

Annual Report 2022

For the year ended 30 September 2022



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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	Suite 301, 35 Spring Street Bondi Junction NSW 2022 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 Level 40, 1 Farrer Place Sydney NSW 2000	Squire Patton Boggs Level 17, 88 Phillip Street Sydney NSW 2000
Share Registry	Boardroom Pty Limited Level 8, 210 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 2022 Annual Report.

The 2021/22 year has been an incredibly exciting (and challenging) year for the Company. Following a successful recapitalisation of the Company, Pilot was reinstated to the ASX Official List in August 2021. As a result, the Company commenced its clean energy feasibility studies in September 2021 assessing the feasibility and economics of the development of large-scale Carbon Capture and Storage (**CCS**), renewable energy and clean energy projects leveraging the Company's existing oil and gas production operations in Western Australia.

The feasibility studies were completed in March/June 2022. Each of these feasibility studies have confirmed the significant opportunity to develop a large-scale clean hydrogen production project integrating CCS and renewable energy generation to produce hydrogen and electricity for both domestic and export markets. Following these studies, the Company initiated the Mid West Clean Energy project (**MWCEP**) in March 2022, which involves leveraging existing brownfield infrastructure (**Cliff Head Project** or the **Project**) to enable a large-scale clean energy project. The MWCEP involves:

- carbon capture and storage: converting the Cliff Head oil project to a CCS project; and
- clean ammonia production: leveraging natural resources of the Mid West region (natural gas and renewable energy potential) to produce clean ammonia for export.

During the year Pilot has progressively expanded the Project team, with a focus on the initial CCS regulatory approval, project partners and customer engagement (CCS and ammonia) and engaging of key resources to execute the Project. CO2Tech (Pilot's CO₂ storage technical adviser) and the Cliff Head Joint Venture (**CHJV**) technical teams (led by Pilot) have worked tirelessly to finalise the first stage of the regulatory filings for approval of the Project (which was lodged in November 2022).

In summary, the 2022 year has seen the Company consolidate its energy transition plans with the successful conclusion of key initiatives which has set the foundations for the MWCEP. These include the following:

- Completion of the clean energy feasibility studies and commencement of the Mid West Clean Energy Project;
- Key appointment of CO2Tech as Pilot's CO₂ storage technical adviser, and Technip (Genesis) as the Project's owners engineer overseeing the entire MWCEP;
- Pilot and Triangle formalised arrangements (subject to regulatory approval of the application for Declaration of CHG Formation), to restructure their interests in the WA-31-L Cliff Head project, resulting in Pilot holding a direct 60% operated participating interest in both the CH JV (oil project) and the CH CCS Project, and Triangle holding a direct 40% participating interest in both projects.
- Concluding arrangements with 8 Rivers Capital, LLC. for their capital investment in the Company as well as for technical design services for the MWCEP hydrogen production facilities.
- In November 2022, the CH JV lodged the initial Cliff Head CCS regulatory application to "Declare an identified Greenhouse Gas storage formation" across WA-31-L with the National Offshore Petroleum Titles Administrator (**NOPTA**).
- The CH JV announced in November, a significant upgrade to Cliff Head CO₂ storage resource: 2C contingent CO₂ storage resource increased ~ 50% to 9.7 million tonnes (100%).

Of course, 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 hard work as the Company progresses its plans to be 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.

Whilst equity markets have been extremely challenging this year, Pilot's unique underlying assets provide the foundation for the first offshore CCS project in the Mid West, and are the first stage in the development pathway for the broader MWCEP and ultimately, significant shareholder value.

Yours faithfully,



For and on behalf of the Board
Brad Lingo
Chairman

Corporate and Operations Review

Corporate Activities

A. Capital Raising / Share Issues

i As per the Company's ASX announcement of 11 July 2022, the Company received commitments of \$2.2 million in a two-tranche placement with all funds having been received by November 2022. The share issue was approved by Pilot shareholders at a General Meeting held on 19 August 2022. Pursuant to the terms of the placement 129,411,765 ordinary shares were issued at the price of \$0.017 per share, together with a 1:2 free attaching options with an exercise price of \$0.033, and a three year expiry term (25 August 2025).

ii As per the Company's ASX announcement of 30 November 2022, the Company received commitments of \$2.0 million via a placement of ordinary shares with free-attaching options, the funds from which were received by 7 December 2022 (excluding funds in respect of shares to be taken up by Directors). The free attaching options and the Director shares, will be subject to approval by Pilot shareholders at the Annual General Meeting to be held in February 2022. Under the placement 130,666,667 ordinary shares were issued at an issue price of \$0.015 per share, with the Director shares and free attaching options are to be issued subject to approval. There will also be 8,000,000 options issued (on the same terms and conditions as the placement options) to Whairo Capital, Lead Manager for the placement.

The free attaching options are to be issued on a 1:2 basis and are exercisable at \$0.033 on or before 25 August 2025.

iii 8 Rivers Capital Arrangements

- *Capital Investment*

8 Rivers Capital, LLC (www.8rivers.com) (8RC) completed its strategic investment contribution of \$500,000 (Subscription Agreement) in the Company in November 2022 as part of the capital raise in July 2022.

- *Provision of technical services*

As announced during the year, 8RC will provide technical resources to the Project. Commencing in November 2022, 8 Rivers has assigned key personnel to the MWCEP for an initial period of six months, to undertake work focusing on the preparation of a basis of design for the MWCEP hydrogen production facilities. The basis of design is required to support the CCS FEED and Pre-FEED for the hydrogen and ammonia facilities.

In consideration of the provision of these services, Pilot will issue:

- A\$250,000 shares to 8RC at a price per share equal to the 30-day VWAP on 13 February 2023, being within 90 days of the Commencement Date, as defined in the Subscription Agreement; and
- A second tranche of shares of value A\$250,000 will be issued 180 days from the Commencement Date (as defined in the Subscription Agreement) at a price per share equal to the VWAP over the 175 day period commencing on the date of the agreement.

iv Ammonia Rights Agreement

In further consideration of 8RC entering into the Subscription Agreement, Pilot grants to 8RC (or its nominee, a member of the SK Inc. group of companies) a priority right to enter into an ammonia supply agreement to purchase up to 50% of the blue ammonia output (subject to a cap of 250,000 tonnes per annum). Blue ammonia is ammonia produced using natural gas as the feedstock which is converted to hydrogen, using the 8RH2 process in combination with carbon capture and storage, and the subsequently combined with nitrogen to form ammonia.

B. Shares and Options Issued

A summary of all shares and options issued during the year is set out in the Notes to the Financial Statements.

C. ASX Recombpliance

The Company was reinstated to the ASX Official List on 11 August 2021. 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.

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 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.

Twelve months on, the Company continues to engage with the ASX in respect of this issue and the requirement to comply with Chapters 11, 1 and 2 of the Listing Rules. In October 2022, ASX agreed to a variation to the limitation it previously placed on expenditure by the Company relating to preliminary activities connected to renewable energy to allow for further expenditure on such activities of an additional \$1.5 million over the next 12 months before ASX would consider such activities to constitute a change in nature and scale of Pilot's activities in terms of Listing Rules Chapter 11.

D. Corporate Governance

The Board is committed to operating in accordance with the highest standards of corporate governance. To the extent appropriate for the Company, given its size and stage of development, the Company has adopted the fourth edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council on 27 February 2019. The Company's corporate governance statement for the financial year ending 30 September 2023 was approved and adopted by the Board on 15 December 2022. This document sets out in summary the Company's governance policies and the extent to which it has met the Corporate Governance Council's Principles and Recommendations and, where they have not been met, explains why. The corporate governance statement is available on Pilot's website, under the "Company" heading.

Review of Operations

A. Feasibility Studies

During the year, Pilot completed its main clean energy feasibility studies assessing the feasibility and economics of the development of large-scale CCS and clean energy projects leveraging the Company's existing oil and gas production operations. The feasibility studies include:

- the Mid West Blue Hydrogen and CCS study (**Mid West CCS and Blue H2 Study**) focused on the Cliff Head Oil field;
- the Mid West Renewable Energy Study (**Renewables Study**);
- the 8 Rivers Blue Hydrogen Technology Study (**8 Rivers Study**) and
- the WA 481P CCS Study (**WA -81-P CCS Study**).
- The Company is undertaking a separate assessment of CCS and hydrogen opportunities through its South West Carbon Management study (**SW CCS**).
- The transition to the production of clean hydrogen requires CCS and renewable power generation. Pilot is well positioned to play a significant role in the energy transition through harnessing the world-class CCS and renewable resources of Western Australia which overlap the Company's existing assets and tenements. These preliminary studies provide Pilot with a significant and detailed data set developed in conjunction with industry experts across the clean energy supply chain. The intellectual property associated with the data set will underpin future development projects such as the Mid West Clean Energy Project (**MWCEP**) announced to the market in March 2022.



