- increase/(decrease) in other liabilities	(678,900)	239,120
- increase/(decrease) in financial liabilities	(53,335)	-
- (decrease)/increase in employee benefits	260,118	9,306
Cash flows (used in) operations	<u>(3,189,109)</u>	<u>(223,846)</u>

34 Events Occurring After the Reporting Date

As announced on 14 October 2021, the Cliff Head Joint Venture (CHJV) has entered into a Binding Offtake Agreement with BP Singapore to sell 100% of the crude produced from the Cliff Head Oil Field. This Offtake Agreement is aligned with the term of the Storage Agreement.

As announced on 21 October 2021, Pilot commences feasibility study on South West Carbon Management and Blue Hydrogen projects. Key consultants engaged to conduct the feasibility study include Genesis, Technip Energies and RISC. The feasibility study is forecast to complete in the first quarter of CY2022.

As announced on 22 October 2021, Pilot and Advanced Energy Transition Pty Ltd (AET) have entered into a binding farm in agreement whereby AET fully funds the drilling of an exploration well in EP416 or EP480 in return for up to 50% interest in a future retention lease or production license.

As announced on 27 October 2021, the CHJV has completed a lifting of 107,000 bbls of crude with CHJV to receive approximately US\$8.1M per the Offtake Agreement with BP Singapore.

As announced on 4 November 2021, a consortium has been formed to jointly undertake and fund the Mid West Blue Hydrogen and Carbon Capture & Storage Feasibility Study. The consortium members are APA Group, Warrego Energy Limited and Pilot Energy. Key consultants engaged to conduct the feasibility study include Genesis, Technip Energies and RISC. The feasibility study is forecast to complete in the first quarter of CY2022.

As announced on 10 November 2021, the CHJV has completed an updated decommissioning estimate for Cliff Head, prepared by Elemental Group. The estimated decommissioning cost has been reduced to \$28.7M from \$39.5M.

As announced on 11 November 2021, Pilot issued 13,333,334 unlisted options expiring 2 November 2024 with a vesting date of 9 August 2022.

Pilot Energy Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2021

34 Events Occurring After the Reporting Date (continued)

As announced on 29 November 2021, BP Kwinana have indicated that they do not intend to extend the term of the Storage Agreement beyond 22 April 2022. The CHJV continues to investigate alternative storage and offtake strategies beyond the expiry of the Storage and Offtake Agreements.

As announced on 10 December 2021, Ms Sally McDow resigned as co-company secretary.

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

35 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	2021	2020
Assets	\$	\$
Current assets	5,500,948	42,529
Non-current assets	7,369,651	116,465
Total Assets	<u>12,870,599</u>	<u>158,994</u>
Liabilities		
Current liabilities	908,510	1,280,140
Non-current liabilities	-	34,080
Total Liabilities	<u>908,510</u>	<u>1,314,220</u>
Equity		
Issued capital	60,580,248	44,525,754
Reserves	1,785	-
Accumulated losses	(48,619,944)	(45,680,980)
Total Equity	<u>11,962,089</u>	<u>(1,155,226)</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	<u>(2,938,963)</u>	<u>(889,388)</u>
Total comprehensive loss	<u>(2,938,963)</u>	<u>(889,388)</u>

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 September 2021 (2020: Nil).

Contractual commitments

The parent entity did not have any material commitments as at 30 September 2021 not disclosed in the financial report (2020: 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 2021 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 Managing Director has 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 2 in the financial statements, and specifically in continuing to secure future working capital sourced from equity capital raisings, borrowings and farmouts, 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
Executive Chairman

Dated at Sydney, New South Wales this 16th December 2021

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**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 2021, 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 2021 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.

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.

