



PILOT ENERGY LIMITED

ABN 86 115 229 984

ANNUAL FINANCIAL REPORT

For the year ended 30 September 2015

PILOT ENERGY LIMITED

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PILOT ENERGY LIMITED CORPORATE DIRECTORY

CORPORATE DIRECTORY

Directors

Mr Gavin Harper
Mr Iain Smith
Mr Conrad Todd
Mr Rory McGoldrick

Secretary

Mr David McArthur

Registered and Principal Office

Level 2, 55 Carrington Street
Nedlands WA 6009

Telephone: +61 8 9423 3200
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Postal Address

PO Box 985
Nedlands WA 6909

Auditors

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
West Perth WA 6005

Bankers

ANZ Banking Group Limited
Level 6, 77 St Georges Terrace
Perth WA 6000

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth WA 6000

ASX Code

Shares: PGY

Legal Form of Entity

Public Company

Country of Incorporation and Domicile

Australia

PILOT ENERGY LIMITED

CHAIRMAN'S REPORT

CHAIRMAN'S REPORT

Dear Shareholder,

The past year has been transformative for Pilot Energy, as the Board and management have worked diligently to resolve a variety of legacy issues, and position your Company for significant future growth.

At the beginning of the reporting period the Company held a minority non-operated interest in a single, high-cost exploration asset, and was locked in a legal dispute with its joint venture partner. The company headquarters were located in a dedicated office in Adelaide, and corporate costs were unnecessarily high.

Twelve months on and the Alaskan legal dispute has been settled, with Pilot Energy exiting Alaska in return for a US\$500,000 payment from Royale Energy. The Company has aggressively pursued its new ventures program to bring five new exploration permits in to the portfolio; at low cost, with low commitments and on favourable commercial terms. Importantly Pilot Energy is Operator of four of these permits, thereby ensuring a high degree of control over project costs and schedule.

The Company headquarters have been moved from Adelaide to serviced office premises in Perth, and an appropriate organisational structure is now in place. Corporate overheads have been reduced by more than \$500,000 per annum, and in August of 2014 the Company changed its name to Pilot Energy Ltd in order to reflect its new strategic direction and portfolio.

The West Australian asset portfolio that has been acquired over the past year offers very significant prospective resources of oil and gas, in both offshore and onshore settings. I believe the quality and diversity of the portfolio is rare for a company of Pilot Energy's size, and I am personally proud of the manner in which Board and management have acted in an entrepreneurial manner to rapidly build such an attractive set of opportunities with only limited financial resources. This has been achieved during an industry downturn which in one sense has been quite beneficial for the Company, enabling it to build a substantial acreage position with minimal cash outlay and with relatively low commitments that are achievable.

Focusing only on exploration of conventional petroleum resources within established petroleum provinces, your company now has material exposure to very high impact oil and gas exploration in deep waters offshore WA (WA-507-P), high-impact shallow water oil exploration (WA-503-P), high impact onshore gas exploration in the southern Perth Basin (EP416 & EP480) and low cost oil and gas exploration in the northern Perth Basin (EP416).

While Pilot Energy has been busily acquiring its new portfolio over the past twelve months, our focus will now shift. The emphasis on new ventures will decrease, as we deploy the Company's resources towards progressing each project to the point that we have independent verification of the prospective resources. This then provides a sound basis upon which to begin marketing the projects to potential industry partners, in order to farm-out for funding of the future work program.

Thus far the Company has progressed its WA-507-P exploration permit to this stage, with Gaffney Cline & Associates (GCA) having confirmed the presence of very significant oil and gas resources for the three large prospects identified thus far. GCA have confirmed that the three structures offer up to 3.6 Billion barrels of oil or 21 Trillion cubic feet of gas (gross, on-block). These are clearly "company making" figures, and as such WA-507-P can be considered the "jewel in the crown" of Pilot Energy's portfolio, located as it is within an area that is attracting considerable industry interest.

Meanwhile in January 2016, we expect to release the results of GCA's assessment of the oil potential in the shallow water WA-503-P block for the three prospects identified by the Company to date. While not quite of the scale of the WA-507-P prospects, we believe that these prospects also offer the potential for oil discoveries with a value that is many times greater than Pilot Energy's market capitalisation, even when quantified on a risked basis.

PILOT ENERGY LIMITED CHAIRMAN'S REPORT

Independent assessment of prospective resources for the two more recent acquisitions – EP416/480 and EP437 – will likely follow in due course, once the Company has completed its preliminary interpretation of the available seismic and well data.

This report would not be complete without commentary on the current industry downturn, which presents particular challenges for small exploration companies such as Pilot Energy. Success in this industry is largely about timing, and while petroleum exploration is not currently “in vogue” for many investors, I am confident that Pilot Energy’s counter-cyclical investment strategy has placed the Company in an excellent position ahead of an industry recovery. In the meantime, it is of course essential that we keep costs low and defer expenditure wherever possible and appropriate.

The Board and management of Pilot Energy has completely changed over the past 18 months. We now have a small and highly functional team of motivated directors who have invested their own funds in to the Company, and have the right skills and experience to effectively implement the Company’s strategy.

While the significant progress made has yet to be reflected in the Company’s share price, I am proud of what Pilot Energy has achieved during the 2015 Financial Year and excited about your Company’s future prospects. I wish to thank my fellow directors for their hard work, and look forward to continuing to work with them as we continue to develop the Company and its exciting portfolio of projects.

Yours faithfully,



Gavin Harper
Chairman

PILOT ENERGY LIMITED REVIEW OF OPERATIONS

For the year ended 30 September 2015

REVIEW OF OPERATIONS

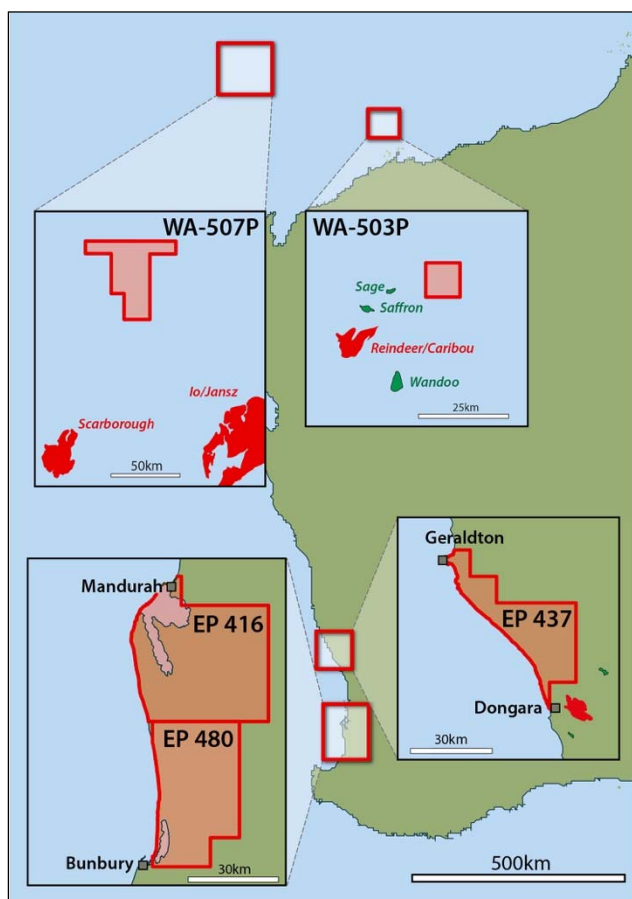
Overview

Pilot Energy Limited (formerly Rampart Energy Limited) is listed on the Australian Securities Exchange (ASX: PGY) and has approximately 1.59 billion shares on issue. The Company changed its name from Rampart Energy Limited to Pilot Energy Limited on 14 August 2015. Pilot Energy has one operational segment, being the exploration, evaluation and development of oil and gas interests.

Company Strategy

The Company's strategy is to build and develop a portfolio of high quality conventional petroleum exploration assets, at low cost and with low commitments on attractive and manageable commercial terms.

In general Pilot Energy seeks to act as Operator in order to maintain a high degree of control over the timing and quantum of expenditure. The Company also seeks to acquire large percentage interests in its projects, in order to provide sufficient equity to farmout to third parties at a later date. Finally, Pilot Energy acquires only those projects that incorporate sufficient lead time before major commitments must be fulfilled, so that the company may complete low cost desktop studies in order to improve each project's attractiveness to potential farmin candidates.



Over the past twelve months the board and management of Pilot Energy have aggressively pursued the Company's new ventures strategy to add four new exploration projects to the portfolio; comprising of five exploration permits across offshore and onshore Western Australia. The five permits are all situated within proven petroleum provinces, and have been acquired by Pilot Energy either at no cost, or on favourable commercial terms.

Having developed a significant and exciting portfolio in such a short space of time, the Company is currently focused on detailed geological/geophysical interpretation for each project in order to procure independent validation of the projects' prospective resources. To date this has been achieved for the WA-507-P. This then provides a solid basis upon which to market the projects to third parties, with a view to farming out an interest in order to fund the forward exploration program.

By developing a balanced portfolio of projects, Pilot Energy is providing investors with exposure to significant upside from a number of conventional petroleum plays - onshore and offshore, oil and gas. This distinguishes Pilot Energy

from many of its peers, which rely on perhaps only one or two projects; often unconventional in nature.

PILOT ENERGY LIMITED REVIEW OF OPERATIONS

For the year ended 30 September 2015

Market Conditions

The prevailing market conditions – specifically the low oil price – present significant challenges for junior exploration companies. It is essential that Pilot Energy implements and maintains a low cost approach to doing business, and this has been achieved through significantly reducing corporate overheads and adopting creative commercial structures with joint venture partners and third party suppliers.

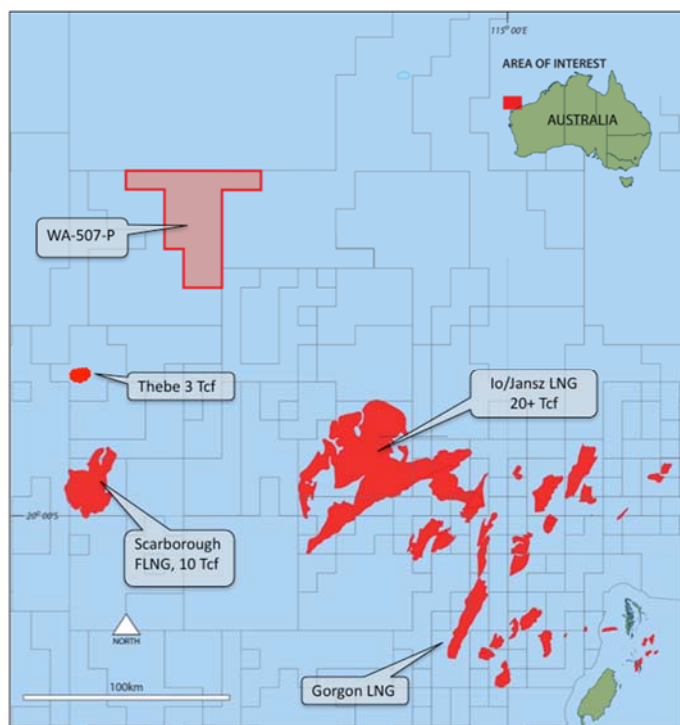
The prevailing market conditions have, however, provided a rare opportunity to employ a counter-cyclical investment philosophy in order to build a new and revitalised exploration company, with an attractive portfolio of assets acquired at low cost. As Operator of the Company's three largest projects, Pilot Energy is able to exercise a high degree of control over the quantum and timing of project expenditure, in order to keep project costs within a manageable budget that is reflective of the current price environment and market sentiment.

By diligently adding value to its projects through desktop studies and independently assessed prospective resource estimates, Pilot Energy has been able to progress the business to the point that the Company is now extremely well positioned for an eventual market recovery.

Project Review

WA-507-P: Very High Impact Deep Water Oil & Gas Exploration

Pilot Energy acquired an 80% working interest, as Operator, in exploration permit WA-507-P in November 2014. WA-507-P covers an area of 1,622km² over the Exmouth Plateau, some 300 km offshore Western Australia, in water depths of 1,000 to 1,500 metres. The area is covered by an existing, high quality 3D seismic dataset, which has been licensed by the Company and reveals the presence three large structural prospects, ranging from 60km² to 280km² in area. These prospects have the potential to contain very significant quantities of oil and/or gas in the Triassic Mungaroo reservoir, as evidenced the Gaffney Cline & Associates' independent estimate of the permit's prospective resources.



The area is covered by an existing, high quality 3D seismic dataset, which has been licensed by the Company and reveals the presence three large structural prospects, ranging from 60km² to 280km² in area. These prospects have the potential to contain very significant quantities of oil and/or gas in the Triassic Mungaroo reservoir, as evidenced the Gaffney Cline & Associates' independent estimate of the permit's prospective resources.

While the area is widely known to be prospective for gas, regional well data strongly supports the case for an oil play within WA-507-P, with the Mungaroo source/reservoir interval having been deposited in an outboard, marine depositional environment over this part of the Exmouth Plateau. This marine environment has positive implications for extensive deposition of oil-prone source rocks and good quality sandstone reservoirs.

GCA's estimate of prospective resources for both the oil and gas cases are as follows (refer ASX announcements of 20 October 2015 and 25 February 2015, respectively).

PILOT ENERGY LIMITED
REVIEW OF OPERATIONS

For the year ended 30 September 2015

WA-507-P: Very High Impact Deep Water Oil & Gas Exploration

Oil Case

Lead	Low (MMBbl)	Best (MMBbl)	High (MMBbl)
<i>Dalia Updip</i>	250	764	1,743
<i>Beta</i>	151	381	931
<i>Gamma</i>	203	436	926

Gas Case

Lead	Low (Bscf)	Best (Bscf)	High (Bscf)
<i>Dalia Updip</i>	1,644	4,734	9,639
<i>Beta</i>	1,010	2,436	5,674
<i>Gamma</i>	1,376	2,877	5,786

Historically the primary target of outer Northwest Shelf exploration has been gas, with a high success rate largely based on drilling prospects that exhibit Direct Hydrocarbon Indicators (DHIs) on seismic data. DHIs tend not to be so readily apparent in the case of oil, resulting in a large number of structures that remain undrilled but which might be oil bearing. This has not gone unnoticed by the likes of Shell, Statoil and Eni, who are keenly pursuing the oil play in their own permits surrounding WA-507-P.

