



PILOT ENERGY LIMITED

ABN 86 115 229 984

INTERIM FINANCIAL REPORT

For the six months ended 31 March 2016

Contents

	Page
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	13
Consolidated Statement of Financial Position.....	14
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	15
Consolidated Statement of Changes in Equity.....	16
Consolidated Statement of Changes in Equity.....	17
Consolidated Statement of Cash Flows	18
Notes to the Consolidated Financial Statements	19
Directors' Declaration	27
Independent Audit Report	28

PILOT ENERGY LIMITED CORPORATE DIRECTORY

CORPORATE DIRECTORY

Directors

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

Secretary

Mr David McArthur

Registered and Principal Office

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Nedlands WA 6009

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Telephone: +61 8 9423 3200

Facsimile: +61 8 9389 8327

Postal Address

PO Box 985
Nedlands WA 6909

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

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

Country of Incorporation and Domicile

Australia

PILOT ENERGY LIMITED DIRECTORS' REPORT

For the six months ended 31 March 2016

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 six months ended 31 March 2016 and the auditor's report thereon.

1. DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Mr Gavin Harper <i>Chairman of the Board, Non-executive Director, Member of the Audit & Risk Management Committee and the Remuneration & Nomination Committee</i>	Appointed 17 March 2014
Mr Conrad Todd <i>Non-executive Director, Chairman of the Remuneration & Nomination Committee and Member of the Audit & Risk Management Committee</i>	Appointed 2 July 2014
Mr Rory McGoldrick <i>Non-executive Director, Chairman of the Audit & Risk Management Committee and Member of the Remuneration & Nomination Committee</i>	Appointed 14 May 2015
Executive	
Mr Iain Smith <i>Managing Director</i>	Appointed 10 February 2014
Mr Benson Wong <i>Chief Financial Officer & Executive Director</i>	Appointed 29 April 2016

Board and Management

On 30 March 2016, the Company entered into a Share Subscription Agreement (SSA) with a group of investors (Subscribers) to raise A\$3.6 million. The SSA is a two-tranche placement, and the first tranche completed on 26 April 2016.

In accordance with the terms of the SSA, upon completion of the Tranche 1 investment, Mr Benson Wong of the Subscribers was appointed Executive Director and Chief Financial Officer on 29 April 2016.

Subject to shareholder approval of Tranche 2, in accordance with the terms of the SSA, upon completion of the Tranche 2 investment, Mr Wilson will be appointed as a Non-executive Director. At this time, Mr Conrad Todd and Mr Rory McGoldrick will step down as directors of the Company and will assume the position of Advisors to the Board. Mr Xingjin Wang will also join the management team at that time, as Advisor to the Board.

PILOT ENERGY LIMITED

DIRECTORS' REPORT

For the six months ended 31 March 2016

1. DIRECTORS (continued)

Non-executive director remuneration

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 was 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 per annum. On 15 February 2016 the Board approved an increase in the non-executive Chairman's fee to a total package of \$60,000 per annum effective 1 March 2016.

2. OPERATING AND FINANCIAL REVIEW

Overview

Pilot Energy Limited is listed on the Australian Securities Exchange (ASX: PGY) and has approximately 1,605 million shares on issue. The Group is primarily involved in the evaluation, acquisition, exploration and development of conventional oil and gas resources.

Significant events during the period

Alaskan Western Block Interests

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. pertaining to the Company's Alaskan Western Block interests.

The parties have released each other from all past and future claims relating to their dispute, and the Company has received US\$500,000 in return for assigning its interest in the Western Block to Royale Energy.

Interest in Exploration Permit EP 437

On 4 November 2015, the Company announced that it had acquired a 13.058% interest in exploration permit EP437, located within the northern Perth basin, from Caracal Exploration Pty Ltd. The consideration paid to Caracal for the interest is as follows:

- (1) \$15,000 cash payment on execution;
- (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.

PILOT ENERGY LIMITED

DIRECTORS' REPORT

For the six months ended 31 March 2016

2. OPERATING AND FINANCIAL REVIEW (continued)

Significant events during the period (continued)

Cornerstone Investment to Raise A\$3.6 million

On 30 March 2016, the Company entered into a Share Subscription Agreement (SSA) with a group of investors (Subscribers) to raise A\$3.6 million.

The SSA is a two-tranche placement and the Subscribers are comprised of four Australian and Hong Kong-based private companies, with a joint purpose of investing in the Australian oil and gas sector. The principals behind the investor group all hold Australian citizenship.