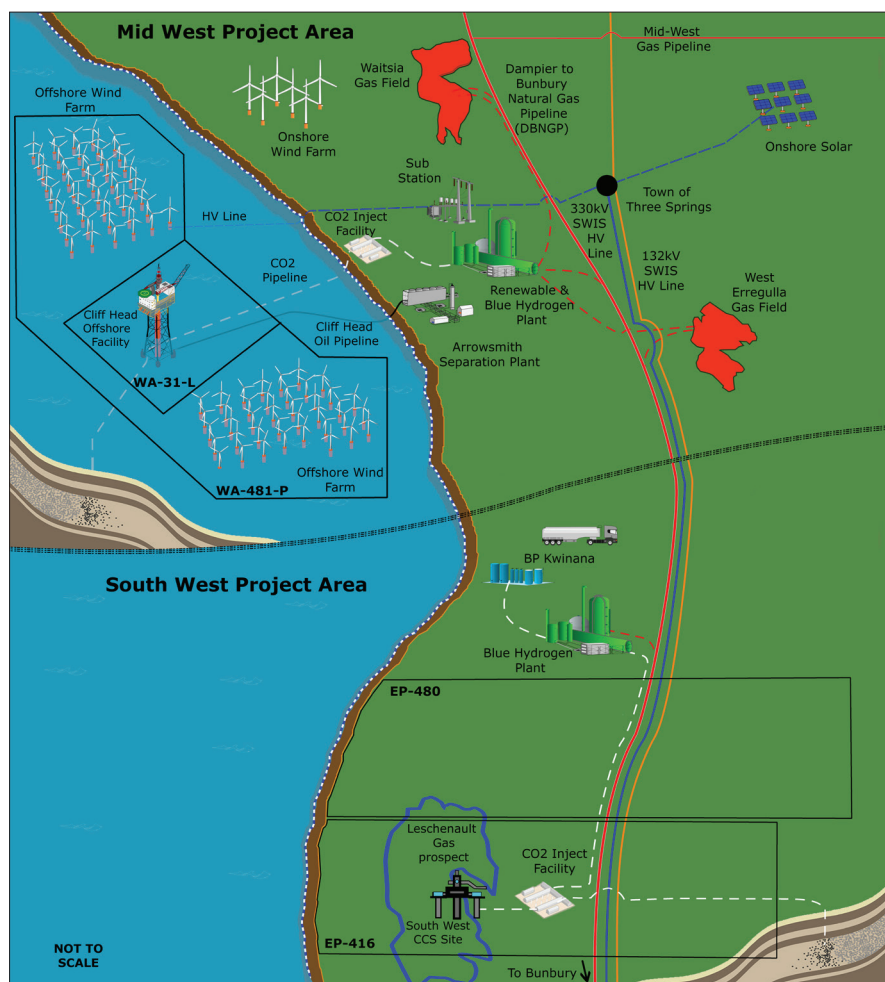


Figure 1 depicts Pilot's existing projects and facilities together with infrastructure that Pilot proposes to develop subject to the results of the feasibility studies. Pilot's future projects anticipate leveraging its existing assets and resources to develop world class clean energy projects across the Mid West and South West regions of Western Australia.

Figure 1. Pilot's Mid West and South West project overview in Western Australia

Results of feasibility studies were detailed in separate ASX announcement on 28 March 2022 and 7 June 2022. Each of these feasibility studies have confirmed the significant opportunity to develop a large-scale clean hydrogen production project integrating CCS and renewable energy generation to produce hydrogen and electricity for both domestic and export markets.

The SW CCS study has consider the opportunity aggregate emissions in the South West region of Western Australia for storage in the South West or in the Mid West. The results of this study remain under review and further information will be made available following Pilot's review of the data and the completion of engagement with potential partners in a South West focussed development opportunity.

B. Mid West Clean Energy Project

Pilot initiated the Mid West Clean Energy Project (refer to the figure below) in March 2022, which involves leveraging existing brownfield infrastructure (Cliff Head Project) to enable a large scale clean energy project. The MWCEP involves:

- carbon capture and storage: converting the Cliff Head oil project to a CCS project; and
- clean ammonia production: leveraging nature resources of the Mid West region (natural gas and renewable energy potential) to produce clean ammonia for export.

During the year Pilot has progressively expanded the project team with a focus on the initial CCS regulatory approval, project partner and customer engagement (CCS and Ammonia) and engaging of key resources to execute the project.

CO2Tech (Pilot's CO₂ storage technical adviser) and the Cliff Head Joint Venture (CH JV) technical teams (led by Pilot) finalised the reservoir and geo-mechanical modelling required to support the application to declare formations within the WA -31-L area as identified greenhouse gas formations. Technical analysis was presented to NOPTA during October 2022, ahead of submitting the formal application to declare an Identified Greenhouse Gas Storage Formation within the WA-31-L tenement. The CH JV lodged the application on 29 November 2022.

The potential partners and customers range from strategic financial investors to companies interested in the capture and permanent storage of their industrial emissions, to energy industry participants. Pilot, with the assistance of Miro Capital and New Electric Partners, is engaging with partners and customers in parallel with a number of potential customers interested in CO₂/Ammonia offtake and a project level equity interest.

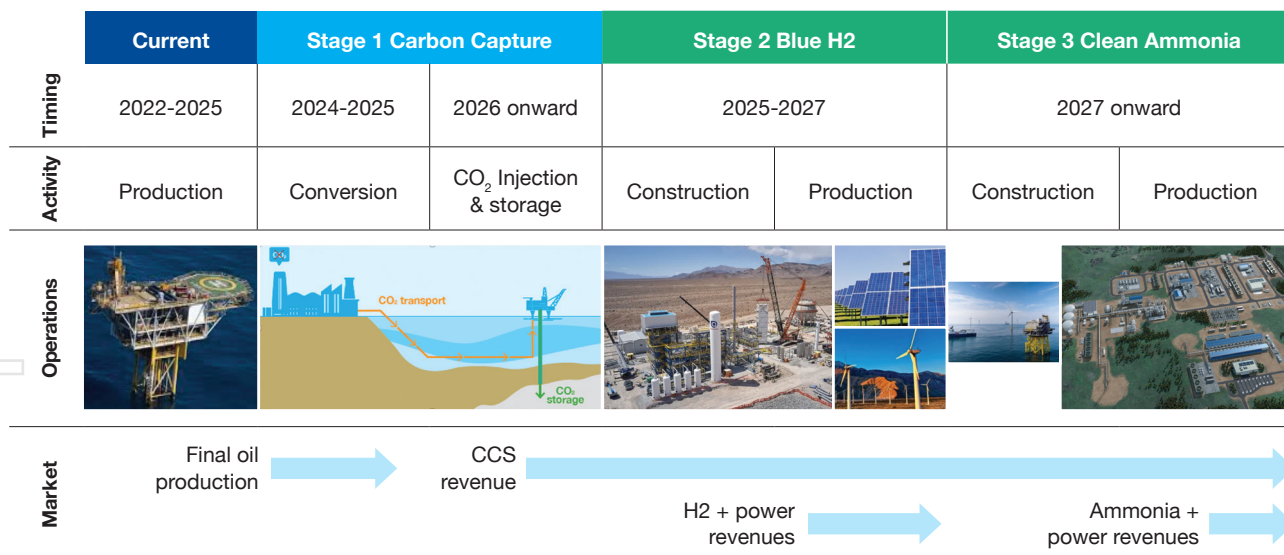


Figure 2. Pilot's Mid West Clean Energy Project overview

Key milestone for the project include:

- First stage CCS regulatory approval – Declaration of a Greenhouse gas storage formation over WA-31-L: mid 2023.
- Second stage CCS regulatory approval - Injection Licence: Target Q4 2023/Q1 2024.
- Commence CCS Front End Engineering and Design (FEED): Q1 2023.
- Commence Blue hydrogen Pre-FEED: Q1 2023.
- Initial CO₂ injection: Q1 2026.

C. Oil and Gas Operations

i. 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

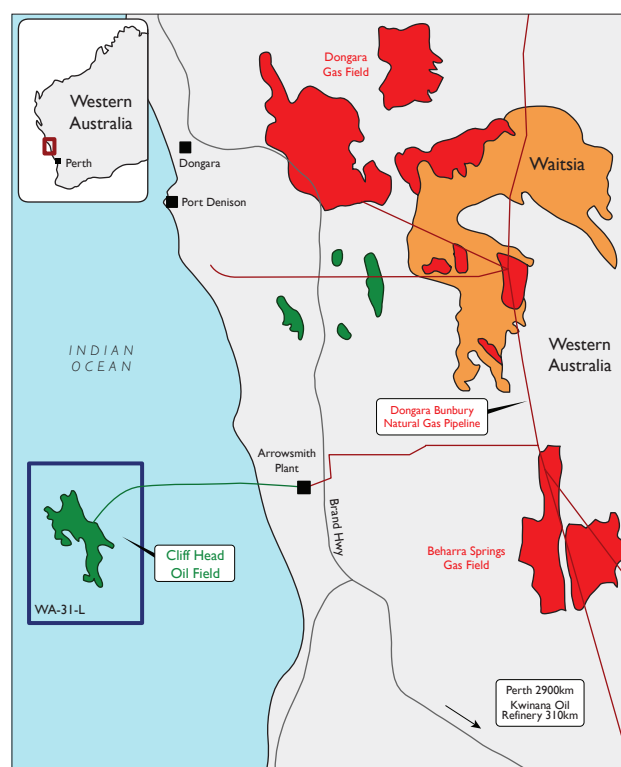


Figure 3. Cliff Head Oil Field Location

■ Oil Field	— Oil Pipeline
■ Gas Field	— Gas Pipeline

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.

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 Arrowsmith stabilisation processing plant has the capacity to process third party crude.