In particular, Statoil acquired adjacent permit WA-506-P in late 2014, with a commitment to acquire 2,000km of new 2D seismic data and a 3,500km² 3D seismic survey. This is a firm commitment of \$50 million expenditure over the first 3 years, with drilling and seismic in years 4 to 6 potentially totalling a further \$215 million. This significant investment by Statoil reflects well on the prospectivity of this part of the Exmouth Plateau. A major 3D seismic program of some 13,350km² has recently been completed, funded by various industry participants as part of a “multi-client” survey and covering the permits held by Statoil, Shell and Eni/Octanex.

The WA-507-P permit commenced on 17 November 2014 and carries a firm commitment to conduct three years of geological and geophysical studies, including licensing of the existing 3D seismic data. A discretionary well is required to be drilled before the end of year six. Pilot Energy anticipates significant exploration drilling activity in neighbouring licensed permits ahead of the contingent well, including possibly drilling by Statoil in year four. This provides a high degree of optionality in WA-507-P.

Pilot Energy acquired its interest in WA-507-P through an assignment agreement with an unrelated third party. The Company has negotiated various success-based payments to that third party, and to the provider of the existing seismic data, based on achieving certain project milestones. This has enabled Pilot Energy to minimise the cost of entry to the asset, achieving an appropriate commercial structure with mostly contingent financial commitments.

Pilot Energy is partnered in the permit by Black Swan Resources Pty Ltd, which owns the remaining 20% interest in the permit and is carried for the primary term by Pilot Energy.

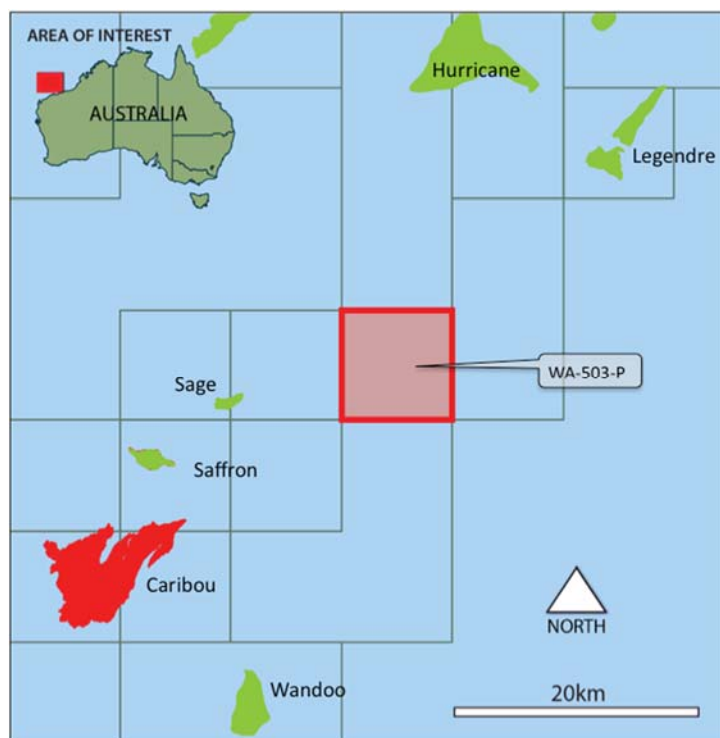
PILOT ENERGY LIMITED

REVIEW OF OPERATIONS

For the year ended 30 September 2015

WA-503-P: High Impact Shallow Water Oil Exploration

Pilot Energy acquired an 80% working interest, as Operator, in exploration permit WA-503-P in March 2014. WA-503-P is located offshore Western Australia within the Dampier Sub-basin, inboard of the giant Northwest Shelf complex and on trend with numerous oil and gas discoveries, including the Legendre and Hurricane fields. The shallow water depth across the block (maximum 70 metres) allows for drilling by lower cost “jack up” drilling rigs.



The primary exploration targets in WA-503-P are the Lower Cretaceous to Upper Jurassic sandstone reservoirs within the oil rich Legendre Trend, situated along the eastern flank of the Lewis Trough. Existing exploration wells within and adjacent to the block confirm the presence of a working oil system, having encountered oil shows and a four metre oil column. The decommissioned Legendre field is situated some 20km to the northeast of the block, and produced over 40 MMBbl of oil from excellent quality sandstone reservoirs. The most recent discovery in the area, Hurricane, is believed to contain over 100 MMBbl of oil in place (plus associated gas and condensate) within a structural/stratigraphic combination trap. This is one of the play types being targeted by Pilot Energy, which has already identified three exploration leads based on the existing 3D seismic data.

Gaffney Cline & Associates are currently reviewing these three leads in order to provide an independent assessment of the prospective oil resources within WA-503-P. The results are anticipated to be available in late January 2016.

The WA-503-P exploration permit commenced on 13 May 2014, with a three-year primary term that includes a commitment to acquire 80km² of new “Broadband” 3D seismic data and complete various geological and geophysical studies. The Company successfully applied to the National Offshore Petroleum Titles Administrator (NOPTA) for a Transitional Work Program Variation, the effect of which is to combine the primary term work commitments of each of years one to three, in to commitments which must be fulfilled by the three-year anniversary date; being 12 May 2017. In the event that the joint venture elects to proceed to the discretionary second term, an exploration well is required to be drilled in year four.

Pilot Energy secured its 80% interest in WA-503-P through an agreement with Neon Energy Ltd and partner Black Swan Resources Pty Ltd (Black Swan), under which the Company assumed Neon Energy’s commitments pertaining to the permit. Black Swan is Pilot Energy’s joint venture partner in the project, holding a 20% working interest and being carried for the primary term by Pilot Energy.

EP416 & EP480: High Impact, Low Cost Onshore Gas Exploration

Through its agreement with Empire Oil & Gas NL (“Empire”), Pilot Energy is earning a 60% working interest, as Operator, in exploration permits EP416 and EP480, situated within the southern part of the onshore Perth Basin.

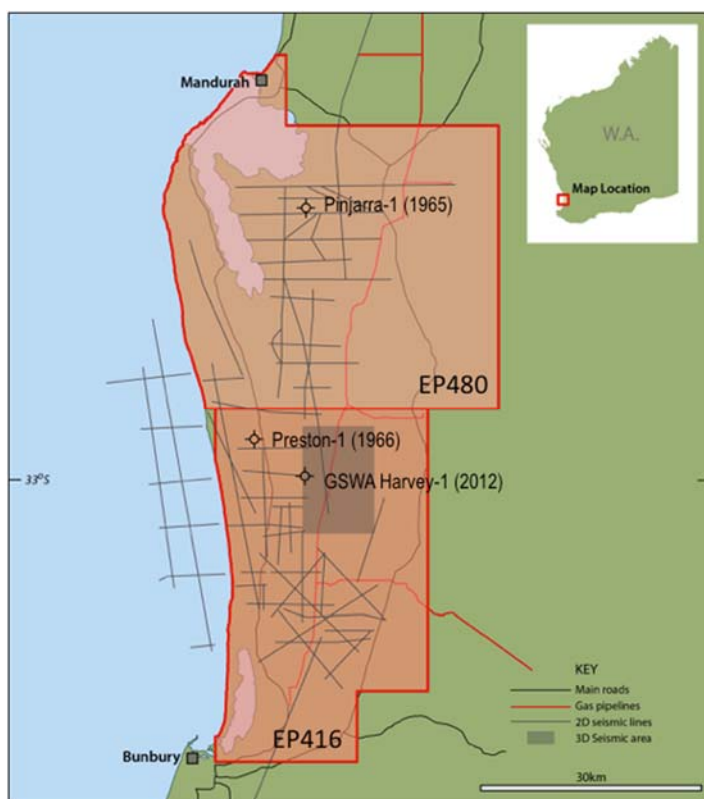
The onshore Perth Basin is a proven hydrocarbon province that has been subject to significant industry interest and activity since the recent discovery and subsequent appraisal of the Waitsia gas/condensate discovery, by AWE Limited. The basin is generally prospective for gas (with some oil and condensate) and is well served by gas distribution infrastructure, with the Dampier to Bunbury gas pipeline running almost the full extent of the basin (and indeed running directly across EP416 and EP480). Importantly for Pilot Energy there is high demand for new sources of domestic gas within the area of EP416 and EP480, with industries such as minerals extraction and refining present nearby.

PILOT ENERGY LIMITED REVIEW OF OPERATIONS

For the year ended 30 September 2015

EP416 & EP480: High Impact, Low Cost Onshore Gas Exploration

Exploration of the basin to date has been primarily focused to the north, with the southern portion having only been lightly explored. However, the limited drilling that has occurred in this part of the basin does confirm the presence of geological formations that comprise the hydrocarbon play to the north, with mature gas-prone source rocks underlying clastic reservoir formations.



EP416 and EP480 are contiguous permits located in the southern part of the onshore Perth Basin, on the coast of Western Australia between the towns of Mandurah and Bunbury. The permits cover a combined area of 2.310km² and have been only lightly explored, with a number of wells drilled mainly during the 1960's. A more recent well, drilled in 2012 as part of a carbon geosequestration study, confirms the presence of good quality sandstone reservoir intervals within the area. The primary reservoir target is the Permian Sue Sandstone, with a secondary target in the overlying Lesueur Sandstones. It is expected that these reservoirs will be sourced by gas generated from coal measures within the Sue Formation.

Existing 2D seismic data confirms the presence of a large structure across the permits, with over 200km² of structural closure mapped at the Sue Sandstone reservoir level. Pilot Energy estimates a significant prospective gas resource for the two sandstone reservoir targets, with internal estimates of prospective gas resources (arithmetic sum of the two reservoirs) ranging from 90 Bcf (Low Case) to 270 Bcf (Best Case), to 600 Bcf (High Case). Both the Sue and Lesueur reservoir targets could be drilled at the prospect location by a single well.

The current work program on EP416 and EP480 is comprised of finalising interpretation of the airborne geophysical survey data as acquired by Empire during 2015, the results of which will determine the Joint Venture's strategy for future exploration of the permits.

Under the terms of its agreement with Empire, Pilot Energy is funding the cost of Empire's recently completed airborne geophysical survey over the permits. The Company has paid an \$150,000 to Empire, with a further \$300,000 payable upon the parties satisfactorily negotiating amendments to the permit terms with the regulatory authority. At that point Pilot Energy will have earned a 60% interest in EP416 and EP480, and assume operatorship of both permits. The assignment of the interest remains subject to the pending approval of the West Australia Department of Mines and Petroleum.

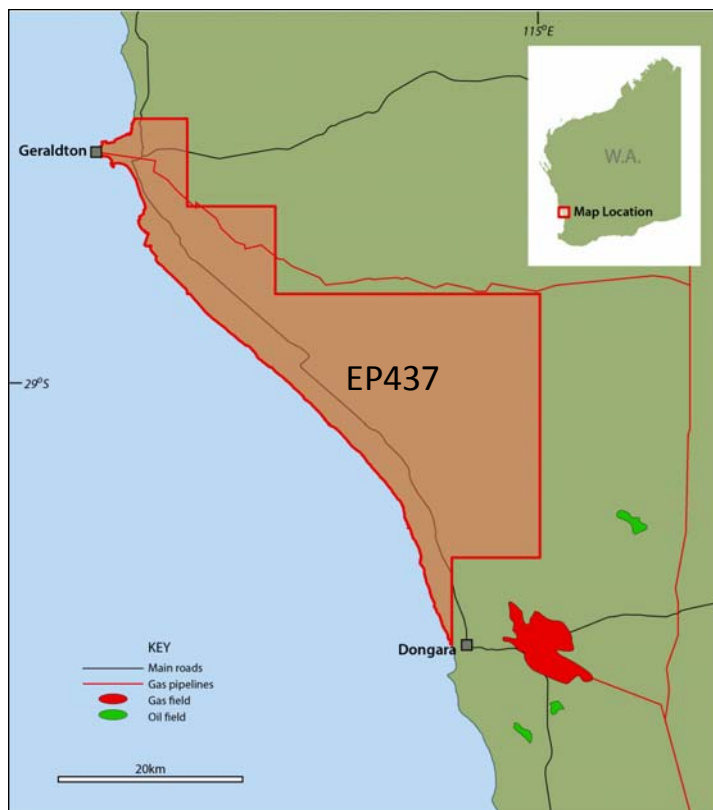
EP437: Low Cost Onshore Oil & Gas Exploration

In November 2014 Pilot Energy Ltd acquired a 13.058% non-operated interest in exploration permit EP437. The permit is situated on the west of the northern Perth Basin, between the towns of Geraldton and Dongara; some 10km to the north of the Dongara gas field and Jingemlia/Hovea oil fields, and 20km to the north of the Cliff Head oilfield. A number of wells have been drilled in the permit to date, the results of which confirm the presence of a working petroleum system.

PILOT ENERGY LIMITED REVIEW OF OPERATIONS

For the year ended 30 September 2015

EP437: Low Cost Onshore Oil & Gas Exploration



Pilot Energy's preliminary interpretation of existing well and seismic data suggests the presence of a number of shallow-depth prospects at the Bookara and Arranoo sandstone levels, located along a terrace structure and structurally updip from the Dongara gas field. Three prospects have been identified to date, all located updip from the Dunnart-1 & 2 wells; both of which encountered good oil shows.

EP437 provides Pilot Energy with participation in low cost onshore oil and gas exploration, in a permit in which prospectivity has been identified within a working petroleum system and along trend from existing discoveries. The proximity to infrastructure in this part of the Perth Basin enables even small oil discoveries to potentially be commercialised.