The key terms of the SSA are as follows:

- An initial investment by the Subscribers of A\$800,000 to acquire 400,000,000 ordinary shares at 0.2 cents per share (Tranche 1), representing a 34% premium to the Company's 30 day VWAP of 0.149 cents per share (at last closing prior to announcement of the investment). Funds received from the Tranche 1 investment have been received by the Company, and Mr Benson Wong of the Subscriber group has been appointed Executive Director and Chief Financial Officer.
- Pending shareholder approval, a further investment by the Subscribers of A\$2,800,020 to acquire 933,340,000 ordinary shares at 0.3 cents per share (Tranche 2), representing a 100% premium to the Company's 30 day VWAP. Upon completion of the Tranche 2 investment, Mr Wilson Xue of the Subscriber group will be appointed as a Non-executive Director. At this time, Mr Conrad Todd and Mr Rory McGoldrick will step down as directors of the Company, to be retained by the Company as Advisors to the Board. Mr Xingjin Wang will also join the management team as Advisor to the Board, at that time.
- Upon completion of the Tranche 1 and Tranche 2 placements, the Subscribers will collectively hold 45.4% of the issued capital of the Company.

PILOT ENERGY LIMITED DIRECTORS' REPORT

For the six months ended 31 March 2016

2. OPERATING AND FINANCIAL REVIEW (continued)

Company Strategy

The Company's strategy is to grow Pilot Energy in to a leading Australian junior E&P company, by acquiring and developing a balanced portfolio of high quality conventional petroleum exploration assets. The Board and management intend to achieve this by continuing the Company's counter-cyclical investment approach, in order to acquire project interests at low cost, with low commitments, and under favourable and manageable commercial terms.

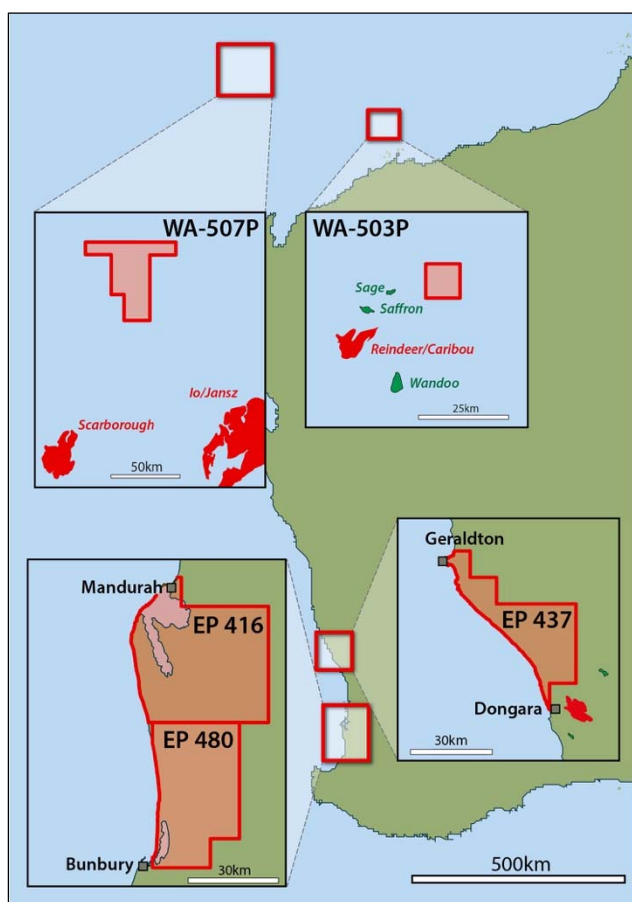
In general, Pilot Energy seeks to act as Operator in order to maintain a high degree of control over project costs. The Company also seeks to acquire large percentage interests in its projects, in order to provide sufficient equity to

farmout to third parties at a later date. Finally, Pilot Energy aims to enter only those projects that provide sufficient lead time before major commitments must be fulfilled, so that the company may complete low cost desktop studies in order to add value before farming out to third parties to fund seismic and drilling costs.

Over the past 18 months the Company has aggressively pursued a new ventures program that has brought interests in five exploration permits in to Pilot Energy's portfolio. All permits are located within proven petroleum provinces, and have been acquired by the Company either at no upfront 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 progressing all projects to the point of achieving independent verification of prospective resources, as the basis for then seeking farin partners to fund the cost of seismic and/or drilling.