On 29 November 2021, the CH JV announced the termination of the Storage and Offtake Agreements with BP Kwinana and BP Singapore in April 2022. Subsequently, new oil sale and export arrangements via the Port of Geraldton, enable continued Cliff Head oil production and the opportunity for other Perth Basin producers to export through Cliff Head Joint Venture (CH JV) facilities, and will facilitate the CH JV to continue to progress plans for the re-purposing of the Cliff Head facilities.

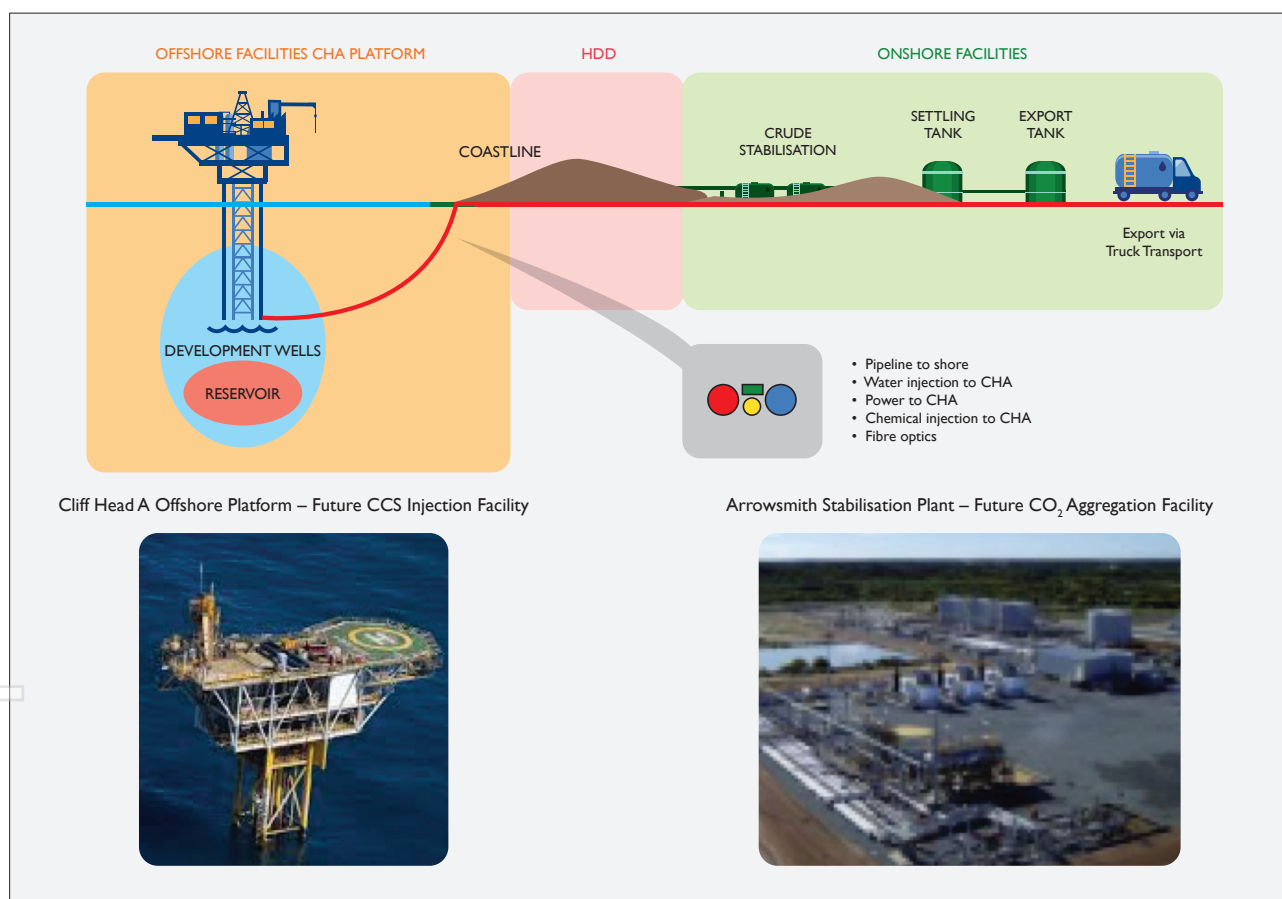


Figure 4. Cliff Head Facilities and Infrastructure

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 2022 for the CH JV (100% basis) are set out in the table below.

1 October 2021 - 30 September 2022	CHJV (100%)	Pilot (21.25%)
Production (bbls)	219,540	46,652
Average daily production (bopd)	601	128
Sales revenue (bbls)	316,984	67,359
Average oil price received (A\$ per bbl)	129	129
Sales revenue (\$'000))	40,905	8,692
Oil Inventory (11,348 bbls) (\$'000)*	(4,824)	(1,025)
Routine operating costs (\$'000)	(10,634)	(2,260)
Operating Margin (\$'000)	25,447	5,407
Trucking, storage and handling (\$'000)	(7,023)	(1,492)
Routine Profit (\$'000)	18,424	3,915
Non-routine operating costs (\$'000)	(2,859)	(608)
Gross Profit (before tax, \$'000)	15,565	3,308

Notes:

*Crude oil delivered and stored at BP Kwinana recorded as inventory until May 2022. Post May 2022 trucked crude oil has been stored at Geraldton, until transported to refineries in Asia for sale. Reported figures represent a movement in a value of the cumulative barrels stored.

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

*** 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.

ii Completion of Cliff Head JV restructure agreement - provides clear pathway for CCS development project at Cliff Head

On 6 October 2022, CHJV announced to the ASX that Pilot and Triangle had executed a sale and purchase deed formalising the restructure of the existing joint venture ownership arrangements for the CHJV and the proposed CH CCS Project.

Completion of the sale and purchase deed is conditional upon the granting by NOPTA of the Declaration of a Greenhouse Gas Storage Formation in accordance with the Offshore Petroleum & Greenhouse Gas Storage Act 2006 (Cth) (**OPGGSA**) in respect of the area the subject of WA-31-L.

Upon the grant of the Declaration:

- Pilot and Triangle (via their wholly owned subsidiaries) will restructure their interests in the WA-31-L Cliff Head project resulting in Pilot holding a 60% direct operated participating interest in both the CHJV (oil project) and the CH CCS Project, and Triangle holding a 40% direct participating interest in both projects.
- Pilot increases its interest in the CH JV Operator (Triangle Energy (Operations) Pty Ltd) to 100% and will become the Operator of both the CH JV (oil project), as well as the CH CCS Project.

- Pilot and Triangle will co-operate and jointly participate in an application to NOPTA for a Greenhouse Gas Injection (GHG) Licence under the OPGGSA.
- Upon approval and grant of the GHG Injection Licence, TEG will pay Pilot \$1,000,000
- Following the granting of the Declaration TEG will have the option to participate in the CH CCS Project to the extent of its 40% participating interest or to withdraw (Option). If it elects to withdraw, TEG will surrender and Pilot will assume, TEG's 40% participating interest in the CH JV (oil field) and Pilot will hold 100% of the interests in the CH CCS Project.

The CH CCS project will be the first offshore CCS development in Mid West Western Australia and one of the first offshore CCS projects to be implemented in Australia. Additionally, and of key importance, the implementation of the CH CCS Project will likely significantly extend the working life of substantially all the CH JV facilities and defer material decommissioning costs well into the future.

Pilot previously announced on the ASX that the feasibility study results indicate that the Cliff Head oil field and associated wells and infrastructure were both capable of supporting and suitable for a CCS project. A summary of these feasibility results is provided in this Report.

iii. Exploration Permit WA-481-P, Perth Basin, Western Australia

Termination of Sale Agreement with Triangle

On 9 November 2020 Pilot announced that it had entered into an agreement with Triangle Energy (Global) Limited (ASX:TEG) (**Triangle**) to, amongst other things, sell a 78.75% interest in, and operatorship of, the offshore Perth Basin exploration permit WA- 481-P. As previously disclosed, the sale and transfer of interest to Triangle was conditional on receipt of regulatory approval.

On 4 January 2022, Pilot received notice from the National Offshore Petroleum Titles Administrator (NOPTA) that, based on the information that it had received to date, NOPTA is proposing to refuse to approve the transfer to Triangle. Given the position expressed by NOPTA regarding the unlikely approval of the transfer to Triangle and the passing of the cut-off date, Pilot advised Triangle, as per the ASX release dated 2 February 2022, that it was terminating the Sale Agreement on the basis that the Conditions have not been satisfied or waived by the cut-off date.

As a result, Pilot retains:

1. operatorship of and 100% beneficial interest in WA-481-P;
2. operatorship and 100% ownership of the Cliff Head wind and solar Project (a subset of Pilot's proposed Mid West Renewables project area); and
3. an interest in the Cliff Head Joint Venture, which owns the Cliff Head infrastructure, through its 50% interest in Triangle Energy Operations Pty Ltd, the operator of the Cliff Head Oil Field.

Pilot also confirmed (on 4 April 2022), in its' release to the ASX, that it had increased its registered interest in the WA-481-P offshore exploration permit to 100% following receipt of final approval from the NOPTA of Pilot's acquisition of the 40% interest previously held by Key Petroleum Limited. This final approval confirms Pilot as the 100% owner and operator of the WA 481P offshore exploration permit.