Pilot Energy acquired its interest in EP437 subsequent to the end of the reporting period, through a Sale & Purchase Agreement with Caracal Exploration Pty Ltd. The interest was purchased for a small cash consideration plus Pilot Energy shares and options. The assignment of interest in EP437 to Pilot Energy remains conditional upon the approval of the West Australia Dept. of Mines & Petroleum. Upon completion of the assignment, the joint venture

interests in EP437 will be as follows:

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

Western Block, North Slope Alaska

In September 2015 Pilot Energy reached agreement with Royale Energy regarding the parties' legal dispute that arose from the legacy failed Western Block farmin venture, located on the North Slope of Alaska. Under the terms of the Deed of Settlement & Mutual Release the parties have released each other from all current and future claims pertaining to the dispute, and Pilot Energy has assigned its 30% interest in the Western Block to Royale Energy. In return Pilot Energy has been paid US\$150,000 with a further US\$350,000 due to be received by the Company shortly, Royale Energy having subsequently sold 100% of the Western Block to an undisclosed third party

Corporate Summary

Pilot Energy has undergone a transformation over the past twelve months, and is well positioned to deliver significant shareholder value on the back of its new and expanding exploration portfolio. The failed Alaskan farmin venture, entered in to by previous management, resulted in a prolonged period of litigation. Having recently settled its dispute with partner Royale Energy, and cleared the debt associated with the Alaskan project, the Company is now able to move forward with its plans to build a leading junior E&P company.

PILOT ENERGY LIMITED
REVIEW OF OPERATIONS

For the year ended 30 September 2015

Corporate Summary (continued)

Since February 2014 the Board of Directors has completely changed, such that the Company now has a team of experienced industry experts in place to progress its strategy.

The Company's headquarters have moved from Adelaide to serviced office premises in Perth, and a Managing Director has been appointed for whom a large percentage of remuneration is dependent upon delivery of corporate objectives. Combined with the termination of various third party service agreements, this has reduced fixed corporate overheads by approximately \$300,000 per annum.

As announced on 9 July 2015, the Company completed a pro rata renounceable Rights Issue for eligible shareholders to subscribe for two (2) new fully paid ordinary shares for every one (1) fully paid ordinary share held, at a price of \$0.001 per share. The Rights Issue resulted in the issue of 1,056,984,554 new ordinary shares in the Company, raising \$1,056,984 before costs.

The funds raised are being allocated towards geological and geophysical studies for further assessment of the prospectivity of the company's projects, in addition to funding farm-out programs for those assets. Funds have also been allocated towards the company's new ventures program, resulting in the acquisition of two additional projects since the funds were raised. The balance of funds raised is being allocated towards working capital.

The Board strongly believes that its strategy of counter-cyclical investment in quality oil and gas assets on attractive commercial terms will yield significant shareholder value over time. Each of the four directors of the Company personally underwrote the Rights Issue, for an amount of \$50,000 per director, in addition to taking up their full entitlements under the Rights Issue. This \$235,000 commitment by the Company's directors is an indication of your Board's belief in the Company's strategy, and the value of the Company's current project portfolio.

Financial results and condition

The loss for the year ended 30 September 2015 attributable to members of Pilot Energy Limited after income tax was \$5,809,404 (2014: \$8,837,985). This was after exploration expenditure written off of \$11,856,641, interest expense on borrowings of \$1,365,091 and receipt of Alaskan tax credits totalling \$8,835,924.

The Group has a working capital deficit of \$285,776 (2014: deficit \$6,100,606) and net cash outflows of \$1,946,682 (2014: inflow \$1,641,539) after Alaskan tax credit receipts totalling \$8,645,230 and repayment of borrowings of \$9,551,795.

Summary of results

	2015	2014
	\$	\$
Revenue from ordinary activities	11,903	21,474
Other income	8,835,924	19,644
Loss before income tax	(5,809,404)	(8,424,685)
Income tax expense	-	(413,300)
Loss attributable to owners of Pilot Energy	5,809,404	(8,837,985)
Other comprehensive income / (loss)	379,358	(7,037)
Underlying loss per share (cents)	(0.76)	(3.09)
Shares in issue at reporting date	1,585,476,834	419,492,277
Weighted average number of shares	760,597,562	286,149,561

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Pilot Energy Limited (the Company) and of the Group, being the Company and its subsidiaries for the financial year ended 30 September 2015 and the auditor's report thereon.

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Experience, qualifications, special responsibilities and other directorships
<p>Gavin Harper Non-executive Chairman</p> <p>Appointed: 17 March 2014</p> <p><u>Appointed positions:</u> Non-executive Director on 17 March 2014; Non-executive Chairman on 1 May 2014 Executive Chairman on 3 July 2014 Non-executive Chairman on 1 July 2015</p>	<p>Mr Harper has over 39 years of experience in the energy industry, including a variety of operational and leadership roles in his 25 years with Chevron Corporation. He has particular strengths in business development strategies, corporate-government and other major stakeholder interactions and working within complex business and joint venture environments.</p> <p>Mr Harper has been a director of a number of ASX listed companies and is currently Non-Executive Director of ASX 300 Sino Gas and Energy Holdings.</p> <p>He holds a BA (Sociology/Anthropology) from the University of Kent, and a Diploma Business Administration from the University of Strathclyde. He is a Member of the Australian Institute of Company Directors.</p>
<p>Iain Smith Managing Director</p> <p>Appointed: 10 February 2014</p> <p><u>Appointed positions:</u> Non-executive Director on 10 February 2014; Executive Director on 3 July 2014 Managing Director on 1 July 2015</p>	<p>Mr Smith has 26 years experience of the upstream petroleum sector, in both technical and commercial roles within Australia and overseas. After a number of years within the New Ventures team of Premier Oil, Iain spent ten years in sales and general management roles within the geophysical technology/services sector in the UK, Australia and India. He subsequently held commercial advisory roles within the Exploration/New Ventures and Browse LNG business units of Woodside Energy, before joining Neon Energy as Commercial Manager. He was instrumental in the merger between Neon Energy Pty Ltd and Salinas Energy Ltd, and managed the farmout of Neon's high profile Vietnamese exploration assets to KrisEnergy Ltd and Eni SpA., and the sale of Neon's Californian assets.</p> <p>Mr Smith holds an MSc in Petroleum Geology and Geophysics from Imperial College London, and a Graduate Diploma in Business Administration from the University of Western Australia.</p>
<p>Conrad Todd Non-executive Director</p> <p>Appointed: 2 July 2014</p>	<p>Mr Todd is a geoscientist with over 30 years industry experience, having worked in senior roles with various international Exploration and Production companies including LASMO, Lundin and Occidental. He was Exploration Manager of Cooper Energy between 2004 and 2010, during which time Cooper Energy substantially increased its resource base and production level. In addition to his technical skills, he brings valuable experience in the fields of resource certification, asset valuations and M&A advisory to the Company.</p>

PILOT ENERGY LIMITED
DIRECTORS' REPORT

For the year ended 30 September 2015

1. DIRECTORS (continued)

Name and independence status	Experience, qualifications, special responsibilities and other directorships
<p>Rory McGoldrick Non-executive Director Appointed: 14 May 2015</p>	<p>Mr McGoldrick graduated from the University of Western Australia where he completed his law degree in 2003. He is admitted as a barrister and solicitor of the Supreme Court of Western Australia and has been practising as a lawyer for approximately 10 years. Rory has advised public companies on a wide range of corporate matters, and has broad experience in Corporations Act and ASX Listing Rules compliance, corporate governance matters, capital raisings, and mergers and acquisitions.</p> <p>Rory is also a director of Omega Resources Limited.</p>

2. COMPANY SECRETARY

Mr David McArthur was appointed to the position of Company Secretary on 14 May 2015.

Mr McArthur is a Chartered Accountant, having spent four years with a major international accounting firm, and has over 30 years' experience in the accounting profession. He has been actively involved in the financial and corporate management of a number of public listed companies over the past 28 years, and has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions. He is Company Secretary and Director of a number of public listed Companies with exposure to the ASX, TSX and AIM markets and has a Bachelor of Commerce Degree from the University of Western Australia.

3. DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held during the year ended 30 September 2015, and the number of meetings attended by each director was:

Director	Full meetings of directors	
	Number of meetings attended	Number of meetings held whilst a director
Gavin Harper	10	10
Iain Smith	10	10
Conrad Todd	10	10
Rory McGoldrick	3	3

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

PILOT ENERGY LIMITED

DIRECTORS' REPORT

For the year ended 30 September 2015

4. PRINCIPAL ACTIVITIES

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

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

5. 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.

Significant changes in the state of affairs

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

6. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 September 2015 (2014: Nil).

7. LIKELY DEVELOPMENTS

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

8. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters disclosed in note 6.7 of the notes to the consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

9 ENVIRONMENTAL REGULATION

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
DIRECTORS' REPORT

For the year ended 30 September 2015

10. SHARE OPTIONS

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price \$	Number of shares
31-Jan-16	0.0600	59,233,999
31-Jan-16	0.0675	1,833,333
31-Jan-16	0.0750	11,763,863
31-Jan-16	0.1000	15,333,333
31-Jan-16	0.1050	20,000,000
14-Feb-16	1.1850	843,882
30-Apr-16	0.1200	2,000,000
31-Jul-16	0.1200	25,500,069
30-Sep-16	0.1200	10,083,334
31-Oct-16	0.1200	12,500,000
30-Sep-17	0.0300	10,000,000
30-Jun-19	0.0020	105,000,000
		<hr/>
		274,091,813

All unissued shares are ordinary shares of the Company.

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

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

Shares issued on exercise of options

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

Options expired

29,066,679 options expired during the reporting period (30 September 2014: no options expired).

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid an insurance premium of \$34,927 (2014: \$38,210) 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.

PILOT ENERGY LIMITED

DIRECTORS' REPORT

For the year ended 30 September 2015

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS (continued)

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

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

12. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, Grant Thornton, and its related practices for non-audit services provided during the year are set out below:

	2015 \$	2014 \$
Taxation services		
<i>Grant Thornton Australia</i>		
Tax compliance services	3,300	6,000
NSW Payroll Tax audit	1,000	-
Reversal of accrual for tax compliance services	(6,328)	-
	(2,028)	6,000
Total remuneration for non-audit services	(2,028)	6,000

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.

PILOT ENERGY LIMITED

DIRECTORS' REPORT

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED

The Directors are pleased to present your Company's 2015 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 report contains the following sections:

- (a) Remuneration governance
- (b) Executive remuneration strategy and framework
- (c) Service contracts
- (d) Non-executive director remuneration
- (e) Key management personnel remuneration
- (f) Other KMP disclosures
- (g) Voting and comments made at the Company's 2014 Annual General Meeting

(a) Remuneration governance

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

(b) Executive remuneration strategy and framework

Remuneration is referred to as compensation throughout 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.

PILOT ENERGY LIMITED

DIRECTORS' REPORT

For the year ended 30 September 2015

14. REMUNERATION REPORT – AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

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 share price performance of the Group, 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:

- satisfactory completion of development programs, on time and on budget;
- securing funding to support planned work programs;
- investor relations; and
- consideration of safety performance, corporate governance, external relations and general management.

The Managing Director has a target STI opportunity depending on achieving various corporate objectives.

Long-term incentive

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

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

Performance Rights

On 1 July 2014, 45,000,000 Performance Rights were granted to key management personnel under the ESOS. The rights vest on 30 June 2018. Specific disclosure details of the 1 July 2014 grant are as follows:

	Performance rights granted	Value of rights granted \$
Directors		
Iain Smith	15,000,000	5,897
Gavin Harper	15,000,000	5,897
Conrad Todd	15,000,000	5,898

PILOT ENERGY LIMITED
DIRECTORS' REPORT

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Long-term incentive (continued)

Performance Rights (continued)

The above grants made under the ESOS will vest subject to the satisfaction of the following vesting hurdles:

- (1) Subject to remaining in tenure as a director of the Company:
 - 5,000,000 to vest on 30 June 2015;
 - 5,000,000 to vest on 30 June 2016; and
 - 5,000,000 to vest on 30 June 2017 (Tenure Vested Performance Rights).
- (2) 5,000,000 Tenure Vested Performance Rights to convert to fully paid shares if the Company's share price remains above 3.5 cents for five consecutive days prior to Expiry Date.
- (3) 10,000,000 Tenure Vested Performance Rights to convert to fully paid shares if the Company's share price remains above 5 cents for five consecutive days prior to Expiry Date – less any performance rights that may have converted under Hurdle 2.
- (4) 15,000,000 Tenure Vested Performance Rights to convert to fully paid shares if the Company's share price remains above 8 cents for five consecutive days prior to Expiry Date – less any performance rights that may have converted under Hurdle 3.

Key valuation assumptions made at valuation date are summarised below:

Key value assumptions

Grant date	8-Oct-14
Underlying share price at grant date (cents)	0.5
Expiry Date	30-Jun-18
Vesting start date	31-Dec-17
Vesting end date (Tranche 1)	30-Jun-15
Vesting end date (Tranche 2)	30-Jun-16
Vesting end date (Tranche 3)	30-Jun-17
Risk free rate	3.7%
Volatility factor	127.7%
Dividend yield	Nil

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Long-term incentive (continued)

Performance Rights (continued)

Details of performance rights over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period are as follows:

	Number granted	FY granted	Share price at grant date cents	Vested percentage	Vested number	FY in which shares may vest
Executive directors						
Iain Smith	5,000,000	2015	0.5	-	-	2015
	5,000,000	2015	0.5	-	-	2016
	5,000,000	2015	0.5	-	-	2017
Non-executive directors						
Gavin Harper	5,000,000	2015	0.5	-	-	2015
	5,000,000	2015	0.5	-	-	2016
	5,000,000	2015	0.5	-	-	2017
Conrad Todd	5,000,000	2015	0.5	-	-	2015
	5,000,000	2015	0.5	-	-	2016
	5,000,000	2015	0.5	-	-	2017

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Long-term incentive (continued)

Options over equity instruments granted as compensation

On 6 August 2015, 80,000,000 options over unissued shares in the Company were granted, for no consideration, to key management personnel under the ESOS. Specific disclosure details are as follows:

	Options granted	Value of options granted \$
Directors		
Iain Smith	20,000,000	9,700
Gavin Harper	20,000,000	9,700
Conrad Todd	20,000,000	9,700
Rory McGoldrick	20,000,000	9,700

Key valuation assumptions made at valuation date are summarised below:

Key value assumptions	
5 day VWAP of underlying security (cents)	0.1
Exercise price (cents)	0.2
Grant date	6-Aug-15
Expiry date	30-Jun-19
Life of the options (years)	3.90
Volatility	90%
Risk free rate	1.96%
50% of Tranche 1	
Share price barrier (5 day VWAP) (cents)	0.3
Valuation per option (cents)	0.05
Number of options	10,000,000
50% of Tranche 1	
Share price barrier (5 day VWAP) (cents)	0.6
Valuation per option (cents)	0.047
Number of options	10,000,000

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Long-term incentive (continued)

Options over equity instruments granted as compensation

All options refer to options over ordinary shares of Pilot Energy Limited, which are exercisable on a one-for-one basis.