Pilot Energy offers investor exposure to a combination of both oil and gas prospects, in both offshore and onshore settings. By developing a balanced portfolio of projects, 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
DIRECTORS' REPORT**

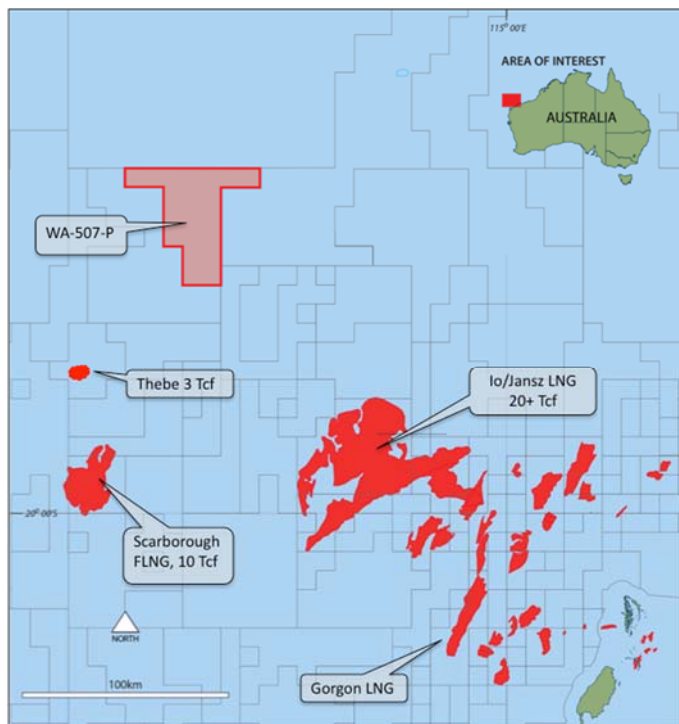
For the six months ended 31 March 2016

2. OPERATING AND FINANCIAL REVIEW (continued)

Project Review

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

Pilot Energy is Operator of, and 80% working interest holder in, exploration permit WA-507-P. The permit 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 permit is covered by an existing, high quality 3D seismic dataset, which has been licensed by the Company and reveals the presence of three large and well-defined structural prospects. 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 supports the case for an emerging oil play within the vicinity of 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 gross (100%) prospective resources for both the oil and gas cases are as follows (refer ASX announcements dated 20 October 2015 and 25 February 2015, respectively).

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 exploration success rate 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 may be oil bearing. This has not gone unnoticed by the likes of Shell and Statoil, who are keenly pursuing the oil play in their own permits surrounding WA-507-P.

PILOT ENERGY LIMITED DIRECTORS' REPORT

For the six months ended 31 March 2016

2. OPERATING AND FINANCIAL REVIEW (continued)

Project Review (continued)

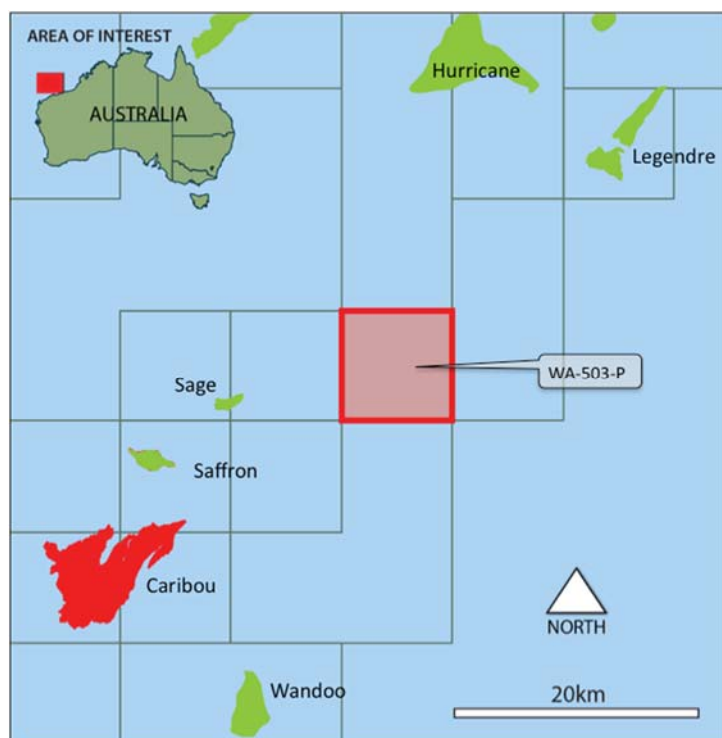
WA-507-P: Very High Impact Deep Water Oil & Gas Exploration (continued)

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. With new acreage in the area being offered in forthcoming license gazettals, Pilot Energy anticipates significant industry activity in the area ahead of the the Company's contingent well; including possible drilling by Statoil in year four. This provides a high degree of optionality in WA-507-P.