Operationally, during the year, PSDM reprocessing of approximately 2,000 line km of vintage 2D seismic continued and is now approximately 70% completed. This work is being carried out by Velseis Processing (Brisbane) and is designed to provide better imaging of faults and stratigraphy which are contaminated by multiples and non-coherent noise on earlier rounds of processing. Lines chosen for the reprocessing are focused around the highly prospective eastern in-board, shallow water area of WA-481-P and leverage off 800 km of existing 2D reprocessing carried out in 2018.

Planning continued for 3D/2D seismic acquisition to satisfy the 3D/2D seismic acquisition commitment (Year 1 to 3 period of the current term consisting of 350 km² 3D, 200 km 2D). This planning includes technical design work as well as environmental and stakeholder approval and operational planning workstreams. Seismic acquisition is anticipated in 2023.

Note that wherever possible, Pilot will seek to align geophysical survey activities for future clean energy projects (for example CCS and offshore wind) in parallel with oil and gas related surveys, thereby leveraging operational programs for technical and financial benefit across assets.

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

The principal activity across these tenements related to the proposed geochemical survey. The survey objective is to establish the presence, distribution, and composition of hydrocarbons across the Leschenault structural feature which straddles EP 416 and EP 480, via seeps and microseeps and determine the probable hydrocarbon i.e. document the presence of a working petroleum system. A survey layout has been selected and the environmental planning progressed. This work has taken much longer than anticipated due to widespread land access issues with final survey locations proposed primarily on crown and reserve lands. Due to the additional time taking to finalise the survey location, Pilot is engaging with the regulator regarding the status of the tenements and the outstanding year 1 (EP 416) and year 3 (EP 480) geochemical survey work commitment.

Pilot continued interpretation of the approximately 310 line kms (25 lines) of reprocessed 2D seismic across the permits completed during the year utilizing a PSDM workflow. This work is designed to reduce structural and stratigraphic risk by providing more coherent fault delineation and overall improved reflection information. The reprocessing represented part of work commitments for Year 1 in EP 416 and Year 3 in EP 480.

The approximately 60 km of 2D line data processed using AI inversion in Q1 2022 is being integrated into the interpretation of the previously mentioned PSDM reprocessing above. Key objectives of the inversion work are to establish reservoir and seal distribution across the area of coverage and forms part of work commitments for Year 1 in EP 416 and Year 3 in EP 480.

On 22 October 2021, Pilot and AET finalised the terms of the farm-in agreement for AET to farm into 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 in the primary reservoir target of the Permian Sue Group sandstone and the Triassic age Lesueur sandstones. These arrangements are on hold pending the results of Pilot's engagement with the regulator regarding outstanding work commitments.

D. Reserves and resources

i. Oil & Gas

The 2022 Cliff Head Oil Field Reserves assessment was performed by Triangle Energy (Global) Limited, current project operator. The Company notes that during the period 1 July 2022 through to 30 September 2022, 53,711 bbls (Pilot share 11,414 bbls) of oil have been produced.

Cliff Head Field Oil Reserves 2022

Cliff Head Oil Field Reserves Net to Pilot as of 30 June 2022	
	2P
Total Crude Oil (MMstb)	0.15

Source: Page 14 of Triangle Energy (Global) Limited Annual Report 2022:
<https://triangleenergy.com.au/wp-content/uploads/2022/09/2444191-Annual-Report-to-Shareholders.pdf>

The Company confirms there are no changes to 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 Contingent Resource estimates set out in the following tables are based on the Independent Technical Specialist Report prepared by RISC dated 28 January 2021 relating to the Company's Australian exploration assets.

WA-481-P Contingent Resources

Pilot Share 100% Interest

WA-481-P Contingent Oil Resources (MMbbl) as of 31 March 2021				
Accumulation		1C	2C	3C
Dunsborough	Gross (100%)	3.3	6.0	9.8

WA-481-P Contingent Gas Resources (Bcf) as of 31 March 2021				
Accumulation		1C	2C	3C
Frankland	Gross (100%)	29.4	41.6	58.9

Source: RISC Technical Specialist Report January 2021.

ii. Carbon Capture and Storage

Over the past six months, the CHJV technical teams, along with CO₂Tech have undertaken a full technical assessment of the CO₂ storage potential across the WA 31-L tenement area. This work stream expanded key technical models to cover the entire WA 31-L and adjacent area (expanding into Pilot's 100% held WA 481-P exploration licence).

The expanded technical data set has supported the CHJV's submission to NOPTA to declare an identified storage formation and has resulted in a 50% increase in the CCS Project 2C contingent resources to 9.7 million tonnes (prepared in accordance with the SPE SRMS). The upgraded resource also involves a revised approach to the CCS development with a new CO₂ injection well to be drilled downdip from the field instead of converting 5 existing wells, with the existing wells being retained for pressure maintenance and monitoring. The capital cost of the simplified development plan is under review, however it is expected to fall within the previous guidance of \$110

million for 665,000 tonnes per annum injection capacity with up to a further \$60 million to expand injection capacity to 1.1 million tonnes per annum.

The CHJV's application is one of the first applications to be made under the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (OPGGGS Act) and the Offshore Petroleum and Greenhouse Gas Storage (Greenhouse Gas Injection and Storage) Regulations 2011 (the Regulations). As such, a key principle underpinning this technical work was to present a conservative assessment of the CO₂ storage potential across the tenement area.

Figure 5 below is a series images taken from the new reservoir model which demonstrate the migration of the injected CO₂ plume as it progresses from the new injection well in the southern area of the tenement. It is important to note that the location of the stabilised plume (after 15 years and 100 years) is well within the red outline that illustrates the WA 31-L tenement boundary.

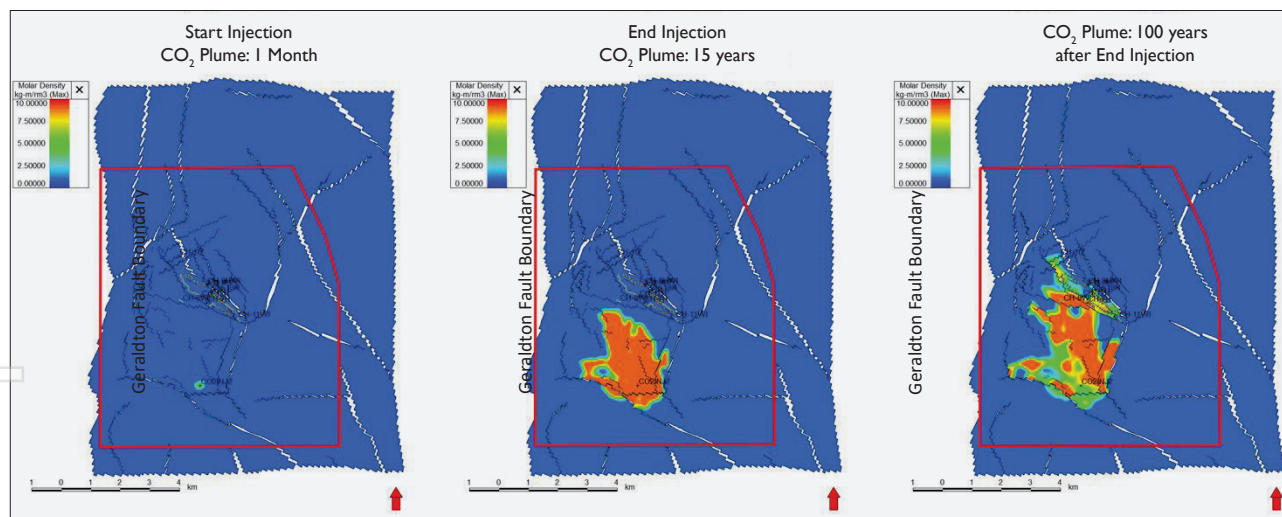


Figure 5. CO₂ plume migration 2C case

Greater Cliff Head & WA 481P CCS Storage Contingent & Prospective Resources*

Contingent Storage Resource (million tonnes)			
	1C	2C	3C
WA 481P (Pilot share, 100% basis)	2.8	4.4	7.2
WA 31L (100 % basis)	7.0	9.7	13.4
Prospective Storage Resource (million tonnes)			
	1U	2U	3U
WA 481P (Pilot share, 100% basis)	46.2	80.4	144.2

*Based on Resource Assessment by CO2Tech, prepared in accordance with the SPE SRMS Guidelines for estimating CO₂ storage resources.

E. 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 beginning of quarter	Interest at end of quarter
WA-31-L ⁱ	Western Australia – Offshore Commonwealth Waters	21.25%	21.25%
WA-481-P ⁱⁱ	Western Australia – Offshore Commonwealth Waters	100%	100%
EP416	Western Australia – Onshore	100%	100%
EP480	Western Australia – Onshore	100%	100%

i The Company holds a 50% interest in TEO which has a 42.5% direct interest in WA-31L. Subject to restructure as noted in this ASX announcement.

ii On 20 April 2022, the Company concluded an agreement with Triangle Energy (Global) Limited (TEG) to transfer Pilot's 13.058% participating interest in EP 437 to TEG. Under the agreement and subject to DMIRS approval TEG assumed all of Pilot's obligations and liabilities in respect of the Permit, arising prior to and after the effective date.