Details of options over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period are as follows:

	Number of options and rights granted during 2015	Grant date	Fair value per option or right at grant date cents	% vested in year (A)	% forfeited in year	Date on which grant vests	Exercise price per option cents	Expiry date	Number of options and rights vested during 2015
Executive directors									
Iain Smith	10,000,000	6-Aug-15	0.05	-	-	6-Aug-15	2.0	30-Jun-19	-
	10,000,000	6-Aug-15	0.047	-	-	6-Aug-15	2.0	30-Jun-19	-
Non-executive directors									
Gavin Harper	10,000,000	6-Aug-15	0.05	-	-	6-Aug-15	2.0	30-Jun-19	-
	10,000,000	6-Aug-15	0.047	-	-	6-Aug-15	2.0	30-Jun-19	-
Conrad Todd	10,000,000	6-Aug-15	0.05	-	-	6-Aug-15	2.0	30-Jun-19	-
	10,000,000	6-Aug-15	0.047	-	-	6-Aug-15	2.0	30-Jun-19	-
Rory McGoldrick	10,000,000	6-Aug-15	0.05	-	-	6-Aug-15	2.0	30-Jun-19	-
	10,000,000	6-Aug-15	0.047	-	-	6-Aug-15	2.0	30-Jun-19	-

(A) The percentage vested in the year represents the number of options that become unconditional due to the recipient satisfying specified vesting conditions;

PILOT ENERGY LIMITED
DIRECTORS' REPORT

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Consequences of performance on shareholder wealth

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

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

Shareholder returns	2015	2014	2013	2012	2011
Net loss attributable to equity holders (\$)	(5,809,404)	(8,837,985)	(4,414,050)	(5,077,388)	(1,507,701)
Basic EPS (cents)	(0.76)	(3.09)	(0.28)	n/a	n/a
Share price at year end (cents)	0.10	0.80	n/a	n/a	n/a
Market capitalisation (\$)	158,547,683	335,593,822	n/a	n/a	n/a
Net tangible assets / (liabilities) (NTA) (\$)	(277,943)	(6,095,105)	827,081	n/a	n/a
NTA Backing (cents)	(0.018)	(1.453)	0.412	n/a	n/a

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

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

(c) 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 agreement relating to remuneration are set out below. Remuneration packages are inclusive of superannuation.

Name	Term of agreement	Employee notice period	Employer notice period	Base salary **	Termination Benefit ***
Iain Smith *	Ongoing from May 2015	6 months	6 months	\$180,000	6 months base salary

* On 1 May 2015, a Consultancy Agreement was entered into with Basis Commercial Pty Ltd, a company associated with Iain Smith;

** Base salaries are inclusive of superannuation and quoted for the year ended 30 September 2015. They are reviewed annually by the Board having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice;

*** Termination benefits are payable upon early termination by the Group, other than for gross misconduct. Unless otherwise indicated they are equal to base salary for the notice period.

PILOT ENERGY LIMITED

DIRECTORS' REPORT

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(d) Non-executive director remuneration

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

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

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

Non-executive directors' base fees are currently \$40,000 (including superannuation) per annum and they do not receive cash performance related compensation. Directors' fees cover all main board activities and memberships of sub-committees.

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. Non-executive Chairman's fees are \$50,000 (including superannuation) per annum.

On 1 July 2014, a Consultancy Agreement was entered into with New Energy Solutions Pty Ltd, a company associated with Gavin Harper, whereby Mr Harper is paid a total package of \$60,000 per annum for his role as Executive Chairman. Effective 1 July 2015, Mr Harper assumed the role of non-executive Chairman at a reduced fee of \$50,000.

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(e) Key management personnel remuneration

Name		Short-term employee benefits			Post-employment benefits	Share based payments		Termination benefits	Total
		Salary and fees (A) \$	Non-monetary benefits (B) \$	Total \$	Super-annuation \$	Rights (C) \$	Options (C) \$		
Executive directors									
Iain Smith	2015	98,333	7,860	106,193	-	5,897	9,700	-	121,790
	2014	24,320	5,827	30,147	1,324	-	-	-	31,471
Non-executive directors									
Gavin Harper	2015	57,500	7,860	65,360	-	5,897	9,700	-	80,957
	2014	28,583	4,951	33,534	1,256	-	-	-	34,790
Conrad Todd	2015	40,000	7,860	47,860	-	5,898	9,700	-	63,458
	2014	10,000	2,276	12,276	-	-	-	-	12,276
Rory McGoldrick	2015	15,305	2,992	18,297	-	-	9,700	-	27,997
	2014	-	-	-	-	-	-	-	-
Sub-total non-executive directors' remuneration	2015	112,805	18,712	131,517	-	11,795	29,100	-	172,412
	2014	38,583	7,227	45,810	1,256	-	-	-	47,066
Total current directors' remuneration	2015	211,138	26,572	237,710	-	17,692	38,800	-	294,202
	2014	62,903	13,054	75,957	2,580	-	-	-	78,537

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(e) Key management personnel remuneration (continued)

Name		Short-term employee benefits			Post-employment benefits	Share based payments		Termination benefits	Total
		Salary and fees (A) \$	Non-monetary benefits (B) \$	Total \$	Super-annuation \$	Rights (C) \$	Options (C) \$		
Former directors									
Torey Marshall	2015	-	-	-	-	-	-	-	-
	2014	222,916	6,877	229,793	62,848	-	(33,333)	80,057	339,365
Raymond Shaw	2015	-	-	-	-	-	-	-	-
	2014	23,567	8,402	31,969	2,231	-	-	-	34,200
Maclolm Lucas Smith	2015	-	-	-	-	-	-	-	-
	2014	8,865	4,201	13,066	776	-	-	-	13,842
Sub-total former directors' remuneration	2015	-	-	-	-	-	-	-	-
	2014	255,348	19,480	274,828	65,855	-	(33,333)	80,057	387,407
Total key management Personnel remuneration	2015	211,138	26,572	237,710	-	17,692	38,800	-	294,202
	2014	318,251	32,534	350,785	68,435	-	(33,333)	80,057	465,944

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(e) Key management personnel remuneration (continued)

Notes in relation to the table of directors' remuneration

(A) During the reporting period certain key management persons were paid for commercial, arms-length consulting services. The total quantum of these transactions as disclosed in note 6.3 of the notes to the consolidated financial statements was:

- Iain Smith \$58,767 (2014: \$59,199)
- Gavin Harper \$4,800 (2014: \$12,200)
- Conrad Todd \$33,938 (2014: \$25,313)
- Rory McGoldrick \$16,200 (2014: nil)

(B) Comprises Directors and Officers insurance premiums;

(C) The fair value of performance rights and options granted was determined using the Monte Carlo simulation pricing model

(f) 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 2014	Granted as compensation	Held at 30 September 2015	Vested during the year	Vested and exercisable at 30 September 2015
Executive directors					
Iain Smith	3,000,000	20,000,000	23,000,000	20,000,000	23,000,000
Non-executive directors					
Gavin Harper	-	20,000,000	20,000,000	20,000,000	20,000,000
Conrad Todd	-	20,000,000	20,000,000	20,000,000	20,000,000
Rory McGoldrick	-	20,000,000	20,000,000	20,000,000	20,000,000

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(f) Other KMP disclosures

KMP performance right holdings

	Held at 1 October 2014	Granted as compensation	Held at 30 September 2015	Vested during the year	Vested and exercisable at 30 September 2015
Executive directors					
Iain Smith	-	15,000,000	15,000,000	5,000,000	5,000,000
Non-executive directors					
Gavin Harper	-	15,000,000	15,000,000	5,000,000	5,000,000
Conrad Todd	-	15,000,000	15,000,000	5,000,000	5,000,000

KMP shareholdings

	Held at 1 October 2014	Held on appointment or (resignation)	Purchases	Held at 30 September 2015
Executive directors				
Iain Smith	907,731	-	59,167,108	60,074,839
Non-executive directors				
Gavin Harper	2,200,501	-	71,859,617	74,060,118
Conrad Todd	1,000,000	-	67,000,000	68,000,000
Rory McGoldrick	-	1,150,000	52,300,000	53,450,000

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

14. REMUNERATION REPORT - AUDITED (continued)

(f) Other KMP disclosures

Loans to key management personnel

Details of loans made to Directors and other key management personnel of the Group are set out below:

	2015	2014
	\$	\$
Beginning of year	-	-
Loans advanced	52,300	-
End of year	52,300	-

The purpose of these loans is to enable KMP to acquire ordinary shares in the Company.

The loan was at commercial arms length with interest payable at a rate of 7%.

(g) Voting and comments at the Company's 2015 Annual General Meeting

The Company received more than 66.9% of "yes" votes on its remuneration report for the 30 September 2014 financial year. The Company did not receive any specific feedback at the annual general meeting or throughout the year on its remuneration practices.

THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the year ended 30 September 2015

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 Directors' Report.

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



IAIN SMITH

Director

Dated at Perth, Western Australia this 10th day of December 2015.

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Auditor's Independence Declaration To the Directors of Pilot Energy Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Pilot Energy Limited for the year ended 30 September 2015, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 10 December 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
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PILOT ENERGY LIMITED

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The 2015 Corporate Governance Statement is dated as 30 September 2015 and reflects the corporate governance practices in place throughout the 2015 financial year.

Pilot Energy (the Company) and the Board are committed to achieving and demonstrating the highest standards of Corporate Governance. The Board continues to review the framework and practices to ensure that they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. Additionally, they comply with the 3rd edition of the ASX Corporate Governance Principles and Recommendations.

Board Of Directors

Role of the Board

The primary responsibilities of the Board of Directors are set out in a written policy and include:

- Establishment of long-term goals of the Group and strategic plans to achieve these goals;
- Monitoring the achievement of these goals;
- Review of the management accounts and reports to monitor the progress of the Group;
- Review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance;
- Review and approval of the annual and interim financial reports;
- Nominating and monitoring the external auditor;
- Approving all significant business transactions;
- Appointing and monitoring senior management;
- All remuneration, development and succession issues;
- Ensuring the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities;
- Overseeing the process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- Ensuring that the Company has a suitably qualified Company Secretary who shall be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board; and
- Ensuring that the Company reports on its measurable objectives in relation to gender diversity and assesses annually both the objectives and progress in achieving gender diversity.

The Board evaluates this policy on an ongoing basis.

Board composition

The Directors' Report contains details of the Directors' skills, experience and education. The Board seeks to establish a Board that consists of Directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Group's business with excellence. To maintain this, the Group's policy is that Executive Directors should serve at least 3 years. At the completion of the first 3 years, the position of the Director is reviewed to ascertain if circumstances warrant a further term.

PILOT ENERGY LIMITED

CORPORATE GOVERNANCE STATEMENT

Board composition (continued)

The specific skills that the Board collectively bring to the Company include:

- Industry Experience
- Commercial Experience
- Public Company Experience
- Analytical
- Financial
- Risk Management
- Strategic Planning
- Strategic Leadership
- Corporate Governance
- Communications
- Inter personal

The Board comprises a Non-Executive Chairman, one Executive Director, and two Non-Executive independent Directors. A written agreement is entered into with each Director and Senior Executive of the Company setting out the terms of their employment.

Details of the Directors are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new Directors and has the option to use an external consulting firm to identify and approach possible new candidates for Directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of shareholders.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director.

The Board ensures that shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

The appointment of the Directors must be approved by the majority of the Shareholders at the first Annual General Meeting after the appointment.

Retirement and re-election of directors

The Constitution of the Group requires one third of Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

Independence of directors

The Board has reviewed the position and association of each of the Directors in the office at the date of this report and considers that three Directors are independent. In considering whether a Director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

PILOT ENERGY LIMITED

CORPORATE GOVERNANCE STATEMENT

Independence of directors (continued)

The Board considers that Mr Gavin Harper, Mr Conrad Todd and Mr Rory McGoldrick meet the criteria in Principle 2. They have no material business or contractual relationship with the Group, other than as Directors, and no conflicts which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

Director education

All new Directors complete an induction process. The non-executive directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge. The Board are specifically provided the opportunity to enhance their financial, regulatory and compliance skills in relation to public companies through external courses.

Independent professional advice

With prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Board Performance Review

The performance of all Directors is assessed through review by the Board as a whole of a Director's attendance at and involvement in Board meetings, their performance and other matters identified by the Board or other Directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a Director's performance.

The Directors conducted an internal performance evaluation of the Members of the Board during the reporting period.

Director Remuneration

Details of the Group's remuneration policies are included in the "Remuneration Report" section of the Directors Report.

- (a) Non-Executive Directors will be remunerated by cash benefits (including statutory superannuation) and will not be provided with any benefits for ceasing to be a Director. Non executive directors may be offered performance based remuneration by way of options or Incentive share rights. The Board acknowledges the grant of options or incentive share rights to non- executive directors is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations, however the Board considers the grant of such options and share rights is reasonable in the circumstances for the following reasons:
- (i) the grant of options or incentive shares to non- executive directors will align the interests of the non executive directors with those of Shareholders;
 - (ii) the grant of the options or incentive shares is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the non-executive directors; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or opportunities foregone by the Company in granting the non executive directors options or incentive shares.
- (b) Executive Directors may be remunerated by both fixed remuneration and equity performance based remuneration. A reasonable period of notice of termination will be required and will be detailed in the Executive's employment contract.

PILOT ENERGY LIMITED

CORPORATE GOVERNANCE STATEMENT

Managing Business Risk

The Group maintains policies and practices designed to identify and manage significant risks including:

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Group's business plan;
- corporate strategy guidelines and procedures to review and approve the Group's strategic plans; and
- insurance and risk management programs which are reviewed by the Board

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Board may consult with the Group's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated Group. The Managing Director (or in his absence the Chairman) and Chief Financial Officer (or someone who fulfills the role that would otherwise be performed by a CFO) annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Group's financial reports present a true and fair view of the Group's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Group's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

The Company assesses its exposure to economic, environmental and social sustainability risks. The Board assesses the likely impact of changes and implements strategies to minimise exposure to these risks.