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

Pilot Energy is Operator of, and 80% working interest holder in, exploration permit WA-503-P. The permit 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 permit 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 have recently completed an independent assessment of the gross prospective resources for the three prospects identified by Pilot Energy, based on existing 3D seismic data (refer to ASX announcement dated 3 March 2016).

PILOT ENERGY LIMITED
DIRECTORS' REPORT

For the six months ended 31 March 2016

2. OPERATING AND FINANCIAL REVIEW (continued)

Project Review (continued)

WA-503-P: High Impact Shallow Water Oil Exploration (continued)

GCA's findings are as follows:

Lead	Reservoir	Gross Prospective Resources (MMBbl)		
		Low	Best	High
<i>Updip Janus</i>	Legendre	3.0	6.9	13.5
	Eliassen	1.5	3.1	6.2
<i>Updip Orion</i>	Legendre	7.6	25.1	63.5
	Eliassen	0.6	1.1	2.1
	M Australis	0.6	2.9	7.2
<i>Bojangles</i>	Angel	1.5	3.4	6.9
	M Australis	1.5	3.5	7.1

The primary firm work commitment associated with the permit is acquisition of 80km² of new "Broadband" 3D seismic data. The Company has contracted with a seismic contractor to acquire the data during 2016, at low cost. Timing of acquisition is to be confirmed, subject to the contractor confirming vessel availability.

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. These contiguous permits are 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 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.

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.

PILOT ENERGY LIMITED DIRECTORS' REPORT

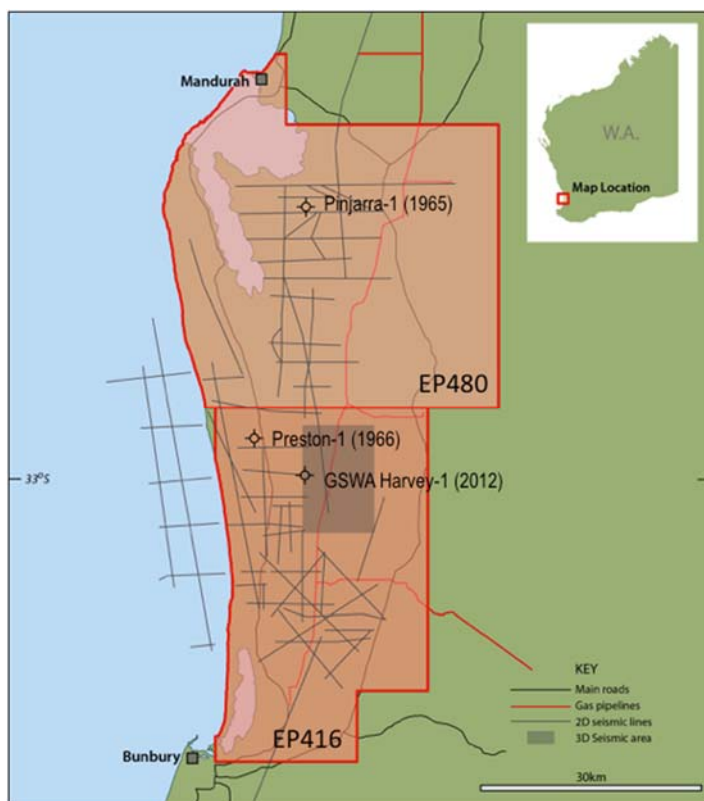
For the six months ended 31 March 2016

2. OPERATING AND FINANCIAL REVIEW (continued)

Project Review (continued)

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

EP416 and EP480 cover a combined area of 2.310km² and have been only lightly explored, with two wells drilled in the 1960's and three more recent wells drilled as part of a carbon geosequestration study. Drilling confirmed 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 the large Leschenault structural prospect 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 Joint Venture has recently completed interpretation of the "Falcon" airborne geophysical survey, acquired in 2015. The results of this work support the structural interpretation of this work support the Leschenault structural interpretation and confirm the presence of two adjacent regional deposcentres, which represent potential hydrocarbon source "kitchens".

Under the terms of its agreement with Empire, Pilot Energy has paid \$150,000 to Empire, with a further \$300,000 payable upon the parties satisfactorily negotiating amendments/renewals to the permit terms with the regulatory authority.