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
<p>Acquisition of business operations</p> <p>As described in Note 4 “Business Combinations, the Group acquired Royal Energy Pty Limited.</p> <p>Total consideration paid was \$4,750,000 through the issue of 143,939,384 shares at \$0.033 per share. The fair value of identifiable net assets at purchase date was \$4,750,000 with \$Nil goodwill identified upon acquisition.</p> <p>The accounting treatment for business combinations is considered a key audit matter due to the level of judgement included in accounting for business combinations, the valuation of the assets and liabilities acquired as well as the significance of the business combination to the Group’s financial position.</p>	<ul style="list-style-type: none"> • We assessed the Group’s determination and application of Australian Accounting Standards to the initial recognition of the acquisition transaction; • We assessed the reasonableness of the adopted acquisition date and the fair value of purchase consideration by agreeing to the relevant purchase documents; • We performed audit procedures to evaluate the reasonableness of the fair value of the acquisition date assets acquired and liabilities assumed; • We assessed the adequacy of the Group’s disclosures in the financial statements.
<p>Carrying value of Cliff Head and other non-current assets and Exploration, evaluation & development assets</p> <p>As detailed in Notes 5 & 17, the carrying value as at 30 September 2021:</p> <ul style="list-style-type: none"> • Cliff Head and other non-current assets was \$4,450,226, and • Exploration, evaluation & development assets was \$917,365. <p>The assessment of the capitalised carrying value of Cliff Head and other non-current assets and Exploration, evaluation and development assets requires management to make significant accounting judgements and estimates in their assessment of indicators of impairment.</p>	<p>We have evaluated the appropriateness of management’s judgements that there is no additional facts or circumstances that suggest the carrying amount of Cliff Head and other non-current assets and exploration, evaluation and development assets exceeds its recoverable amount.</p>

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Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Going Concern</p> <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.</p> <p>Accordingly, we considered the appropriateness of the going concern assumption and disclosures made within Note 2(b).</p>	<p>We have challenged the key assumptions in management's forecast cash flows for the next 12 months by:</p> <ul style="list-style-type: none">• Considering forecasts 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; 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 2021 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.

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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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf
This description forms part of our auditor's report.

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 2021.

In our opinion the remuneration report of Pilot Energy Limited for the year ended 30 September 2021, 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 16th December 2021

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Additional Information for Listed Public Companies

30 September 2021

The shareholder information set out below was applicable as at 2 December 2021

Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	184	27,064	0.01
1,001 – 5,000	65	208,587	0.04
5,001 – 10,000	214	1,754,642	0.35
10,001 – 100,000	762	32,121,147	6.40
100,001 and over	395	467,490,261	93.20
Total	1,620	501,601,701	100.00

There were 326 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
BREAKOUT HOLDINGS PTY LTD <WAY SUPER FUND A/C>	25,934,494
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	24,666,666
MANDATON HOLDINGS PTY LTD <GADZ INVESTMENT A/C> & STRASSFAMILY PTY LTD <A&T STRASSER S/F A/C>	21,766,136
ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	20,480,087
WALKERINDO NUSTAMA MANDIRI	15,894,128

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 77,999,971 options on issue.

Additional Information for Listed Public Companies

30 September 2021

Twenty Largest Shareholders

Shareholders	Ordinary Shares	
	Number Held	% of issued shares
BREAKOUT HOLDINGS PTY LTD <WAY SUPER FUND A/C>	25,934,494	5.170
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	24,666,666	4.918
MANDATON HOLDINGS PTY LTD <GADZ INVESTMENT A/C> & STRASSFAMILY PTY LTD <A&T STRASSER S/F A/C>	21,766,136	4.339
ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	20,480,087	4.083
WALKERINDO NUSTAMA MANDIRI	15,894,128	3.169
PINE STREET PTY LTD <PINE STREET SUPER FUND A/C>	15,000,000	2.990
GS ENERGY PTY LTD	14,814,940	2.954
KEY PERTH BASIN INVESTMENTS PTY LTD	13,000,000	2.592
PINE STREET PTY LTD <PINE STREET A/C>	10,500,000	2.093
SOCHRSTEM SAS	9,767,737	1.947
MARILEI INTERNATIONAL LTD	9,767,737	1.947
OMNIA SA	9,767,737	1.947
G C BASS NOMINEES PTY LTD <BASS SUPER FUND ACCOUNT>	9,767,737	1.947
POTEZNA GROMADKA LTD	7,814,190	1.558
MAGEES SUPERFUND PTY LTD <MAGEES SUPERMARKET S/F A/C>	6,550,000	1.306
AUSTAR NOMINEES PTY LTD <THE WANG FAMILY A/C>	6,337,102	1.263
COMMON SENSE COMPUTING PTY LTD <THE COMMON SENSE A/C>	6,325,000	1.261
HOMERS GROUP PTY LTD <HOMERS FAMILY A/C>	6,060,607	1.208
MISS SIHONG ZENG	6,034,299	1.203
HUNTER CAPITAL ADVISORS P/L	5,790,139	1.154

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