Due to its size and activities the Company does not have an internal audit function.

Internal Controls

Procedures have been established at the Board and Executive management levels that are designed to safeguard the assets and interests of the Group, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the Executive Directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be Non-Executive Directors.

The primary role of the Audit Committee is to:

- Assist the Board in fulfilling its overview of the audit process;
- Assist the Board in overseeing financial reporting;
- Assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established;
- Monitor, review and recommend the adoption of the financial statements of the Company;
- Regularly review the adequacy of accounting, internal controls, reporting and other financial management systems and practices of the Company;
- Review the financial report and other financial information distributed externally;

PILOT ENERGY LIMITED

CORPORATE GOVERNANCE STATEMENT

- Review any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Review audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Review the nomination and performance of the auditor;
- Liaise with external auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner;
- Monitor the establishment of appropriate ethical standards;
- Monitor the procedures in place to ensure compliance with the *Corporations Act 2001* and Australian Securities Exchange Listing Rules and all other regulatory requirements;
- Address any matters outstanding with the auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the Australian Securities Exchange and financial institutions; and
- Improve the quality of the accounting function.

The Committee consists of the following Non-Executive Directors, all of whom are independent:

- Mr R McGoldrick(Chairman)
- Mr C Todd
- Mr G Harper

The auditors and the Managing Director are invited to attend Audit Committee meetings at the discretion of the Committee. The Committee met two times during the year.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee operates in accordance with its Charter. The main responsibilities of the Remuneration Committee are:

- Determine remuneration policies and remuneration of Directors;
- Determine remuneration and incentive policies of Key Executives;
- Determine the Group recruitment, retention and termination policies and procedures for senior management;
- Determine and review incentive schemes;
- Determine and review superannuation arrangements of the Group; and
- Determine and review professional indemnity and liability insurance for Directors and senior management.

The Committee consists of the following Non-Executive Directors, all of whom are independent:

- Mr C Todd (Chairman)
- Mr R McGoldrick
- Mr G Harper

The Committee did not meet during the year.

Ethical Standards

In pursuit of the highest level of ethical standards, the Group has adopted a Code of Conduct which establishes the standards of behaviour required of Directors and employees in the conduct of the Group's affairs. This code is provided to all Directors and employees. Unethical behaviour is to be reported to the Group's Managing Director (or in his absence, the Chairman) as soon as possible.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

PILOT ENERGY LIMITED

CORPORATE GOVERNANCE STATEMENT

Trading in the Company's Securities by Directors and Employees

The Board has adopted a policy in relation to dealings in the securities of the Group which applies to all Directors and employees. Under the policy, Directors are prohibited from short-term or "active" trading in the Group's securities and Directors and employees are prohibited from dealing in the Group's securities whilst in the possession of price sensitive information. The Company's Managing Director (or in his place the Chairman) must be notified of any proposed transactions.

This policy is provided to all Directors and employees. Compliance with it is reviewed on an on-going basis in accordance with the Company's risk management systems.

Continuous Disclosure

The Group has in place a continuous disclosure policy, a copy of which is provided to all Group officers and employees who may from time to time be in possession of undisclosed information that may be material to the price or value of the Group's securities.

The continuous disclosure policy aims to ensure timely compliance with the Group's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and to ensure officers and employees of the Group understand these obligations.

The procedure adopted by the Group is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who, in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once every 12 month period, the Board will review the company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

Shareholders

The Board aims to ensure that Shareholders are kept informed of all major developments affecting the Group. Information is communicated to Shareholders as follows:

- As the Group is a disclosing entity, regular announcements are made to the Australian Securities Exchange in accordance with the Group's disclosure policy, including the half-year review, the year-end audited accounts and an Annual Report;
- The Board ensures the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- Shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry or electronically via the website;
- Any proposed major changes in the Group's affairs are submitted to a vote of Shareholders, as required by the Corporations Act 2001 and the Australian Securities Exchange Listing Rules;
- The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All Shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group; and
- The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

PILOT ENERGY LIMITED

CORPORATE GOVERNANCE STATEMENT

Diversity Policy

The Group is committed to workplace diversity and recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improved employee retention, accessing different perspectives and ideas, and benefitting from all available talent.

The Group strives to:

- Recruit and manage on the basis of an individual's competence, qualification and performance;
- Create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- Appreciate and respect the unique aspects that an individual brings to the workplace;
- Where possible and practicable, increase participation and employment opportunities for indigenous people;
- Create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and at all times recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace;
- Take action to prevent discrimination; and
- Create awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Board is committed to workplace diversity and has developed measurable objectives and strategies to support the framework and objectives of the Diversity Policy, and the Nomination Committee is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanisms. For the 2015 financial year the Boards' objectives were met by the Group. The Nomination Committee reports annually to the Board on the progress and achievement of the objectives.

Pursuant to Recommendation 1.5, the Group policy discloses the following information as at the date of this report:

Percentage details	Women	Men
Women and Men employed within the Group	-	100%
Women and Men at senior management level	-	100%
Women and Men employed at Board level	-	100%
Women and Men employed by Corporate services provider	75%	25%

ASX Corporate Governance principles and recommendations not followed - "if not, why not" approach

Pursuant to the ASX Listing Rule 4.10.3, the Company advises that it does not follow recommendation 8.3 of the ASX *"Corporate Governance Principles and Recommendations (Third Edition)"* for reasons stated above.

This statement is current as at 30 September 2015 and has been approved by the Board.



Director – Gavin Harper



Managing Director - Iain Smith

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 \$	2014 \$
Assets			
Cash and cash equivalents	4.1	510,460	2,629,375
Trade and other receivables	4.2	89,072	42,723
Prepayments		35,881	79,784
Assets held in discontinued operations	1.8	606,202	-
Total current assets		1,241,615	2,751,882
Trade debtors and other receivables	4.2	5,597	5,597
Restricted cash		-	1
Property and equipment		2,236	5,500
Oil and gas interests	3.1	462,249	10,598,721
Total non-current assets		470,082	10,609,819
Total assets		1,711,697	13,361,701
Liabilities			
Trade and other payables	4.3	355,846	1,359,685
Borrowings	5.2	8,482	7,498,400
Liabilities held in discontinued operations	1.8	1,163,063	-
Total current liabilities		1,527,391	8,858,085
Total liabilities		1,527,391	8,858,085
Net assets		184,306	4,503,616
Equity			
Issued capital	5.1	39,685,932	38,763,813
Reserves		853,504	1,756,384
Accumulated losses		(40,355,130)	(36,016,581)
Total equity attributable to equity holders of the Company		184,306	4,503,616

The accompanying notes are an integral part of these financial statements.

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 \$	2014 \$
Revenue from continuing operations	2.5	11,903	21,474
Other income	2.3	-	19,644
Expenses			
Personnel expenses	2.4	(340,765)	(540,270)
Administrative expenses		(241,428)	(369,884)
Professional fees		(255,222)	(588,651)
Other expenses		(4,066)	(79,221)
Finance expenses	2.5	(1,899)	(1,017,791)
Exploration and evaluation expenditure impaired		(215,425)	(5,869,986)
Results from operating activities		(1,046,902)	(8,424,685)
Loss before income tax		(1,046,902)	(8,424,685)
Income tax expense	2.6	-	(413,300)
Loss for the year from continuing operations		(1,046,902)	(8,837,985)
Loss for the year from discontinued operations	1.8	(4,762,502)	-
Loss for the year		(5,809,404)	(8,837,985)
Other comprehensive income			
<i>Items that may be classified subsequent to profit or loss</i>			
Foreign currency translation difference of foreign operations		379,358	(7,037)
Total items that may be classified subsequently to profit or loss		379,358	(7,037)
Total comprehensive loss for the year		(5,430,046)	(8,845,022)
Loss attributable to owners of the Company		(5,809,404)	(8,837,985)
Total comprehensive profit loss attributable to owners of the Company		(5,430,046)	(8,845,022)
Loss per share (cents per share)			
Basic and diluted from continuing operations		(0.14)	(3.09)
Basic and diluted from discontinued operations	1.8	(0.63)	-
Basic and diluted (cents per share)	2.7	(0.76)	(3.09)

The accompanying notes are an integral part of these financial statements.

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Share Capital	Translation Reserve	Share-based Payments reserve	Other components of equity	Accumulated Losses	Total
	\$	\$	\$	\$	\$	
Balance at 1 October 2014	38,763,813	(77,014)	427,043	1,406,355	(36,016,581)	4,503,616
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(5,809,404)	(5,809,404)
Other comprehensive income for the year						
Foreign exchange translation difference on foreign operations	-	379,358	-	-	-	-
Total other comprehensive loss for the year	-	379,358	-	-	-	379,358
Total comprehensive loss for the year	-	379,358	-	-	(5,809,404)	(5,430,046)
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	1,056,985	-	-	-	-	1,056,985
Share-based payment transactions	-	-	188,617	-	-	188,617
Transfer to accumulated losses on lapse of options	-	-	(64,500)	-	64,500	-
Transfer to accumulated losses other components of equity relating to prior TSX listing	-	-	-	(1,406,355)	1,406,355	-
Capital raising costs	(134,866)	-	-	-	-	(134,866)
Total contributions by and distributions to owners	922,119	-	124,117	(1,406,355)	1,470,855	1,110,736
Total transactions with owners	-	-	-	-	-	-
Balance at 30 September 2015	39,685,932	302,344	551,160	-	(40,355,130)	184,306

The accompanying notes are an integral part of these financial statements.

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Share Capital	Translation Reserve	Share-based Payments reserve	Other components of equity	Accumulated Losses	Total
	\$	\$	\$	\$	\$	
Balance at 1 October 2013	28,784,588	(69,977)	137,833	1,406,355	(27,178,596)	3,080,203
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(8,837,985)	(8,837,985)
Other comprehensive income for the year						
Foreign exchange translation difference on foreign operations	-	(7,037)	-	-	-	(7,037)
Total other comprehensive loss for the year	-	(7,037)	-	-	-	(7,037)
Total comprehensive loss for the year	-	(7,037)	-	-	(8,837,985)	(8,845,022)
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	11,099,338	-	-	-	-	11,099,338
Share-based payment transactions	-	-	289,210	-	-	289,210
Capital raising costs	(1,120,113)	-	-	-	-	(1,120,113)
Total contributions by and distributions to owners	9,979,225	-	289,210	-	-	10,268,435
Total transactions with owners	-	-	-	-	-	-
Balance at 30 September 2014	38,763,813	(77,014)	427,043	1,406,355	(36,016,581)	4,503,616

The accompanying notes are an integral part of these financial statements.

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Cash paid to suppliers and employees		(636,718)	(2,619,501)
Interest received		11,903	21,474
Net cash from discontinued operations	1.8	8,088,960	-
Net cash from / (used in) operating activities	4.1b	7,464,145	(2,598,027)
Cash flows from investing activities			
Payments for exploration, evaluation and development		(263,227)	(13,324,923)
Payments for property, plant and equipment		-	(2,249)
Net cash used in discontinued operations	1.8	(277,718)	-
Net cash used in investing activities		(540,945)	(13,327,172)
Cash flows from financing activities			
Repayments of borrowings		(20,317)	-
Proceeds from borrowings		28,800	7,745,270
Proceeds from issue of shares and options	5.1	867,845	10,912,509
Capital raising costs		(102,523)	(1,091,040)
Net cash used in discontinued operations	1.8	(9,643,687)	-
Net cash (used in) / from financing activities		(8,869,882)	17,566,739
Net (decrease) / increase in cash and cash equivalents		(1,946,682)	1,641,540
Cash and cash equivalents at 1 October		2,629,376	948,004
Effect of exchange rate fluctuations on cash held		218,945	39,831
Cash held in discontinued operations	1.8	391,179	-
Cash and cash equivalents at 30 September	4.1a	901,639	2,629,375

The accompanying notes are an integral part of these financial statements.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

SECTION 1 BASIS OF PREPARATION

Pilot Energy Limited presents its financial statements in a format and style that is relevant and clear to shareholders and other users. In preparing the 2015 financial statements, we have grouped notes into sections under six key categories:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities supporting exploration and evaluation
4. Working capital disclosures
5. Equity and funding
6. Other disclosures

Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

1.1 GENERAL INFORMATION

Pilot Energy Limited (the "Company") is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at Level 2, 55 Carrington Street, Nedlands, WA, 6009.

The Company was formerly known as Rampart Energy Limited. At a general meeting on 6 August 2015, shareholders approved the change of name from Rampart Energy Limited to Pilot Energy Limited.

The Group is primarily involved in the evaluation, acquisition, exploration and development of natural gas and petroleum.

The consolidated financial statements of the Group as at and for the year ended 30 September 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") were authorised for issue by the Board of Directors on 10 December 2015. The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- have been prepared on a historical cost basis, except for share-based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency. Rampart Alaska LLC and Spring River Resources Inc. functional currency is United States dollars;
- adopts all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 October 2014. Refer to note 6.9 for further details; and
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 6.10 for further details.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.2 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 no debt obligations. The Group has a working capital deficit of \$285,776 and net cash outflows for the 30 September 2015 financial year of \$1,946,682 (2014: inflow \$1,641,539) after Alaskan tax credit receipts totalling \$8,645,230 and repayment of borrowings of \$9,551,795. The Group incurred a loss for the year of \$5,809,404 (including \$11,856,641 of exploration expenditure written off in the period).