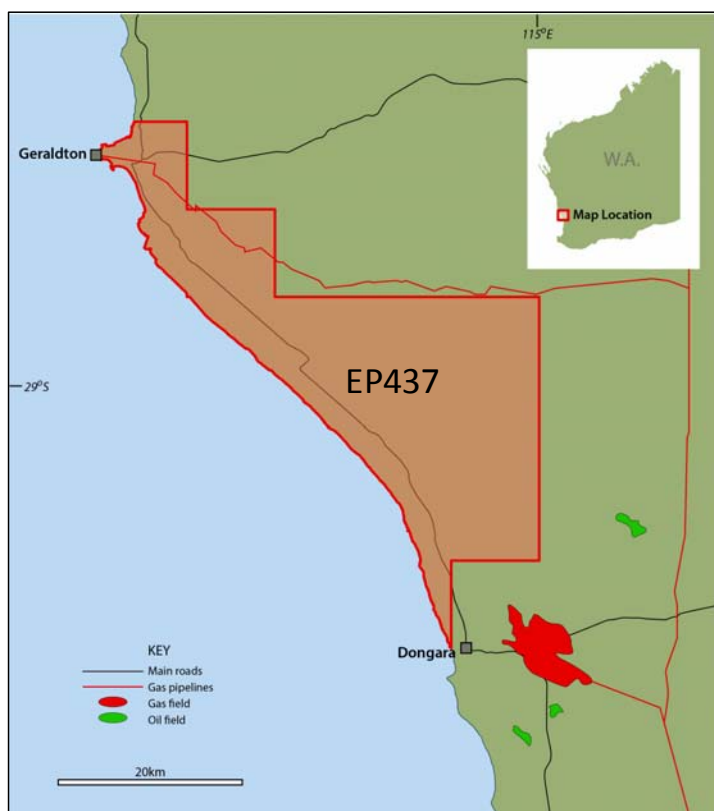
PILOT ENERGY LIMITED DIRECTORS' REPORT

For the six months ended 31 March 2016

2. OPERATING AND FINANCIAL REVIEW (continued)

Project Review (continued)

EP437: Low Cost Onshore Oil & Gas Exploration



Pilot Energy Ltd recently 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 Jingemia/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'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 up-dip from the Dongara gas field. Three prospects have been identified to date, all located up-dip 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.

EP437 Joint Venture interests are 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 released each other from all current and future claims pertaining to the dispute, and Pilot Energy assigned it's 30% interest in the Western Block to Royale Energy. In return Pilot Energy received the sum of US\$500,000.

PILOT ENERGY LIMITED

DIRECTORS' REPORT

For the six months ended 31 March 2016

2. OPERATING AND FINANCIAL REVIEW (continued)

Corporate Summary

The prevailing market conditions provide a rare opportunity to employ a counter-cyclical investment strategy in order to build a leading junior exploration and production company. The current market environment requires that the industry at large keeps a tight control on costs, and Pilot Energy achieves this by minimising corporate overheads, and acting as Operator of the Company's three largest projects. This enables Pilot Energy 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.

Despite current market conditions, under which many of Pilot Energy's peers are struggling to attract investment, the Company has been able to attract significant funding through a Share Subscription Agreement with a new, cornerstone investment group. The \$3.6 million investment has been achieved at a significant premium to the prevailing share price at the time of announcing the agreement, and the funds enable Pilot Energy to meet its current project commitments while providing significant working capital that will enable the Company to pursue further growth opportunities.

With the Company well funded, and 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 a market recovery.

Financial Position

For the six months ended 31 March 2016, the Group generated a profit of \$975,649 (2015: loss \$1,816,700) and had a net working capital surplus of \$218,051 (2015: deficit \$8,922,154).

The Company had a net cash outflow of \$523,892 (2015: outflow \$2,055,618).

Placement of shares

On 17 November 2015, the Company issued 20,000,000 fully paid shares at 0.2 cents each in consideration for the interest in permit EP437. In addition to the shares, the Company also issued 20,000,000 options with an exercise price of 0.2 cents each expiring on 30 June 2019. The fair value of these options is \$15,600.

Competent Person Statement

This document contains information on conventional petroleum resources which is based on, and fairly represents, information and supporting documentation reviewed by Mr Conrad Todd, a Petroleum Geologist with over 30 years experience, a BSc in Geology and a MSc in Stratigraphy from the University of London. Mr Todd is a member of the AAPG, PESA, SEAPEX, PESGB, and is qualified in accordance with ASX Listing Rule 5.1. He is a non-executive director of the Company. Mr Todd has consented to the inclusion of this information in the form and context to which it appears.

**PILOT ENERGY LIMITED
DIRECTORS' REPORT**

For the six months ended 31 March 2016

3. DIVIDENDS

The directors recommend that no dividend be provided for the six months ended 31 March 2016.

4. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Pilot Energy Limited support, and have adhered to, the principles of good corporate governance. The Group's corporate governance statement is contained within the 30 September 2015 Annual Report, and can be viewed on the Company's website.

5. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters disclosed in note 5.2 of the notes to the consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the interim period 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. 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

Managing Director

Dated at Perth, Western Australia this 9th day of May 2016.

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF PILOT ENERGY LIMITED

As lead auditor for the review of Pilot Energy Limited for the half-year ended 31 March 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pilot Energy Limited and the entities it controlled during the period.



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 9 May 2016

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	31 March 2016 \$	30 September 2015 \$
Assets			
Cash and cash equivalents		299,969	510,460
Trade and other receivables		54,861	89,072
Prepayments		50,682	35,881
Assets classified as held for sale		52,165	606,202
Total current assets		457,677	1,241,615
Trade debtors and other receivables		-	5,597
Property and equipment		1,227	2,236
Oil and gas interests		1,016,637	462,249
Total non-current assets		1,017,864	470,082
Total assets		1,475,541	1,711,697
Liabilities			
Trade and other payables		200,729	355,846
Employee benefits		10,833	-
Borrowings		25,850	8,482
Liabilities classified as held for sale		2,214	1,163,063
Total current liabilities		239,626	1,527,391
Total liabilities		239,626	1,527,391
Net assets		1,235,915	184,306
Equity			
Issued capital	4.1	39,727,222	39,685,932
Reserves		888,174	853,504
Accumulated losses		(39,379,481)	(40,355,130)
Total equity attributable to equity holders of the Company		1,235,915	184,306

Notes to the consolidated financial statements are included on pages 19 to 26.

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2016

	Note	31 March 2016 \$	31 March 2015 \$ (restated)
Revenue from continuing operations			
Finance income		3,986	7,361
Expenses			
Personnel expenses		(182,690)	(117,517)
Administrative expenses		(89,179)	(137,762)
Professional fees		(121,917)	(133,571)
Other expenses		(28,293)	(5,457)
Finance expenses		(225)	(1,968)
Project costs not capitalised		-	(219,946)
Results from operating activities		(418,318)	(608,860)
Loss before income tax		(418,318)	(608,860)
Income tax expense		-	-
Loss for the period from continuing operations	1.6	(418,318)	(608,860)
Profit / (loss) for the period from discontinued operations		1,393,967	(1,207,840)
Profit / (loss) for the period		975,649	(1,816,700)
Other comprehensive income			
<i>Items that may be classified subsequent to profit or loss</i>			
Foreign currency translation difference of foreign operations		19,070	420,983
Total items that may be classified subsequently to profit or loss		19,070	420,983
Total comprehensive profit / (loss) for the period		994,719	(1,395,717)
Profit / (loss) attributable to owners of the Company		975,649	(1,816,700)
Total comprehensive profit / (loss) attributable to owners of the Company		994,719	(1,395,717)
Profit / (loss) per share (cents per share)			
Basic and diluted from continuing operations		(0.03)	(0.12)
Basic and diluted from discontinued operations		0.09	(0.23)
Basic and diluted (cents per share)		0.06	(0.35)

Notes to the consolidated financial statements are included on pages 19 to 26.

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2016

	Share Capital	Translation Reserve	Share-based Payments reserve	Accumulated Losses	Total
	\$	\$	\$	\$	
Balance at 1 October 2015	39,685,932	302,344	551,160	(40,355,130)	184,306
Total comprehensive income for the period					
Profit / (loss) for the period	-	-	-	975,649	975,649
Other comprehensive income for the period					
Foreign exchange translation difference on foreign operations	-	19,070	-	-	19,070
Total other comprehensive income for the period	-	19,070	-	-	19,070
Total comprehensive income for the period	-	19,070	-	975,649	994,719
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Issue of ordinary shares	40,000	-	-	-	40,000
Share-based payment transactions	-	-	15,600	-	15,600
Capital raising costs benefit	1,290	-	-	-	1,290
Total contributions by and distributions to owners	41,290	-	15,600	-	56,890
Total transactions with owners	41,290	-	15,600	-	56,890
Balance at 31 March 2016	39,727,222	321,414	566,760	(39,379,481)	1,235,915

Notes to the consolidated financial statements are included on pages 19 to 26.