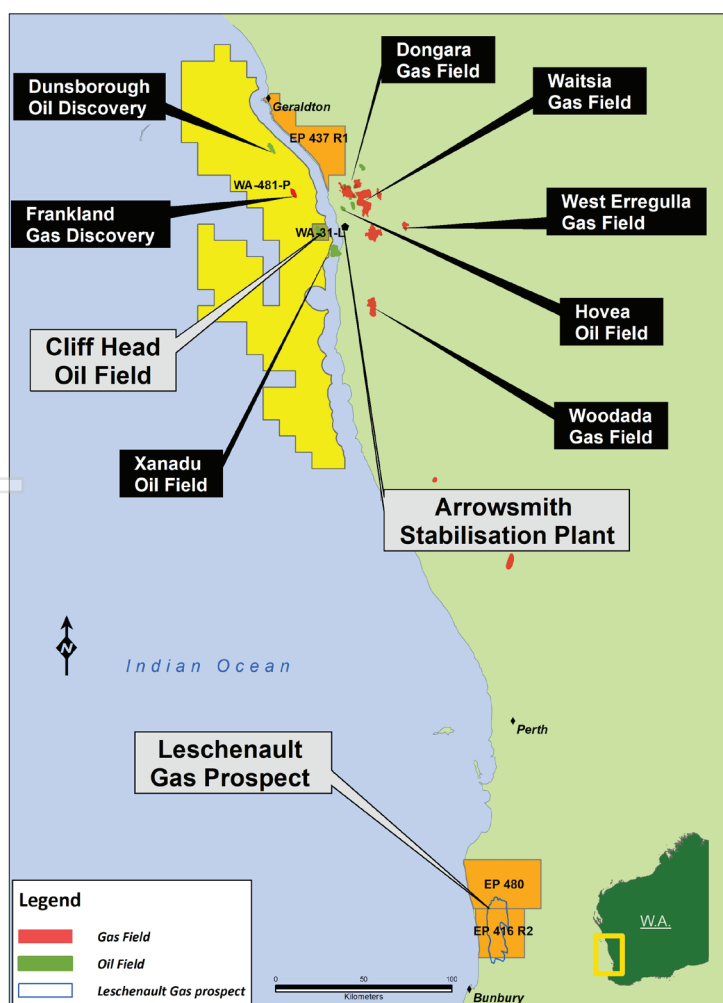


Figure 6. Oil & Gas Assets - Location Map

F. Competent Person Statement

This report contains information on conventional petroleum resources and CO₂ Storage 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 and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2022

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 2022.

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 31 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

3,500,000 options expiring 18 March 2025

Other Directorships

- Port Anthony Renewables Limited (not listed)
- PZE Limited (not listed)
- Armour Energy Limited (ASX: AJQ) (Resigned 4 April 2022)

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 ⁽¹⁾

22,766,136 ordinary shares

3,500,000 options expiring 18 March 2025

500,000 options expiring 19 August 2025

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

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2022

Directors - Current (continued)

Daniel Chen

Non-executive Director

Appointed: 15 September 2020

Daniel has over 18 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 ⁽²⁾

6,000,000 ordinary shares

2,000,000 options expiring 18 March 2025

500,000 options expiring 19 August 2025

Other Directorships

- PZE Limited (not listed)

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 ⁽³⁾

4,850,000 ordinary shares

2,000,000 options expiring 18 March 2025

Other Directorships

- Anagenics Limited (ASX: AN1) (Resigned 15 February 2022)

(2) held in related entities, DVAC Holding Pty Ltd and DVAC Super Fund Pty Ltd

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

2. Company Secretary

Cate Freidlander was appointed Company Secretary on 22 March 2021. As at the date of this report, she is the sole company secretary.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2022

3. Director's Meetings

During the financial year, 8 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 eligible to attend
Bradley Lingo (appointed 12/05/2020)	5	8
Anthony Strasser (Appointed 31/05/2021)	8	8
Daniel Chen (appointed 15/09/2020)	7	8
Bruce Gordon (appointed 31/05/2021)	8	8

- 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 carbon management projects, hydrogen and integrated renewable energy 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 \$2,709,823 (2021: loss of \$3,828,787).

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

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.

7. Dividends

The Directors recommend that no dividend be provided for the year ended 30 September 2022 (2021: 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.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2022

9. Events After the Reporting Date

Refer to Note 31 to the Financial Statements.

10. Indemnification and Insurance of Officers and Auditors

During the financial year, the Company paid an insurance premium of \$27,170 (2021: \$28,902) 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.

12. Capital Structure

(i) Ordinary Shares

At the date of this report, total ordinary shares on issue total 781,344,083. Details of all share issues during the year are set out in Note 19 to the Financial Statements.

(ii) Unissued shares under options

At the date of this report, there are 169,751,308 unissued ordinary shares under option as follows:

Date of Expiry	Exercise Price	Number under Option
18 December 2022	\$0.033	6,636,365
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
1 April 2024	\$0.100	10,000,000
18 March 2025	\$0.100	17,500,000
25 August 2025	\$0.033	50,000,000
7 November 2024	\$0.033	14,705,882

- 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.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2022

Shares issued on exercise of options

During or since the end of the financial year, 454,545 shares were issued as a result of the exercise of options.

Options Expired

During the year ended 30 September 2022, no options expired (2021: nil 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.

14. Remuneration Report - Audited

The Directors are pleased to present your Company's 2022 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	-

The Report contains the following sections:

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

(a) Remuneration Governance

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

Directors' Report

30 September 2022

14. Remuneration Report – Audited (continued)

(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.

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.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2022

14. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

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 as remuneration to directors and key management during the reporting period.

(ii) New options

There were 12,000,000 options granted as remuneration to directors and key management during the reporting period

(iii) Vested options

There were no options granted as remuneration to directors and key management that vested during the reporting period.

(iv) Expired options or forfeited

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

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	2022	2021	2020	2019	2018
Net (loss) / profit attributable to equity holders (\$)	(2,709,823)	(3,828,787)	(889,388)	(661,640)	(1,162,778)
Basic (loss) / earnings per share (cents)	(0.52)	(1.43)	(1.00)	(0.83)	(1.83)
Share price at year end	.018	0.055	0.034	0.031	0.021
Market capitalisation (\$)	11,005,881	27,588,094	3,601,585	2,463,590	1,589,413
Net tangible assets / (liabilities) (NTA) (\$) ⁽¹⁾	10,202,006	11,958,456	(1,229,949)	(641,838)	(249,622)
NTA Backing (cents)	0.016	0.024	(0.012)	(0.008)	(0.004)

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

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.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2022

14. Remuneration Report – Audited (continued)

(c) Board and management changes

There were no changes to the Board or management during the financial year.

(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	\$372,000 ⁽³⁾	12 months' base salary
Mr Anthony Strasser	Ongoing from 8 June 2021	2 months	2 months	\$362,500	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.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2022

14. Remuneration Report – Audited (continued)

(f) Key Management Personnel Remuneration

Name		Short-term employee benefits			Other long-term benefits	Share based payments				
		Salary and fees (A)	Short term incentive bonus (B)	Non-monetary benefits (C)	Superannuation	Rights (D)	Options (D)	Total	Fixed Remuneration %	Performance based %
Executive Directors										
Bradley Lingo (appointed 15/05/2020)	2022	333,300	100,000	-	38,910	-	2,611	474,821	78%	22%
	2021	358,355 ¹	50,000	-	34,044 ¹	-	1,785	444,184	88%	12%
Anthony Strasser (appointed 31/05/2021)	2022	368,244	90,000	-	36,753	-	2,611	497,608	81%	19%
	2021	87,500	-	-	8,312	-	-	95,812	100%	-
Sub-total executive directors' remuneration	2022	701,544	190,000	-	75,663	-	5,222	972,429	80%	20%
	2021	445,855	50,000	-	42,356	-	1,785	539,996	90%	10%
Non-Executive Directors										
Daniel Chen (appointed 15/09/2020)	2022	150,000	-	-	15,437	-	1,492	166,929	99%	1%
	2021	156,250 ²	-	-	14,844	-	-	171,094	100%	-
Bruce Gordon (appointed 31/05/2021)	2022	71,500	-	-	-	-	1,492	72,992	98%	2%
	2021	23,806	-	-	-	-	-	23,806	100%	-
Michael Lonergan (resigned 31/05/2021)	2022	-	-	-	-	-	-	-	-	-
	2021	195,000	-	-	18,525	-	-	213,525	100%	-
Sub-total non-executive directors' remuneration	2022	221,500	-	-	15,437	-	2,984	239,921	99%	1%
	2021	375,056	-	-	33,369	-	-	408,425	100%	-
Total key management remuneration	2022	923,044	190,000	-	91,100	-	8,206	1,212,350	84%	16%
	2021	820,911	50,000	-	75,725	-	1,785	948,421	95%	5%

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

² Remuneration includes \$6,250 unpaid salary for prior years' service and \$594 associated superannuation.