The directors are aware that the Group's ability to continue as a going concern, and thereby be able to pay its debts as and when they fall due, is dependent on the Group securing further working capital sourced from one or more of the following alternatives:

- Capital market raising such as:
 - Private placement
 - Entitlements issue
 - Share purchase plan
- Borrowings from related or third parties
- Farming out assets to reduce expenditure obligations

Given the financial position of the Group, 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 and satisfy its business plans for at least the next 12 months. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associated is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition charges in the Group's share of net assets of the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Where a joint arrangement is classified as a joint operation the Group recognises its proportionate share of revenue, expenditure, assets and liabilities.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.4 FOREIGN CURRENCIES

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss may arise. Any such differences are recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

1.5 RESEARCH AND DEVELOPMENT EXPENDITURE

The Group undertakes expenditure or activities that are categorised as 'eligible expenditure' under the Research & Development Tax Concession which dependent upon certain criteria may be subject to a tax offset. Under AASB 120, where a tax offset has been received or receivable in cash, the Group accounts for the tax offset as follows:

- Where a grant is received or receivable in relation to research and development costs which have been capitalised, the tax offset shall be deducted from the carrying amount of the asset;
- where a grant is received or receivable in relation to research and development costs which have been charged to the profit and loss account during this or the prior financial year, the tax offset shall be credited to the profit and loss account.

1.6 IMPAIRMENT

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment losses on available-for-sale investments are recognised by reclassifying the cumulative loss that has been recognised in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than DTA's, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.7 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

- *Note 1.2* - *Going concern*
- *Note 2.6* - *Recognition of tax losses*
- *Note 3.1* - *Capitalised exploration and evaluation costs*
- *Note 6.1* - *Share-based payments*

1.8 DISCONTINUED OPERATIONS

During the 2015 financial year, management decided to discontinue its investment in the Alaskan Western Block leases, due to a commercial dispute with joint venture partner Royale Energy. Consequently, assets and liabilities allocable to Rampart Alaska LLC were classified as a disposal group. Expenses and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the consolidated statement of profit or loss and other comprehensive income (see loss for the year from discontinued operations).

Operating loss of Rampart Alaska LLC from re-measurement of the assets and liabilities classified as discontinued operations is summarised as follows:

	Note	2015 \$
Other income	2.3	8,835,924
Expenses		
Administrative expenses		(6,140)
Professional fees		(587,878)
Finance expenses	2.5	(1,363,192)
Exploration and evaluation expenditure impaired		(11,641,216)
Loss for the year from discontinued operations		(4,762,502)
Loss per share		
Basic and diluted (cents per share)		(0.63)

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.8 DISCONTINUED OPERATIONS

The carrying amounts of assets and liabilities in this disposal group are summarised as follows:

	Note	2015 \$
Current assets		
Cash and cash equivalents	4.1	391,179
Trade and other receivables	4.2	215,023
Assets classified as discontinued		606,202
Current liabilities		
Trade and other payables	4.3	1,163,063
Liabilities classified as discontinued		1,163,063

Cash flows generated from the disposal group are summarised below:

	Note	2015 \$
Alaskan tax credit		8,645,230
Cash paid to suppliers and employees		(556,270)
Net cash from operating activities		8,088,960
Payments for exploration, evaluation and development		(277,718)
Net cash used in investing activities		(277,718)
Repayments of borrowings		(9,531,478)
Payment of transaction costs related to loans		(112,209)
Net cash used in financing activities		(9,643,687)
Cash flows from discontinued operations		(1,530,938)
Cash and cash equivalents at 1 October		1,703,172
Effect of exchange rate fluctuations on cash held		218,945
Cash and cash equivalents at 30 September	4.1a	391,179

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating profit, taxation and earnings per share.

Key estimates and assumptions in this section

Deferred taxation

The Group has unrecognised carry forward tax losses which can be utilised against future taxable profits. Given that the Group is not yet in production, the tax asset has not yet been recognised.

2.1 OPERATING SEGMENTS

Information about reportable segments

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

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

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

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

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

Reconciliation of reportable segment loss, assets and liabilities and other material items

	2015 \$	2014 \$
Loss before income tax		
Total loss for reportable segments	(1,849,473)	(5,874,268)
Central administration and directors' remuneration	(2,606,743)	(1,554,100)
Finance expense	(1,365,091)	(1,017,791)
Finance income	11,903	21,474
Consolidated loss before income tax	<u>(5,809,404)</u>	<u>(8,424,685)</u>
Assets		
Total assets for reportable segments	677,272	10,598,721
Cash and cash equivalents	901,639	2,629,375
Other assets	132,786	133,605
Consolidated total assets	<u>1,711,697</u>	<u>13,361,701</u>

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 OPERATING SEGMENTS (continued)

Reconciliation of reportable segment loss, assets and liabilities and other material items (continued)

	2015 \$	2014 \$
Liabilities		
Total liabilities for reportable segments	(992,585)	(940,609)
Borrowings	(8,482)	(6,500,100)
Other liabilities	(526,324)	(1,417,376)
Consolidated total liabilities	<u>(1,527,391)</u>	<u>(8,858,085)</u>

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 September 2014.

2.2 REVENUE

Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable.

Interest income

The policy relating to interest income is set out in note 2.5.

2.3 OTHER INCOME

Accounting Policy

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

	Note	2015 \$	2014 \$
Alaska tax credit	(i)	8,645,230	-
Royale Energy mutual release settlement	(ii)	190,694	-
Insurance refund		-	19,644
		<u>8,835,924</u>	<u>19,644</u>

- (i) During the year the Group received \$8,645,230 (US\$6,800,338) from the Alaskan Tax Authority as reimbursement of up to 85% of allowable exploration expenditure incurred in the North Slope (refer note 5.2);
- (ii) As part of the close-out process of the dispute with Royale Energy, an initial payment of \$190,694 (US\$150,000) has been recognised in the consolidated statement of profit or loss during the year.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

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 6.1.

The table below sets out personnel costs expensed during the year.

	Note	2015 \$	2014 \$
Directors remuneration	6.3	294,202	465,944
Other wages and salaries		46,299	74,326
Other associated personnel expenses		264	-
Directors remuneration		340,765	540,270

Further information relating to directors remuneration is set out in note 6.3.

2.5 NET FINANCE COSTS

Accounting Policy

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

	2015 \$	2014 \$
Interest income on deposits	11,903	21,474

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 NET FINANCE COSTS (continued)

	Note	2015 \$	2014 \$
Interest expense on financial liabilities measured at amortised cost			
<u>Continuing operations</u>			
Interest expense and finance costs on premium funding		(1,899)	-
Interest expense on borrowings		-	(617,275)
Transaction costs on ACES facility		-	(400,516)
		(1,899)	(1,017,791)
<u>Discontinued operations</u>			
Interest expense on borrowings	5.2	(886,250)	-
Transaction costs on ACES facility	5.2	(476,942)	-
		(1,363,192)	-
		(1,365,091)	(1,017,791)
Net finance expense recognised in profit or loss		(1,899)	(617,275)

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.6 INCOME TAX EXPENSE

Accounting Policy

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

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

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

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

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

(a) Amounts recognised in profit or loss

	2015	2014
	\$	\$
Current tax benefit		
Current period	-	413,300
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Total income tax benefit	-	413,300

(b) Reconciliation of effective tax rate

	2015	2014
	\$	\$
Loss for the period	(5,809,404)	(8,837,985)
Total income tax expense	-	413,300
Profit / (Loss) excluding income tax	(5,809,404)	(8,424,685)
Income tax using the Group's domestic tax rate of 30% (2014: 30%)	(1,742,821)	(2,527,405)
Tax rate differential for overseas subsidiaries	(235,000)	-
Non-allowable capital items	-	1,760,996
Non-deductible expenses	81,619	800,458
Tax losses carried forward and other timing differences not brought to account	1,896,202	379,251
	-	413,300

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.6 INCOME TAX EXPENSE (continued)

(b) Reconciliation of effective tax rate (continued)

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of up to \$7,678,513 (2014:\$5,636,110) 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 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 test.

(c) Unrecognised deferred tax assets and liabilities

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

	2015	2014
	\$	\$
Deferred tax liabilities (DTLs)		
Prepaid expenditure	7,257	-
Capitalised exploration	138,674	-
Set-off against DTAs	(145,931)	-
	-	-
Deferred tax assets (DTAs)		
Share issue costs	104,353	-
Carry forward tax losses	7,720,091	-
Set-off against DTLs	(145,931)	-
DTAs not brought to account	7,678,513	-

There were no unregistered deferred tax liabilities.

The Group does not recognise deferred tax.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.7 LOSS PER SHARE

(a) Basic loss per share

Earnings / (loss) per share (EPS) is the amount of post-tax profit or loss attributable to each share.

The calculation of basic loss per share at 30 September 2015 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

Loss per share attributable to ordinary shareholders

	2015	2014
Net loss attributable to ordinary shareholders - \$	(5,809,404)	(8,837,985)
Issued ordinary shares at 1 October	419,492,277	200,753,770
Effect of shares issued	341,105,285	4,644,890
Weighted average number of ordinary shares at 30 September	760,597,562	286,149,561
Basic loss per share (cents)	(0.76)	(3.09)
Diluted loss per share (cents) *	(0.76)	(3.09)

* At 30 September 2015, 130,833,334 options (2014: 15,833,334 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 3 ASSETS AND LIABILITIES SUPPORTING EXPLORATION AND EVALUATION

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing exploration and evaluation as well as capital and other commitments existing at the year end.

Key estimates and assumptions in this section

Indicators of impairment for exploration and evaluation assets

The Group has reviewed exploration and evaluation assets for indicators of impairment in accordance with AASB 6 and concluded that impairment indicators did not exist at year end. In making this assessment, management is required to make assessments on the status of each project and the future plans towards successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

Site restoration

Provisions for the costs of rehabilitation, decommissioning and restoration of the area disturbed during mining activities depends on the legal requirements at the date of decommissioning, the costs and timing of work and the discount rate to be applied.

3.1 EXPLORATION AND EVALUATION EXPENDITURE

Accounting Policy

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the consolidated statement of financial position where it is expected that the expenditure may be recovered through the successful development and exploitation of an area of interest, or by its sale, or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment

Non-current assets are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. Such triggering events are defined in AASB 6 'Exploration for and Evaluation of Mineral Resources' in respect of exploration and evaluation assets and includes consideration of commercial viability and technical feasibility.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than an area of interest. The Group performs impairment testing in accordance with note 1.6.

Site restoration

In accordance with the Group's published environment policy and applicable legal requirements, a provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed.

	2015	2014
	\$	\$
Costs carried forward in respect of areas of interest		
Exploration and evaluation expenditure	462,249	10,598,721

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 EXPLORATION AND EVALUATION EXPENDITURE (continued)

	2015	2014
	\$	\$
Movements for the year:		
Exploration and evaluation expenditure		
Opening balance	10,598,721	2,253,122
Acquisitions	155,430	-
Additions	393,495	14,219,867
Written off	(11,856,641)	(5,869,986)
Effects of foreign exchange	1,171,244	(4,282)
	462,249	10,598,721

Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

The ultimate recovery of capitalised exploration and evaluation expenditure is primarily dependent upon the successful development and commercial exploitation, or alternatively, sale of the areas of interest.

3.2 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component. Items of property, plant and equipment are depreciated from the date that they are installed or ready for use.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.3 CAPITAL AND OTHER COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the requirements specified by the State Government. These obligations are subject to negotiation when application for a petroleum exploration lease is made and at other times. In addition, the commitments include US\$1,200,000 to pay the balance of the seismic licensing fee to TGS, in relation to exploration permit WA-507-P (refer note 6.5). These obligations are not provided for in the financial report and are payable as follows:

	2015	2014
	\$	\$
Not later than one year	1,720,183	7,085,530
Between one and five years	8,516,743	-
Not later than one year	10,236,926	7,085,530

Other commitments

	2015	2014
	\$	\$
Office rent		
Not later than one year	13,041	50,000
Between one and five years	10,071	-
	23,112	50,000

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

4.1 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.

(a) Reconciliation of cash and cash equivalents

	2015	2014
	\$	\$
Cash and cash equivalents held in continuing operations	510,460	2,629,375
Cash and cash equivalents held in discontinued operations	391,179	-
Cash and cash equivalents in the statement of cash flows	<u>901,639</u>	<u>2,629,375</u>

(b) Reconciliation of cash flows from operating activities

	Note	2015	2014
		\$	\$
Cash flows from operating activities			
Loss for the period		(5,809,404)	(8,837,985)
Adjustments for:			
Equity-settled share-based payment transactions	6.1	56,492	153,667
Finance expense	2.5	1,363,192	-
Exploration expenditure written off	3.1	11,856,641	5,869,986
Depreciation		3,264	2,669
Other		2	-
Net profit on foreign exchange translation		-	(46,457)
Impairment of loan receivable		-	89,840
Income taxes paid		-	413,300
Change in other receivables		(184,744)	(32,534)
Change in prepayments		57,605	-
Change in trade and other payables		121,097	(210,513)
Net Cash from / (used in) operating activities		<u>7,464,145</u>	<u>(2,598,027)</u>

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2 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.

	Note	2015 \$	2014 \$
Continuing operations			
GST and PAYG receivable		36,772	42,723
Amounts due from a director	(i)	52,300	-
Deposits and bonds		5,597	5,597
Restricted cash		-	1
		94,669	48,321
Discontinued operations			
Royale Energy mutual release settlement		215,023	-
		309,692	48,321
Current			
Continuing operations		89,072	42,724
Discontinued operations		215,023	-
		304,095	42,724
Non-current			
Continuing operations			
Non-current		5,597	5,597
		309,692	48,321

- (i) As part of the 2:1 renounceable rights issue, a director was issued 52,300,000 fully paid ordinary shares at 0.1 cents each. The loan is at commercial arms length with interest payable at 7%. This receivable remains outstanding at the date of this report (refer note 5.1).

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.3 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.