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 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 period						
Loss for the period	-	-	-	-	(1,816,700)	(1,816,700)
Other comprehensive income for the period						
Other comprehensive income	-	420,983	-	-	-	420,983
Total other comprehensive loss for the period	-	420,983	-	-	(1,816,700)	(1,395,717)
Total comprehensive loss for the period	-	420,983	-	-	(1,816,700)	(1,395,717)
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Share-based payment transactions	-	-	133,601	-	-	133,601
Share issue costs	(5,797)	-	-	-	-	(5,797)
Total contributions by and distributions to owners	(5,797)	-	133,601	-	-	127,804
Total transactions with owners	(5,797)	-	133,601	-	-	127,804
Balance at 31 March 2015	38,758,016	343,969	560,644	1,406,355	(37,833,281)	3,235,703

Notes to the consolidated financial statements are included on pages 19 to 26.

PILOT ENERGY LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2016

	31 March	31 March
	2016	2015
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(317,978)	(257,116)
Interest received	1,283	7,361
Interest paid and other finance charges	(225)	-
Net cash from / (used in) discontinued operations	478,797	(778,644)
Net cash from / (used in) operating activities	161,877	(1,028,399)
Cash flows from investing activities		
Payments for exploration, evaluation and development	(701,666)	(110,541)
Net cash from / (used in) discontinued operations	-	(146,395)
Net cash used in investing activities	(701,666)	(256,936)
Cash flows from financing activities		
Repayments of borrowings	(8,482)	-
Proceeds from borrowings	25,850	-
Capital raising costs	(1,471)	(5,797)
Net cash used in discontinued operations	-	(764,486)
Net cash from / (used in) financing activities	15,897	(770,283)
Net decrease in cash and cash equivalents	(523,892)	(2,055,618)
Cash and cash equivalents at 1 October	901,639	2,629,375
Effect of exchange rate fluctuations on cash held	(25,613)	17,269
Cash held in discontinued operations	52,165	30,915
Cash and cash equivalents at 31 March	352,134	560,111

Notes to the consolidated financial statements are included on pages 19 to 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2016

SECTION 1 BASIS OF PREPARATION

In preparing the condensed consolidated financial statements, Pilot Energy Limited has made a number of changes in structure, layout and wording in order to make the financial statements less complex and more relevant for shareholders and other users. We have grouped notes into sections under five key categories:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities relating to exploration and evaluation
4. Equity and funding
5. Other disclosures

Pilot Energy Limited (“the Company”) is a for-profit, listed company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 March 2016 comprises the Company and its subsidiaries (together referred to as “the Group”). The Group is primarily involved in the evaluation, acquisition, exploration and development of conventional oil and gas resources.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at, and for, the year ended 30 September 2015, which is available upon request from the Company’s registered office at Level 2, 55 Carrington Street, Nedlands, WA 6009 or at www.pilotenergy.com.au.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at the year ended 30 September 2015.

1.1 STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and with IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report was approved by the Board of Directors on 9 May 2016.

1.2 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 September 2015. The following changes in accounting policy are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 30 September 2016.

AASB 2015-3 ‘Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality’. The change completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations. These changes do not impact the financial statements.

Prior year presentation has been reclassified where necessary to conform with current year presentation.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.3 GOING CONCERN

The directors have prepared the consolidated interim financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has a working capital surplus of \$218,051 and net cash outflows of \$523,892. The Group incurred a profit of \$975,649 (including \$1,068,971 reversal of exploration expenditure written off in a prior period following settlement of the dispute with Royale Energy) for the six months ended 31 March 2016.

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 and meet its future commitments, is dependent on the Group securing further working capital.

On 30 March 2016, the Company entered into a Share Subscription Agreement (SSA) with a group of investors (Subscribers) to raise \$3.6 million in two tranches between April and June 2016. The first tranche of \$800,000 was received on 26 April 2016. The second tranche is subject to shareholder approval. Should approval not be obtained, the directors are aware that this may cast significant doubt on the entity's ability to continue as a going concern and further funding will be required to be sourced from one or more of the following alternatives:

- Private placement
- Entitlements issue
- Share purchase plan
- Borrowings from related or third parties
- Farming out assets to recover past costs and reduce future expenditure obligations

Given the financial position of the Group and recent execution of the SSA, the Directors have reviewed the Groups' financial position and forecast cash flows, and reasonably expect that the Group will be able 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.

1.4 JUDGEMENTS AND ESTIMATES

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2015.