Directors' Report

30 September 2022

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 2021	Options Granted/ Acquired	Options expired	Held at 30 September 2022	Vested during the year	Vested and Exercisable at 30 September 2022
Executive directors						
Bradley Lingo	10,000,000	3,500,000	-	13,500,000	-	10,000,000
Anthony Strasser	-	4,000,000	-	4,000,000	-	-
Non-executive directors						
Daniel Chen	-	2,500,000	-	2,500,000	-	-
Bruce Gordon	-	2,000,000	-	2,000,000	-	-

KMP shareholdings

	Held at 1 October 2021	Held on Appointment or (resignation)	Purchases/ (Disposals)	Held at 30 September 2022
Executive directors				
Bradley Lingo	-	-	-	-
Anthony Strasser ⁽¹⁾	21,766,136	-	1,000,000	22,766,136
Non-executive directors				
Daniel Chen ⁽²⁾	5,000,000	-	1,000,000	6,000,000
Bruce Gordon ⁽³⁾	4,703,855	-	146,145	4,850,000

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

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

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

THIS IS THE END OF THE REMUNERATION REPORT - AUDITED

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Report

30 September 2022

15. Lead Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included in 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/corporate-governance>.



Bradley Lingo
Executive Chairman

Dated at Sydney, New South Wales this 16th December 2022.

**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 2022 there have been no contraventions of:

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

MNSA Pty Ltd
MNSA Pty Ltd


Mark Schiliro
Director

Sydney
Dated this 16th of December 2022

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 September 2022

	Note	2022 \$	2021 \$
Revenue from continuing operations	4	425,761	313,151
Gain from held-for-sale investments		-	8,231
Administrative expenses		(523,252)	(377,157)
Amortisation	12	(34,080)	(40,643)
Depreciation	13	(2,891)	(1,666)
Employee benefits expense		(1,823,444)	(1,640,012)
Professional fees		(873,389)	(1,204,634)
Finance expenses	5	(420)	(4,634)
Share of profit / (loss) of associate	7	2,352,885	(628,882)
Impairment of investment in associate	14	(1,715,000)	-
Share based payments expense	21	(497,182)	(237,860)
Foreign exchange losses		(18,811)	(14,681)
Loss before income tax		(2,709,823)	(3,828,787)
Income tax expense	8	-	-
Loss from continuing operations		(2,709,823)	(3,828,787)
Loss from discontinued operations		-	-
Loss for the year		(2,709,823)	(3,828,787)
Total comprehensive loss for the year		(2,709,823)	(3,828,787)
(Loss) / earnings per share (cents per share)			
<u>From continuing operations</u>			
Basic and diluted	22	(0.52)	(1.43)

The accompanying notes form part of these financial statements.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Consolidated Statement of Financial Position

As at 30 September 2022

	Note	2022 \$	2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	2,015,333	5,455,419
Trade and other receivables	11	223,751	878,300
Right-of-use-asset	12	58,574	34,080
TOTAL CURRENT ASSETS		2,297,658	6,367,799
NON-CURRENT ASSETS			
Trade and other receivables	11	78,409	41,742
Right-of-use-asset	12	192,335	-
Property, plant and equipment	13	-	2,891
Investment in associate	14	850,358	212,473
Cliff Head and other non-current assets	3	7,162,117	4,450,266
Exploration, evaluation and development assets	15	1,678,662	917,365
TOTAL NON-CURRENT ASSETS		9,961,880	5,624,737
TOTAL ASSETS		12,259,538	11,992,536
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	1,339,061	748,356
Employee benefits	17	216,654	137,834
Financial liabilities	18	58,574	34,080
TOTAL CURRENT LIABILITIES		1,614,289	920,270
NON-CURRENT LIABILITIES			
Financial liabilities	18	192,335	-
TOTAL NON-CURRENT LIABILITIES		192,335	-
TOTAL LIABILITIES		1,806,624	920,270
NET ASSETS		10,452,915	11,072,266
EQUITY			
Issued capital	19	62,422,575	60,580,248
Reserves	20	249,930	1,785
Accumulated losses		(52,219,590)	(49,509,767)
TOTAL EQUITY		10,452,915	11,072,266

The accompanying notes form part of these financial statements.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Consolidated Statement of Changes in Equity

For the Year Ended 30 September 2022

	Ordinary Shares	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
2022				
Balance at 1 October 2021	60,580,248	(49,509,767)	1,785	11,072,266
Loss attributable to members of the parent entity	-	(2,709,823)	-	(2,709,823)
Transactions with owners in their capacity as owners				
Shares issued during the year	1,479,707	-	-	1,479,707
Options issued during the year	-	-	98,583	98,583
Options exercised during the year	15,000	-	(865)	14,135
Equity-based compensation	347,620	-	150,427	498,047
Balance at 30 September 2022	62,422,575	(52,219,590)	249,930	10,452,915
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

The accompanying notes form part of these financial statements.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Consolidated Statement of Cash Flows For the Year Ended 30 September 2022

	Note	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		519,986	114,315
Joint venture receipts		-	20,850
Payments to suppliers and employees		(3,188,025)	(3,354,260)
Government subsidy		-	35,450
Interest received		34,852	154
Interest paid		(477)	(5,618)
Net cash used in operating activities	30	<u>(2,633,664)</u>	<u>(3,189,109)</u>
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		571,089	(460,811)
Payments for property, plant and equipment		-	(2,302)
Payments for carbon capture projects		(1,541,397)	(574,519)
Payments for wind and solar feasibility studies		(1,023,413)	(256,627)
Payments for capitalised exploration, evaluation and development		(608,864)	(914,598)
Other		202,609	-
Net cash used in investing activities		<u>(2,399,976)</u>	<u>(973,960)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares and options		1,715,000	11,037,006
Payments for capital raising		(121,710)	(742,328)
Proceeds from borrowings		-	11,150
Repayment of borrowings		-	(694,617)
Net cash provided by financing activities		<u>1,593,290</u>	<u>9,611,211</u>
Net (decrease)/increase in cash and cash equivalents held		(3,440,350)	5,448,142
Effect of exchange rate fluctuations on cash held		264	(40)
Cash and cash equivalents at beginning of year		5,455,419	7,317
Cash and cash equivalents at end of financial year	10	<u>2,015,333</u>	<u>5,455,419</u>

The accompanying notes form part of these financial statements.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Notes to the Financial Statements

For the Year Ended 30 September 2022

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 2022.

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 \$683,369 (2021: surplus of \$5,447,529) and net cash outflow for the 30 September 2022 financial year of \$3,440,350 (2021: inflow of \$5,448,142). The Group incurred a loss for the year of \$2,709,823 (2021: loss of \$3,828,787) and has net operating cash outflow for the year of \$2,633,664 (2021: outflow of \$3,189,109).

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;
- Investments / partnership arrangements from strategic investors;
- Farming out assets to reduce future expenditure obligations.

Notes to the Financial Statements

For the Year Ended 30 September 2022

2 Summary of Significant Accounting policies (continued)

(b) Going Concern (continued)

It is noted that Pilot has progressed its CHCCS project during the last twelve months resulting in the lodgement in November 2022 of the first stage application with the regulators for approval of the project. In addition corporate progress on other matters including the realignment arrangements of the CHJV following regulatory approval, and successful capital raisings during the last eighteen months, gives the Directors comfort regarding the future development of the company's projects and its ability to meet ongoing funding requirements.

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 2022.

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 group 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 2022

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 2022. 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 group 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 2022

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.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2022

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 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.

	2022	2021
	\$	\$
Cliff Head	3,619,120	3,619,120
Carbon Capture Projects	2,457,519	574,519
Wind and Solar Feasibility Expenditure	1,085,478	256,627
Total Cliff Head and Other Non-Current Assets	7,162,117	4,450,266

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2022

4 Revenue from Continuing Operations

	2022	2021
	\$	\$
Revenue from related parties	350,154	251,493
Joint venture receipts	-	20,850
Other income	20,800	-
Interest	54,807	5,358
Government Subsidies	-	35,450
Total Revenue	425,761	313,151

5 Finance Expenses

	2022	2021
	\$	\$
Interest	420	4,634
Total finance expenses	420	4,634

6 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.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2022

7 Share of Profit/(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.

	2022		2021	
	TEO	Pilot Energy Portion (50%)	TEO	Pilot Energy Portion (50%)
	\$	\$	\$	\$
Total Share of Profit / (Loss) of Associate for the year	4,705,768	2,352,885	(1,257,765)	(628,882)

8 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 probable 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:

	2022	2021
	\$	\$
Current tax benefit		
Current period	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Total income tax benefit	-	-

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2022

8 Income Tax Expense (continued)

(b) Reconciliation of effective tax rate

	2022	2021
	\$	\$
Loss for the period	(2,709,823)	(3,828,787)
Applicable Group domestic income tax rate	25%	26%
Loss excluding income tax	(2,709,823)	(3,828,787)
Add:		
Tax effect of:		
- Income tax using the Group's domestic tax rate of 25% (2021: 26%)	(677,456)	(995,485)
- non-deductible expenses	-	35,837
- Tax losses carried forward and other timing differences not brought to account	677,456	959,648
Income tax expense	-	-

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits up to \$10,290,922 (2021: \$9,613,466) 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:

	2022	2021
	\$	\$
Deferred tax assets (DTAs)		
Share issue costs	28,509	28,509
Exploration expenditure	74,395	74,395
Carry forward tax losses	10,185,826	9,508,370
Other	2,192	2,192
DTAs not brought to account	10,290,922	9,613,466

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2022

9 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 respectively.

10 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.

	2022	2021
	\$	\$
Cash at bank and in hand	2,015,333	5,455,419
	<u>2,015,333</u>	<u>5,455,419</u>

Notes to the Financial Statements

For the Year Ended 30 September 2022

11 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.