	Note	2015 \$	2014 \$
Current			
<u>Continuing operations</u>			
Trade payables		321,046	996,443
Non-trade payables and accrued expenses		34,800	363,242
		355,846	1,359,685
<u>Discontinued operations</u>			
Trade payables	(i)	1,163,063	-
		1,518,909	1,359,685

- (i) Following settlement of the Royal Energy mutual agreement, US\$770,514 (A\$ 1,104,522) of the amount recorded in trade payables has been forgiven. Refer note 6.7.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 5 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

5.1 CAPITAL AND RESERVES

Accounting Policy

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

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	2015	2014	2015	2014
On issue at 1 October	419,492,277	200,753,770	38,763,813	28,784,588
Placement of fully paid ordinary shares at 6.5 cents each	-	55,000,000	-	3,575,000
Placement of fully paid ordinary shares at 5 cents each	-	90,000,000	-	4,500,000
Placement of fully paid ordinary shares at 3.5 cents each	-	54,500,000	-	1,907,500
Issue of fully paid ordinary shares at 5 cents each under the ESOS	-	3,750,000	-	187,500
Issue of fully paid ordinary shares converted from options at 6 cents each	-	15,486,690	-	929,202
Issue of fully paid ordinary shares converted from options at 7.5 cents each	-	1,817	-	136
Issue of fully paid ordinary shares to allottees of July 2014 placement for nil consideration	109,000,000	-	-	-
Placement of a 2:1 renounceable rights issue at 0.1 cents each	867,845,000	-	867,845	-
Issue of fully paid ordinary shares at 0.1 cents each in satisfaction of consulting fees	136,839,557	-	136,840	-
Issue of fully paid ordinary shares at 0.1 cents each to a director (refer note 4.2)	52,300,000	-	52,300	-
Capital raising costs	-	-	(134,866)	(1,120,113)
On issue at 30 September	1,585,476,834	419,492,277	39,685,932	38,763,813

The holders of ordinary shares are entitled to receive dividends as declared from time and are entitled to one vote per share at meetings of the Group. Option holders cannot participate in any new share issues by the Group without exercising their options.

In the event of a winding up of the Group, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

All issued shares are fully paid.

The Company has also share options on issue (see note 6.1).

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 CAPITAL AND RESERVES (continued)

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve represents the fair value of shares to be issued to directors, consultants and employees. This reserve will be transferred to capital once the shares have been issued.

Translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

5.2 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 6.2.

	2015	2014
	\$	\$
Current		
Premium funding facility	8,482	-
ACES based credit facility	-	7,498,400
	8,482	7,498,400

During the year, Rampart Alaska LLC, a wholly owned subsidiary, closed out the Alaska Clear and Equitable Share (ACES) based credit facility following receipt of tax credits as defined under Alaskan Statute 43.55. No further monies are owing and the facility has been closed.

	2015	2014
	\$	\$
Current		
<i>Secured – at amortised cost</i>		
Term loan Tranche A – maturity date 21 August 2015	3,997,543	3,682,891
Interest charged	468,278	314,652
Less repaid	(5,278,456)	-
Foreign exchange difference on translation	812,635	-
	-	3,997,543
Less transaction costs	(200,599)	(360,676)
Transactions written off	200,599	230,633
	-	3,867,500

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.2 LOANS AND BORROWINGS (continued)

		2015	2014
		\$	\$
Current			
<i>Secured – at amortised cost</i>			
Term loan Tranche B – maturity date 10 July 2015		3,844,743	3,542,120
Interest charged		417,972	302,623
Less repaid		(4,954,657)	-
Foreign exchange difference on translation		691,942	-
		-	3,844,743
Less transaction costs		(276,343)	(345,843)
		276,343	132,000
		-	3,630,900
Total term loans		7,842,286	7,225,011
Interest charged	2.5	886,250	617,275
Less repaid		(10,233,113)	-
Foreign exchange difference on translation		1,504,577	-
		-	7,842,286
Less transaction costs	2.5	(476,942)	(706,519)
		476,942	362,633
		-	7,498,400

As at 21 August 2015, when the final payment was made, a breakdown of the draw-down facility was as follows:

	Tranche A	Tranche B	Total	Tranche A	Tranche B	Total
	USD	USD	USD	AUD	AUD	AUD
Loan drawn down	3,191,034	3,069,063	6,260,097	3,724,580	3,582,215	7,306,795
Set up fees	32,232	31,001	63,233	35,569	34,209	69,778
Interest	643,731	593,633	1,237,364	782,930	720,595	1,503,525
Repaid	(3,866,997)	(3,693,697)	(7,560,694)	(5,278,456)	(4,954,657)	(10,233,113)
Forex	-	-	-	735,377	617,638	1,353,015
	-	-	-	-	-	-

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.2 LOANS AND BORROWINGS (continued)

As at 30 September 2014, a breakdown of the draw-down facility was as follows:

	Tranche A	Tranche B	Total	Tranche A	Tranche B	Total
	USD	USD	USD	AUD	AUD	AUD
Loan drawn down	3,191,034	3,069,063	6,260,097	3,724,580	3,582,215	7,306,795
Set up fees	32,232	31,001	63,233	35,569	34,209	69,778
Interest	275,383	264,856	540,239	314,652	302,623	617,275
Forex	-	-	-	(77,258)	(74,304)	(151,562)
	3,498,649	3,364,920	6,863,569	3,997,543	3,844,743	7,842,286

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focuses on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

Key estimates and assumptions in this section

Share-based payments

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

6.1 SHARE-BASED PAYMENT PLANS

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:

	2015	2014
	\$	\$
Expensed in personnel expenses (director remuneration)		
Performance rights issued to directors	17,692	(33,333)
Options issued to directors	38,800	322,375
Shares issued to directors	-	187,500

Equity-settled share option programme

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

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

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

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options

At 30 September 2015, a summary of the Group options issued and not exercised are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
26-Sep-13	27-Sep-13	30-Sep-16	12.0	3,333,334	-	-	-	3,333,334	3,333,334
26-Sep-13	06-Dec-13	31-Oct-16	12.0	12,500,000	-	-	-	12,500,000	12,500,000
08-Oct-14	17-Oct-14	30-Sep-17	3.0	-	10,000,000	-	-	10,000,000	-
06-Aug-15	30-Jun-19	07-Aug-15	0.2	-	105,000,000	-	-	105,000,000	-
Total				15,833,334	115,000,000	-	-	130,833,334	15,833,334
Weighted Average Exercise Price (cents)				12.0	0.4	-	-	1.8	

During the year ended 30 September 2015, nil (2014: nil) options were forfeited or expired.

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 3.29 years (2014: 2.07 years).

The weighted average exercise price of outstanding shares at the end of the reporting period was 1.8 cents (2014: 12 cents).

At 30 September 2014, a summary of the Group options used 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	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
26-Sep-13	27-Sep-13	30-Sep-16	12.0	3,333,334	-	-	-	3,333,334	3,333,334
26-Sep-13	06-Dec-13	31-Oct-16	12.0	-	12,500,000	-	-	12,500,000	12,500,000
Total				3,333,334	12,500,000	-	-	15,833,334	15,833,334
Weighted Average Exercise Price (cents)				12.0	12.0	-	-	12.0	

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 SHARE-BASED PAYMENT PLANS (continued)

Performance rights

At 30 September 2015, a summary of the Group's performance rights issued and not exercised are as follows:

Grant date	End of performance period	Tranche	Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
01-Jul-14	30-Jun-18	1	-	15,000,000	-	-	15,000,000	15,000,000
01-Jul-14	30-Jun-18	2	-	15,000,000	-	-	15,000,000	-
01-Jul-14	30-Jun-18	3	-	15,000,000	-	-	15,000,000	-
Total			-	45,000,000	-	-	45,000,000	15,000,000

The above grants will vest subject to the satisfaction of the following vesting hurdles:

Subject to remaining in tenure as a director of the Company:

- 5,000,000 to vest on 30 June 2015;
- 5,000,000 to vest on 30 June 2016; and
- 5,000,000 to vest on 30 June 2017 (Tenure Vested Performance Rights).

Tranche 1, 5,000,000 Tenure Vested Performance Rights to convert to fully paid shares if the Company's share price remains above 3.5 cents for five consecutive days prior to Expiry Date.

Tranche 2, 10,000,000 Tenure Vested Performance Rights to convert to fully paid shares if the Company's share price remains above 5 cents for five consecutive days prior to Expiry Date – less any performance rights that may have converted under Hurdle 2.

Tranche 3, 15,000,000 Tenure Vested Performance Rights to convert to fully paid shares if the Company's share price remains above 8 cents for five consecutive days prior to Expiry Date – less any performance rights that may have converted under Hurdle 3.

The rights vested 100% on 30 September 2015. Each PR represents a right to be issued one ordinary share at the end of the performance period. No exercise price will be payable and the applicable performance hurdles must be met in order to be eligible to receive the shares.

At 30 September 2014, nil (2013: 13,333,334) performance rights were issued and not exercised. On 22 May 2013, 13,333,334 performance rights were issued to Torey Marshall. The rights were forfeited following Torey Marshall's resignation on 2 July 2014.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2 FINANCIAL RISK MANAGEMENT

Accounting Policy

Classification of financial instruments

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

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

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

Recognition and de-recognition of financial assets and liabilities

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

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The Group held cash and cash equivalents of \$901,639 at 30 September 2015 (2014: \$2,629,375). The cash and cash equivalents are held with authorised banking institutions and only with counterparties that have an acceptable credit rating.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Other receivables

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

At 30 September 2015, the maximum exposure to credit risk for other receivables by geographic region was as follows:

	Carrying amount	
	2015	2014
	\$	\$
Australia	94,669	48,321
USA	215,023	-
	309,692	48,321

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. As the Group is not trading there are no financial assets past due and there is no management of credit risk through performing an aging analysis; therefore an aging analysis has not been disclosed.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	12 months or less
	\$	\$	\$
30 September 2015			
Non-derivative financial liabilities			
Trade and other payables	1,518,909	1,518,909	1,518,909
Premium funding facility	8,482	8,707	8,707
	1,527,391	1,527,616	1,527,616
30 September 2014			
Non-derivative financial liabilities			
Trade and other payables	1,359,685	1,359,685	1,359,685
ACES based credit facility	7,435,900	7,779,786	7,779,786
	8,795,585	9,139,471	9,139,471

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

Following completion of the Deed of Settlement and Mutual Release with Royale Energy, \$770,514 of the amount recorded in trade payables has been forgiven.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. There has been no change to the manner in which the Group manages market risk from the previous year.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2015 \$	2014 \$	2015 \$	2014 \$
US dollar	606,202	1,703,172	1,163,063	7,779,786

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars (USD). The following table details the Group's sensitivity to a 20% (30 September 2014: 10%) increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the yearend for a 20% (30 September 2014: 10%) change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

	Impact on profit or loss	
	2015 \$	2014 \$
If AUD strengthens by 20% (30 September 2014: 10%)		
USD	92,810	613,912
If AUD weakens by 20% (30 September 2014: 10%)		
USD	(139,216)	(613,912)

There would be no impact on other equity of the company and the Group.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk

The Group only has interest rate risk relating to its funds on deposit with banking institutions. Accordingly, the Group does not hedge its interest rate risk exposure.

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to management of the Group is as follows:

	Carrying amount	
	2015	2014
	\$	\$
Variable rate instruments		
Cash and cash equivalents	901,639	917,378

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for twelve months ended 30 September 2014.

	Profit or loss	
	100 bp increase	100 bp decrease
	\$	\$
30 September 2015		
Variable rate instruments	5,105	5,105
Cash flow sensitivity	5,105	5,105
30 September 2014		
Variable rate instruments	9,174	9,174
Cash flow sensitivity	9,174	9,174

At the reporting date the Group did not hold any variable rate financial liabilities.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Fair values

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

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

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

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

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

6.3 RELATED PARTIES

Key management personnel compensation included in 'personnel expenses' (note 2.4) and 'share-based payments' (note 6.1), comprises the following:

	Note	2015 \$	2014 \$
Short term employee benefits		237,710	350,785
Post-employment benefits		-	68,435
Termination benefits		-	80,057
Share-based payments – options and rights	6.1	56,492	(33,333)
	2.4	294,202	465,944

Individual directors and executives compensation disclosures

Information regarding individual directors and executive's compensation and some equity instruments disclosures as required by S300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration report section of the Directors' report in section 14.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.3 RELATED PARTIES (continued)

Other key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Note	Transactions value year ended 30 September		Balance outstanding as at 30 September	
			2015 \$	2014 \$	2015 \$	2014 \$
Key management	Transaction					
Iain Smith	Consulting fees	(i)	58,767	59,199	33,000	16,433
Gavin Harper	Consulting fees	(ii)	4,800	12,200	-	5,000
Conrad Todd	Consulting fees	(iii)	33,938	8,000	12,077	5,208
Rory McGoldrick	Consulting fees	(iv)	16,200	-	13,366	-
Mal Lucas Smith	Consulting fees		-	65,000	-	-
					58,443	26,641

- (i) The Group used the consulting services of Basis Commercial Pty Ltd, a company associated with Iain Smith, in relation to advice on certain exploration and management activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;
- (ii) The Group used the consulting services of New Energy Solutions Pty Ltd, a company associated with Gavin Harper, in relation to advice on certain management activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;
- (iii) The Group used the consulting services of The Todd Family Trust, a company associated with Conrad Todd, in relation to advice on certain exploration and management activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;
- (iv) The Group used the consulting services of Rory McGoldrick, in relation to advice on certain legal and management activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.4 SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2015 %	2014 %
Rampart Energy (USA) Pty Ltd	Corporate	Australia	30 September	100	100
Rampart Alaska LLC	Oil and gas exploration	USA	31 December	100	100
Spring River Resources	Dormant	USA	31 December	100	100

6.5 JOINT ARRANGEMENTS

On 14 November 2014, Pilot Energy (Pilot) entered into an assignment agreement with an unrelated third party to secure the rights to an 80% working interest, as Operator, in exploration permit WA-507-P.

Under the terms of the agreement, Pilot negotiated various success-based payments to the third party, and to the provider of the existing seismic data, based on achieving certain project milestones. Upon first commercial hydrocarbon discovery at the block, Pilot would issue \$500,000 worth of ordinary shares and pay \$500,000 cash to the third party. Pilot is partnered in the permit by Black Swan Resources Pty Ltd (Black Swan), which owns the remaining 20% interest in the block and will be carried by Pilot for the first three years of the permit. The National Offshore Petroleum Titles Administrator (NOPTA) approved the transfer on 19 February 2015.

On 30 March 2015, Pilot announced that it had secured rights to an 80% working interest, as Operator, in exploration permit WA-503-P, through an assignment agreement with Neon Energy Limited (Neon) and partner Black Swan. Under the terms of the agreement Pilot must carry Black Swan through the primary term of the permit, being three years.

On 2 September 2015, Pilot Energy entered into a farm-in agreement with Empire Oil and Gas NL (Empire) in relation to Empire's EP416 and EP480 exploration permits, situated within the Perth Basin.