	2022	2021
<i>Current</i>	\$	\$
GST	155,741	117,977
Amounts Rechargeable to TEO	58,815	205,767
Loan to TEO	-	549,587
Prepayments	9,195	3,338
Other	-	1,631
Total current trade and other receivables	223,751	878,300
<i>Non-Current</i>		
Deposits	78,409	41,742
Total non-current trade and other receivables	78,409	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 2022

12 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 2020	89,452
Additions	-
At 30 September 2021	89,452
Additions	250,909
Release of Right-of-use Asset	(89,452)
At 30 September 2022	250,909
Amortisation and impairment	
At 1 October 2020	14,729
Amortisation charge for the year	40,643
At 30 September 2021	55,372
Amortisation charge for the year	34,080
Release of Right-of-use Asset	(89,452)
At 30 September 2022	-
Net book value	
At 30 September 2021	34,080
At 30 September 2022	250,909
Current Asset	58,574
Non-current Asset	192,335
At 30 September 2022	250,909

The Group recognises a right-of-use asset for the office premises in accordance with AASB 16: Leases. The current lease expires 30 September 2025.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2022

13 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

	2022	2021
	\$	\$
Furniture at cost	163	163
Accumulated depreciation	(163)	(163)
Total Furniture	-	-
Office equipment at cost	1,340	1,340
Additions	1,707	1,707
Total Office equipment at cost	3,047	3,047
Accumulated depreciation	(1,692)	(1,201)
Depreciation charge for year	(1,355)	(491)
Total Office Equipment	-	1,355
Computers at cost	6,270	5,675
Additions	-	595
Total Computers at cost	6,270	6,270
Accumulated depreciation	(4,734)	(3,559)
Depreciation charge for year	(1,536)	(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	2,891	2,255
Additions during the year	-	2,302
Depreciation during year	(2,891)	(1,666)
Total, Property, Plant and Equipment	-	2,891

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2022

14 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

	2022 \$	2021 \$
<i>Triangle Energy (Operations) Pty Ltd</i>		
Opening carrying amount of the Group's Interest	212,473	-
Acquisition of the Group's interest	-	841,355
Share of associate profit / (loss) for the year	2,352,885	(628,882)
Less impairment	(1,715,000)	-
Closing carrying amount of the Group's Interest	850,358	212,473

Notes to the Financial Statements

For the Year Ended 30 September 2022

15 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.

	2022	2021
	\$	\$
Exploration, Evaluation and Development Assets	1,678,662	917,365
	<u>1,678,662</u>	<u>917,365</u>

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For the Year Ended 30 September 2022

16 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.

	2022	2021
	\$	\$
Trade payables	1,171,935	582,429
Other payables	138,141	134,242
Accrued expenses	28,985	31,685
	<u>1,339,061</u>	<u>748,356</u>

17 Employee Benefits

	2022	2021
	\$	\$
<i>Current</i>		
Provision for Annual Leave	216,654	137,834
	<u>216,654</u>	<u>137,834</u>

18 Financial Liabilities

	2022	2021
	\$	\$
<i>Current</i>		
Lease liabilities	58,574	34,080
	<u>58,574</u>	<u>34,080</u>
<i>Non-Current</i>		
Lease liabilities	192,335	-
	<u>192,335</u>	<u>-</u>

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2022

19 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.

	2022	2021
	\$	\$
Ordinary shares	62,422,575	60,580,248
Total	62,422,575	60,580,248
(a) Ordinary shares		

	Shares	
	No.	\$
At 1 October 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
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

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Notes to the Financial Statements

For the Year Ended 30 September 2022

19 Issued Capital (continued)

(a) Ordinary Shares (continued)

	Shares	
	No.	\$
At 1 October 2021	501,601,701	60,580,248
<i>Additions</i>		
Issue of fully paid ordinary shares to consultants	2,334,066	136,283
Exercise of options to fully paid ordinary shares at 3.3 cents each	454,545	15,000
Placement of fully paid ordinary shares at 1.7 cents each	98,000,000	1,666,000
Issue of fully paid ordinary shares to consultants	7,047,538	211,337
Placement of fully paid ordinary shares at 1.7 cents each	2,000,000	34,000
Capital raising costs	-	(220,293)
At 30 September 2022	611,437,850	62,422,575

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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Notes to the Financial Statements

For the Year Ended 30 September 2022

19 Issued Capital (continued)

(b) Options

At 30 September 2022, 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	7,090,910	-	(454,545)	6,636,365	6,636,365
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	37,575,727	-	-	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
12 Nov 2021	12 Nov 2021	2 Nov 2024	8.0	-	13,333,334	-	13,333,334	13,333,334
1 Feb 2022	1 Feb 2022	1 Feb 2024	10.0	-	10,000,000	-	10,000,000	10,000,000
18 Mar 2022	18 Mar 2023	28 Feb 2025	10.0	-	17,500,000	-	17,500,000	-
19 Aug 2022	19 Aug 2022	25 Aug 2025	3.3	-	50,000,000	-	50,000,000	50,000,000
				64,666,637	90,833,334	(454,545)	155,045,426	137,545,426

During the year ended 30 September 2022, no options expired, and no options were modified (2021: no options expired, no options modified).

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Notes to the Financial Statements

For the Year Ended 30 September 2022

19 Issued Capital (continued)

(b) Options (continued)

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).

Notes to the Financial Statements

For the Year Ended 30 September 2022

20 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

	2022	2021
	\$	\$
Share Based Payments Reserve	151,347	1,785
Options Reserve	98,583	-
Total	249,930	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:

	2022	2021
	\$	\$
(a) Expensed in share-based payments expense		
Options issued to contractors	141,356	-
Options issued to directors	8,206	1,785
Total	149,562	1,785

3,500,000 options were issued to Bradley Lingo as compensation during the year.

3,500,000 options were issued to Anthony Strasser as compensation during the year.

2,000,000 options were issued to Daniel Chen as compensation during the year.

2,000,000 options were issued to Bruce Gordon as compensation during the year

Notes to the Financial Statements

For the Year Ended 30 September 2022

21 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:

	2022 \$	2021 \$
Shares		
Shares issued to contractors	187,226	136,075
Shares issued to employees	160,394	-
Shares issued for compensation of a failed transaction ¹	-	100,000
	347,620	236,075
Options		
Options issued to contractors	142,221	-
Options issued to directors	8,206	1,785
	150,427	1,785
Total	498,047	237,860

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.

22 Loss per Share

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

	2022 \$	2021 \$
As the Group is in a loss position, there is no diluted EPS calculated.		
(a) Earnings used to calculate overall earnings per share		
Net (loss) after income tax	(2,709,823)	(3,828,787)
(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	525,394,242	267,538,569
(c) Basic & diluted (loss) per share (cents)	(0.52)	(1.43)

Notes to the Financial Statements

For the Year Ended 30 September 2022

23 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 respective 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:

	From 1 Oct 2022 1 Year (net to Pilot)	From 1 Oct 2022 1 to 5 Years (net to Pilot)
WA-481-P	\$5,460,000	\$20,910,000
EP 416	\$625,000	\$5,825,000
EP 480	\$4,950,000	\$4,950,000
	\$11,035,000	\$31,685,000

Assumptions:

WA-481-P	A significant component of the work programme is a commitment to drill an exploration well (estimated to cost in the order of \$15 million) in 2024/25. The Company is in discussions with parties regarding farmout arrangements for the permit and the associated work programme.
EP 416/480	<p>Pilot Energy applied to DMIRS on 21 April 2022 for an eight month suspension (without extension) of the geochemical survey work program commitment to enable completion of the regulatory approvals process and acquire the survey in late 2022. On 5 August 22 DMIRS provided formal notification that they would be refusing the extension application and that the permits would be eligible for cancellation due to non-compliance. Pilot has engaged with the Regulator regarding the outstanding work commitments and meeting compliance.</p> <p>Subject to the terms and conditions of the AET Farm in Agreement (as announced on 22 October 2021), one exploration well will be drilled in the permits and funded by AET (estimated at \$4.5 million). This arrangement and commitment is also on hold pending the results of the above.</p>
WA31-L	This table above 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.

24 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.

Notes to the Financial Statements

For the Year Ended 30 September 2022

24 Financial Risk Management (continued)

Recognition and de-recognition of financial assets and liabilities

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

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

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

Specific risks

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

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

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

Objectives, policies and processes

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

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	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Trade and other payables	1,339,061	748,356	1,339,061	748,356	1,339,061	748,356
Financial liabilities	250,909	34,080	250,909	34,080	250,909	34,080
Employee benefits	216,654	137,834	216,654	137,834	216,654	137,834
Total	1,806,624	920,270	1,806,624	920,270	1,806,624	920,270

Notes to the Financial Statements

For the Year Ended 30 September 2022

24 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
2022	\$
Nominal amounts	
Financial assets	<u><u>2,298</u></u>
2021	
Nominal amounts	
Financial assets	<u><u>2,219</u></u>

Notes to the Financial Statements

For the Year Ended 30 September 2022

24 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 2022 (30 September 2021: 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: 1.5647 AUD.

If the Australian Dollar had strengthened and weakened against the USD by 10% (30 September 2021: 10%) then this would have had the following impact:

	2022		2021	
	+10%	-10%	+10%	-10%
USD				
Net results	229.84	(229.84)	221.88	(221.88)

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25 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 21.

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

	2022	2021
	\$	\$
Short-term employee benefits	1,113,044	870,911
Superannuation	91,100	75,725
Share based payments	8,206	1,785
	1,212,350	948,421

26 Auditor's Remuneration

	2022	2021
	\$	\$
MNSA		
Audit and other assurance services		
Audit and review of financial reports	36,936	26,153
Review of proforma information for ASX reinstatement	-	5,775
Total remuneration for audit and other assurance services	36,936	31,928

27 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	
				2022 %	2021 %
Pilot Energy (CH WSP) Pty Ltd	Renewables	Australia	30 September	100	100
Pilot Energy (CH CCUS) Pty Ltd	Oil & Gas	Australia	30 September	100	100
Pilot Energy (SW CCS) Pty Ltd	Oil & Gas	Australia	30 September	100	100
Royal Energy Pty Ltd	Oil & Gas	Australia	30 June	100	100
Royal Energy (Cooper Basin) Pty Ltd	Dormant	Australia	30 June	100	100
Rampart Alaska LLC	Dormant	USA	31 December	100	100
Spring River Resources	Dormant	USA	31 December	100	100

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Notes to the Financial Statements

For the Year Ended 30 September 2022

28 Contingent Liabilities

In the opinion of the Directors, the Company did not have any contingent Liabilities at 30 September 2022 (30 September 2021: None).

29 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:

- As part of Brad Lingo's employment services contract, it was agreed at the time to provide an Over-Riding Royalty Interest (ORRI) over the anticipated clean energy projects. In September 2022, the Board approved the ORRI agreement which provides for a 2% royalty of the gross revenue from all Sale Agreements with Greenslate Energy Pty Ltd (a related entity of Mr Lingo) relating to the Mid West Clean Energy project.
- Throughout the financial year, a net total of \$1.4m 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 June 2022.
- Throughout the financial year, a total of \$350,154 has been charged to Triangle Energy (Operations) Pty Ltd for the provision of services.

30 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

	2022 \$	2021 \$
Loss for the year	(2,709,823)	(3,828,787)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in loss:		
- accrued interest	(54,804)	(5,204)
- foreign exchange	18,811	14,681
- rent amortisation	34,080	40,643
- depreciation	2,891	1,666
- share based payments	497,182	237,860
- share of profit/loss of associate	(2,352,885)	628,882
- impairment of investment in associate	1,715,000	-
- non-operating receivables & payables	(591,813)	160,250
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(78,657)	(87,651)
- increase/(decrease) in trade and other payables	590,705	120,668
- increase/(decrease) in other liabilities	-	(678,900)
- increase/(decrease) in financial liabilities	216,829	(53,335)
- (decrease)/increase in employee benefits	78,820	260,118
Cash flows (used in) operations	(2,633,664)	(3,189,109)

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Notes to the Financial Statements

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31 Events Occurring After the Reporting Date

As announced on 4 October 2022, the AB Paloma tanker unloaded 50,756 barrels of oil at a refinery in Thailand for which the CHJV will receive US\$4.6 million (approximately A\$6.8 million). Also a third load-out of 26,500 barrels of oil was completed onto the AB Paloma tanker.

As announced on 6 October 2022, Pilot and Triangle have formalised a transaction to reset CHJV Ownership once the first stage of the regulatory approval process for the proposed Carbon Capture and Storage development project at Cliff Head proceeds.

As announced on 31 October 2022, Pilot changed its registered office to Suite 301, 35 Spring Street, Bondi Junction NSW 2022. Also announced on the same date was that the registry address for Boardroom changed to Level 8, 210 George Street, Sydney NSW 2000.

As announced on 11 November 2022, Pilot issued 50,000,000 unlisted options expiring 25 August 2025.

As announced on 13 November 2022, Pilot issued 29,411,765 fully paid shares and 14,705,882 unlisted options to 8 Rivers Capital LLC as approved by shareholders at the company's General Meeting held on 19 August 2022.

As announced on 14 November 2022, the fourth load-out of 26,500 was completed, and the AB Paloma tanker departed for Asia with 53,000 barrels of oil aboard.

As announced on 17 November 2022, Pilot issued 14,705,882 unlisted options expiring 17 November 2024.

As announced on 28 November 2022, Pilot issued 9,827,801 fully paid shares to eight consultants to the Company for services rendered under their respective terms of engagement.

As announced on 30 November 2022:

- Pilot has received commitments for a placement of \$2.0 million (before costs) at an issue price of \$0.015 per placement share, including free attaching options on a 1:2 basis exercisable at \$0.033 on or before 25 August 2025. Full details noted in the ASX announcement;
- the CHJV has submitted to NOPTA an application for the declaration of an identified greenhouse gas storage formation across WA-31-L;
- the CHJV advised of a significant upgrade to the Cliff Head CO₂ storage resource to 9.7 million tonnes (100% basis).

As announced on 8 December 2022, Pilot announced as part of the placement the issue of 130,666,667 fully paid ordinary shares to sophisticated and institutional investors at an issue price of \$0.015 per share.

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

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32 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	2022	2021
Assets	\$	\$
Current assets	2,281,849	5,500,948
Non-current assets	10,245,791	7,369,651
Total Assets	12,527,640	12,870,599
Liabilities		
Current liabilities	1,588,305	908,510
Non-current liabilities	192,335	-
Total Liabilities	1,780,640	908,510
Equity		
Issued capital	62,422,575	60,580,248
Reserves	249,930	1,785
Accumulated losses	(51,925,505)	(48,619,944)
Total Equity	10,747,000	11,962,089
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	(3,305,561)	(2,938,963)
Total comprehensive loss	(3,305,561)	(2,938,963)

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 September 2022 (2021: Nil).

Contractual commitments

The parent entity did not have any material commitments as at 30 September 2022 not disclosed in the financial report (2021: Nil).

Pilot Energy Limited and Controlled Entities

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 2022 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 2022.

**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 2022, 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 2022 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>Carrying value of Cliff Head and other non-current assets and Exploration, evaluation & development assets</p> <p>As detailed in Notes 3 & 15, the carrying value as at 30 September 2022:</p> <ul style="list-style-type: none"> Cliff Head and other non-current assets was \$7,162,117, and Exploration, evaluation & development assets was \$1,678,662. <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>	<ul style="list-style-type: none"> 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>Impairment of investment in associate</p> <p>As detailed in note 14, management assessed the carrying value of its investment in associate and identified an impairment of \$1,715,000 resulting in a carrying value as at 30 June 2022 of \$850,358.</p> <p>This impairment involved management making significant accounting judgements and estimates in their assessment of impairment and valuation calculations in support of the continued carrying value.</p>	<p>We have assessed managements estimates and judgements in relation to the valuation calculation including:</p> <ul style="list-style-type: none"> Considered how these estimates and judgements have been applied to calculations; Recalculated supporting worksheets to review mathematical accuracy of the calculations; and Assessed disclosures made within the financial reports in respect to impairment expensed during the period.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Going Concern <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 and controlled entities are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 September 2022 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 Group 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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 2022.

In our opinion the remuneration report of Pilot Energy Limited and controlled entities for the year ended 30 September 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Pilot Energy Limited and controlled entities 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 of December 2022

Pilot Energy Limited and Controlled Entities

Additional Information for Listed Public Companies

30 September 2022

The shareholder information set out below was applicable as at 16 December 2022.

Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	130	2,581	0.0003
1,001 – 5,000	117	204,750	0.0262
5,001 – 10,000	190	1,577,671	0.2019
10,001 – 100,000	871	38,510,547	4.9288
100,001 and over	594	741,048,534	94.8428
Total	1,902	781,344,083	100.0000

There were 843 holders of less than marketable parcel of ordinary shares.

Substantial shareholders

There were no substantial shareholders at 14 December 2022.

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.

Additional Information for Listed Public Companies

30 September 2022

Twenty Largest Shareholders

Shareholders	Ordinary Shares	
	Number Held	% of issued shares
PINE STREET PTY LTD <PINE STREET A/C>	34,333,333	4.394
ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	30,772,762	3.938
ZERO DEGREES INTERNATIONAL INC	29,411,765	3.764
BREAKOUT HOLDINGS PTY LTD <WAY SUPER FUND A/C>	25,934,494	3.319
NEW ENERGY TECHNOLOGY LTD	23,422,486	2.998
MANDATON HOLDINGS PTY LTD <GADZ INVESTMENT A/C>	19,535,474	2.500
PINE STREET PTY LTD <PINE STREET SUPER FUND A/C>	18,000,000	2.304
GS ENERGY PTY LTD	14,814,940	1.896
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	11,445,596	1.465
KEY PERTH BASIN INVESTMENTS PTY LTD	11,340,146	1.451
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	9,898,802	1.267
SOCHRASTEM SAS	9,767,737	1.250
MARILEI INTERNATIONAL LTD	9,767,737	1.250
OMNIA SA	9,767,737	1.250
G C BASS NOMINEES PTY LTD <BASS SUPER FUND ACCOUNT>	9,767,737	1.250
MR JIANYONG FENG	9,755,000	1.248
WARANA GRANGE PTY LTD <SYMINGTON SUPER FUND A/C>	9,345,000	1.196
WATSON NO 1 PTY LTD <WATSON NO 1 A/C>	8,934,295	1.143
CLYDE BANK HOLDINGS (AUST) PTY LTD <CAVE UNIT A/C>	7,941,177	1.016
POTENZA GROMADKA LTD	7,814,190	1.000

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