Under the terms of the agreement, Pilot will pay the cost of Empire's recently completed geophysical survey of the permits, by paying an initial \$150,000 to Empire. A further \$300,000 will be payable upon the parties satisfactorily negotiating amendments to the permit terms with the regulatory authority. At that point Pilot Energy will have earned a 60% interest in EP416 and EP480, and assume operatorship of both permits. Pilot Energy will also fund Empire's share of permit-related costs (excluding seismic and drilling costs) for a period of 24 months from the date of signing the agreement.

A total of \$462,249 (2014: nil) has been incurred in relation to these joint arrangements which represents exploration expenditure and is included in the total exploration costs capitalised in the consolidated statement of financial position of \$462,249 (2014: \$10,598,721).

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.6 PARENT COMPANY DISCLOSURES

As at, and throughout the financial year ended 30 September 2015, the parent entity of the Group was Pilot Energy Limited.

	2015	2014
	\$	\$
Result of the parent entity		
Loss for the year	(4,873,185)	(8,845,022)
Other comprehensive income	-	-
Total comprehensive loss for the year	(4,873,185)	(8,845,022)
Financial position of parent entity at year end		
Current assets	635,413	1,054,306
Total assets	1,105,495	4,722,380
Current liabilities	364,329	218,764
Total liabilities	364,329	218,764
Total equity of the parent entity comprising of:		
Share capital	39,685,932	38,763,813
Reserves	551,159	1,833,398
Accumulated losses	(39,495,925)	(36,093,595)
Total equity	741,166	4,503,616

6.7 SUBSEQUENT EVENTS

On 28 October 2015, the Company announced the closing process had been completed in relation to the settlement of a dispute with Royale Energy Inc. in relation to the Company's Alaskan Western Block interests.

Both parties have released each other from all future claims relating to their dispute and the Company has received US\$150,000 by way of an initial payment.

A further US\$350,000 is payable to the Company upon the earliest of:

- (1) Full or partial divestment of Royale Energy's interest in the Western Block leases in Alaska to a third party; or
- (2) Drilling of a well on the Western Block lease; or
- (3) 31 December 2016, provided that Royale has not divested its interest in the Western Block by that time and elects to continue to solely fund exploration of the Western Block leases.

On 11 November 2015, the Company learned that Royale Energy has sold its 100% interest in the Western Block to an undisclosed third party. As such the US\$350,000 balance of payment was received by the Company on 10 December 2015.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.7 SUBSEQUENT EVENTS

On 4 November 2015, the Company advised that it had acquired a 13.058% interest in exploration permit EP 437, located within the northern Perth basin, from Caracal Exploration Pty Ltd. The consideration to be paid to Caracal for the interest is as follows:

- (1) \$15,000 cash payment on execution (paid);
- (2) 20 million ordinary shares; and
- (3) 20 million options, such options exercisable at 2 cents each if the share price achieves a 5 day VWAP of 3 cents on or before 30 June 2019

The above shares and options were issued on 17 November 2015.

The assignment of the interest in EP437 is conditional upon the approval of the WA Department of Mines and Petroleum.

Other than as disclosed above, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

6.8 AUDITORS' REMUNERATION

	2015 \$	2014 \$
Grant Thornton Australia:		
<i>Auditors and other assurance services</i>		
Audit and review of financial reports	22,894	36,400
Total remuneration for audit and other assurance services	22,894	36,400
<i>Taxation services</i>		
Tax compliance services	2,224	6,000
Tax advice on NSW Office of State Revenue payroll tax audit	1,000	-
	3,224	6,000
TOTAL AUDITORS' REMUNERATION	26,118	42,400

It is the Group's policy to employ Grant Thornton on assignments additional to their statutory audit duties where Grant Thornton's expertise and experience with the Group are important. These assignments are principally tax advice, or where Grant Thornton is awarded assignments on a competitive basis. It is the group's policy to seek competitive tenders for all major consulting projects.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.9 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for the changes below, the Group has consistently applied the accounting policies set out in the notes to the consolidated financial statements to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

- (a) AASB 1031 *Materiality (December 2013) and AASB 2013-9 Amendments to AASB 1031 Part B*
- (b) AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)*
- (c) AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- (d) AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments – Part B*
- (e) AASB 2014-1 *Amendments to Australian Accounting Standards arising from Annual Improvements 2010-2012 and 2011-2013 Cycles*
- (f) Interpretation 21 'Levies'

The adoption of these standards and interpretations did not have a material impact on the Group.

6.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of the financial statements, the following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2015.

Reference	Title	Summary	Application date of standard	Application date for the Group
			Periods beginning on or after	
AASB 9	Financial Instruments (December 2014)	The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . This version adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets.	1 January 2018	1 July 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	This new version supersedes AASB 9 (December 2009) and AASB 9 (December 2010). The new version of AASB 9 includes: <ul style="list-style-type: none"> • requirements for impairment of financial assets; and • limited amendments to classification and measurement of financial assets, including introduction of a measurement category of 'fair value through other comprehensive income' for debt instruments. 		

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

Reference	Title	Summary	Application date of standard	Application date for the Group
			Periods beginning on or after	
AASB 15	Revenue from Contracts with Customers	AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces:	1 January 2017	1 July 2017
AASB 2015-5	Amendments to Australian Accounting Standards arising from AASB 15	<p>(a) AASB 111 <i>Construction Contracts</i></p> <p>(b) AASB 118 <i>Revenue</i></p> <p>(c) IFRIC 13 <i>Customer Loyalty Programmes</i></p> <p>(d) IFRIC 15 <i>Agreements for the Construction of Real Estate</i></p> <p>(e) IFRIC 18 <i>Transfers of Assets from Customers</i></p> <p>(f) IFRIC 131 <i>Revenue—Barter Transactions Involving Advertising Services</i></p> <p>The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p>		
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	Amends AASB 11 <i>Joint Arrangements to provide guidance on the accounting for acquisitions of interests in a joint operation where the operation constitutes a business.</i>	1 January 2016	1 July 2016
AASB 2014-4	<i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.	1 January 2016	1 July 2016

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

Reference	Title	Summary	Application date of standard	Application date for the Group
			Periods beginning on or after	
AASB 2014-9	<i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i>	Amends AASB 127 <i>Separate Financial Statements</i> , to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: <ul style="list-style-type: none"> • at cost, • in accordance with AASB 9 <i>Financial Instruments</i>, or • using the equity method as described in AASB 128 <i>Investments in Associates and Joint Ventures</i>. <p>The accounting policy option must be applied for each category of investment.</p>	1 January 2016	1 July 2016
AASB 2014-10	<i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Addresses a conflict between the requirements of AASB 128 <i>Investments in Associates and Joint Ventures</i> and AASB 10 <i>Consolidated Financial Statements</i> and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.	1 January 2016	1 July 2016
AASB 2015-1	<i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i>	Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle. Key amendments include: <ul style="list-style-type: none"> • AASB 5 – Change in methods of disposal; • AASB 7 – Servicing contracts and applicability of the amendments to AASB 7 to condensed interim financial statements; • AASB 119 – Discount rate: regional market issue; and • AASB 134 – Disclosure of information 'elsewhere in the interim financial report'. 	1 January 2016	1 July 2016

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

Reference	Title	Summary	Application date of standard	Application date for the Group
			Periods beginning on or after	
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	Amends AASB 101 <i>Presentation of Financial Statements</i> to provide clarification regarding the disclosure requirements in AASB 101. Includes narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.	1 January 2016	1 July 2016
AASB 2015-3	<i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i>	Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.	1 July 2015	1 July 2015

The impact of these recently issued or amended standards and interpretations have not yet been assessed by management.

**PILOT ENERGY LIMITED
DIRECTORS' DECLARATION**

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Pilot Energy Limited (the "Group"):
 - (a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) as set out in note 1.2, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 2 The directors draw attention to note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Perth this 10 day of December 2015.



IAIN SMITH
Managing Director

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Independent Auditor's Report To the Members of Pilot Energy Limited

Report on the financial report

We have audited the accompanying financial report of Pilot Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 September 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Audit Pty Ltd ACN 130 913 594
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion the financial report of Pilot Energy Limited is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the consolidated entity's financial position as at 30 September 2015 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- iii. the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1.2 in the financial report which indicates that the consolidated entity incurred a net loss of \$5,809,404 and net cash outflows of \$1,946,682 during the year ended 30 September 2015. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 16 to 28 of the directors' report for the year ended 30 September 2015. The Directors of the Company 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Pilot Energy Limited for the year ended 30 September 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 10 December 2015

PILOT ENERGY LIMITED
STOCK EXCHANGE INFORMATION

STOCK EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 30 November 2015:

1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 - 1,000	196	83,224	0.01
1,001 - 5,000	235	549,443	0.03
5,001 - 10,000	136	990,776	0.06
10,001 - 100,000	403	18,435,933	1.15
100,001 and over	812	1,585,417,458	98.75
Total	1,782	1,585,476,834	100.00

There were 1,283 holders of less than a marketable parcel of ordinary shares.

2. Substantial shareholders

The substantial shareholders are set out below:

Shareholders	Number of Shares
Pershing Australia Nominees Pty Ltd <Argonaut Account>	99,000,000

3. Distribution of listed options

Range	Total holders	Options	% of issued capital
1 - 1,000	79	30,400	0.03
1,001 - 5,000	67	163,207	0.15
5,001 - 10,000	29	213,540	0.20
10,001 - 100,000	119	5,528,108	5.11
100,001 and over	114	102,229,273	94.51
Total	408	108,164,528	100.00

The listed options on issue are exercisable at 10.5 cents on or before 31 January 2016.

PILOT ENERGY LIMITED STOCK EXCHANGE INFORMATION

4. 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, every member present or by proxy shall have one vote for every share held.

Options and rights

No voting rights.

5. Options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
14-Feb-11	843,882	1	14-Feb-16	15.0
22-May-13	2,000,000	1	30-Apr-16	12.0
08-Aug-13	25,500,069	1	31-Jul-16	12.0
27-Sep-13	3,333,334	2	30-Sep-16	12.0
06-Dec-13	12,500,000	8	31-Oct-16	12.0
08-May-14	6,750,000	1	30-Sep-16	12.0
17-Oct-14	10,000,000	4	30-Sep-17	3.0
07-Aug-15	105,000,000	11	30-Jun-19	0.2

There are 165,927,285 options issued to 29 holders under the Pilot Energy long-term option plan to take up ordinary shares.

6. Rights

There are 45,000,000 Performance Rights issued to 3 directors under the Pilot Energy long term incentive plan to take up ordinary shares.

PILOT ENERGY LIMITED STOCK EXCHANGE INFORMATION

7. Twenty largest shareholders

Shareholders	Ordinary shares	
	Number held	% of issued shares
Pershing Australia Nominees Pty Ltd <Argonaut Account>	99,000,000	6.17
Conrad Todd	68,000,000	4.24
Iain Peter Smith	60,074,839	3.74
Petra Cotes Pty Ltd <Macondo A/C>	53,450,000	3.33
Mr John Henderson Manson & Mrs Karen Ann-Marie Manson <Mayflower A/C>	50,000,000	3.11
Sebastian Robert Moore	50,000,000	3.11
New Energy Solutions Pty Ltd	50,000,000	3.11
Gavin William Harper	24,060,118	1.50
Caracal Exploration Pty Ltd	20,000,000	1.25
Peter Hadleigh Reid	20,000,000	1.25
Graham Frederick Farrell	16,350,000	1.02
Dennis Jonathan Kar Que Lum	15,550,004	0.97
Sergent Holdings Pty Ltd <Sergen Family S/F A/C>	15,066,004	0.94
AR Jason Pty Ltd <A R Jason Family A/C>	15,000,000	0.93
JBWERE (NZ) Nominees Ltd <54863 A/C>	15,000,000	0.93
Susan Jane McArthur <McArthur Family A/C>	15,000,000	0.93
Shadi Sayadi	13,098,162	0.82
Yelwac Pty Ltd <The Cawley Superfund No2 A/C>	11,971,523	0.75
Washington H Soul Pattinson & Company Ltd	11,397,223	0.71
Brett Charles Fullarton	11,000,000	0.69

PILOT ENERGY LIMITED STOCK EXCHANGE INFORMATION

8. Twenty largest optionholders

Optionholders	Listed options	
	Number held	% of issued options
DJ Carmichael	12,110,738	11.20
Argonaut Investments Pty Ltd <Argonaut Invest No3 A/C>	10,000,000	9.25
Est Barry Arthur Waugh	7,049,717	6.52
Francesco Antonio Cuscuna	4,500,000	4.16
M Bruton Pty Ltd	3,500,000	3.24
Trevor Ross Kerle	2,811,667	2.60
Hilary Max Irvine & Penelope Anne Haskins <Max Irvine Super Fund A/C>	2,500,000	2.31
Anthony Violi	2,246,080	2.08
Washington H Soul Pattinson and Company Limited <Corporate A/C>	2,166,667	2.00
Ryan Brand	2,165,124	2.00
Frank Violi	2,000,000	1.85
Vennon Pty Ltd <Tosmic Family A/C>	1,733,334	1.60
Leilani Investments Pty Ltd <Rice Family Investment A/C>	1,729,167	1.60
Susan Elizabeth Brand	1,666,666	1.54
Stone Axe Pty Ltd <The Carmody Baird S/F A/C>	1,600,000	1.48
Luke Kukulj	1,500,000	1.39
Geoffrey Peter Webb & Mrs Joanne Louise Webb <Webb Super Fund A/C>	1,500,000	1.39
Gregg Freemantle	1,400,000	1.29
Incus Investments Pty Ltd	1,398,973	1.29
SL Curtis Pty Ltd <The Richard Ian Rice A/C>	1,381,528	1.28

9. Permits listing

Permit Location	Permit Numbers	Status	Percentage Interest
South Perth Basin	EP 416	Pending	60%
South Perth Basin	EP 480	Pending	60%
North Perth Basin	EP 437	Pending	13.084%
Offshore WA	WA 503-P	Granted	80%
Offshore WA	WA 507-P	Granted	80%

Note: The assignments to the Company of interests in EP416, EP480 and EP437 remain unconditional upon the approval of the West Australian Department of Mines and Petroleum.