1.5 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.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.6 DISCONTINUED OPERATIONS

During the 2015 financial year, management resolved to discontinue its investment in the Alaskan Western Block project, due to a commercial dispute with joint venture partner Royale Energy. Consequently, assets and liabilities allocable to wholly-owned subsidiary 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 profit of Rampart Alaska LLC from re-measurement of the assets and liabilities classified as discontinued operations is summarised as follows:

	31 March 2016 \$	31 March 2015 \$
Other income	485,571	-
Expenses		
Administrative expenses	(574)	(1,662)
Professional fees	(160,001)	(271,137)
Finance expenses	-	(785,287)
Project costs not capitalised	-	(149,754)
Liabilities forgiven	1,068,971	-
Profit / (loss) for the period from discontinued operations	1,393,967	(1,207,840)
Profit / (loss) per share		
Basic and diluted (cents per share)	0.09	(0.23)

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

	31 March 2016 \$	30 September 2015 \$
Current assets		
Cash and cash equivalents	52,165	391,179
Trade and other receivables	-	215,023
Assets classified as discontinued	52,165	606,202
Current liabilities		
Trade and other payables	2,214	1,163,063
Liabilities classified as discontinued	2,214	1,163,063

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.6 DISCONTINUED OPERATIONS (continued)

Cash flows generated from the disposal group are summarised below:

	31 March 2016 \$	31 March 2015 \$
Royale Energy settlement proceeds	693,674	-
Payment in respect of loan interest	-	(488,340)
Cash paid to suppliers and employees	(214,877)	(290,304)
Net cash from operating activities	478,797	(778,644)
Payments for exploration, evaluation and development	-	(146,395)
Net cash used in investing activities	-	(146,395)
Loan repayment	(806,226)	(1,252,826)
Loan proceeds	-	488,340
Net cash used in financing activities	(806,226)	(764,486)
Cash flows used in discontinued operations	(327,429)	(1,689,525)
Cash and cash equivalents at 1 October	391,179	1,703,171
Effect of exchange rate fluctuations on cash held	(11,585)	17,269
Cash and cash equivalents at 31 March	52,165	30,915

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.

2.1 OPERATING SEGMENTS

Information about reportable segments

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

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

	31 March 2016 \$	31 March 2015 \$ (restated)
Loss before income tax		
Total loss for reportable segments	-	(818,392)
Central administration and directors' remuneration	(422,079)	(546,360)
Finance expense	(225)	(459,309)
Finance income	3,986	7,361
Consolidated loss before income tax	(418,318)	(1,816,700)
	31 March 2016 \$	30 September 2015 \$ (restated)
Assets		
Total assets for reportable segments	1,016,637	462,249
Cash and cash equivalents	352,134	510,460
Assets classified as held for sale	52,165	606,202
Other assets	54,605	132,786
Consolidated total assets	1,475,541	1,711,697
	31 March 2016 \$	30 September 2015 \$ (restated)
Liabilities		
Total liabilities for reportable segments	(34,793)	(222,071)
Borrowings	(25,850)	(8,482)
Liabilities classified as held for sale	(2,214)	(1,163,063)
Other liabilities	(176,769)	(133,775)
Consolidated total liabilities	(239,626)	(1,527,391)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 September 2015.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 3 ASSETS AND LIABILITIES RELATING TO 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 31 March 2016.

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 period 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 CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	31 March 2016 \$	30 September 2015 \$
Costs carried forward in respect of areas of interest		
Exploration and evaluation expenditure	1,016,637	462,249
Movements for the period:		
Exploration and evaluation expenditure		
Opening balance	462,249	10,598,721
Acquisitions	70,510	155,430
Additions	483,878	393,495
Written off	-	(11,856,641)
Effects of foreign exchange	-	1,171,244
	1,016,637	462,249

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 COMMITMENTS AND CONTINGENCIES

There have been no material changes in commitments or contingencies since the end of the reporting period, 30 September 2015.

PILOT ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 4 EQUITY AND FUNDING

This section focuses on the share capital, options and debt funding available to the Group at period end.

4.1 CAPITAL AND RESERVES

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Balance, beginning of period	1,585,476,834	419,492,277	39,685,932	38,763,813
Issue of fully paid ordinary shares to allottees of July 2014 placement for nil consideration		109,000,000	-	-
Issue of fully paid ordinary shares being part consideration for acquisition of interest in exploration permit EP 437	20,000,000	-	40,000	-
Capital raising benefit / (costs)			1,290	
Balance, end of period	1,605,476,834	528,492,277	39,727,222	38,763,813

Options

On 17 November 2015, in part consideration for acquisition of a 13.058% interest in exploration permit EP 437, the Company issued 20 million 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 exploration asset acquired is in the exploration phase and this together with the unique nature of the asset, means that the valuation of the asset cannot be reliably estimated and as such, the fair value of the assets acquired have been measured by reference to the value of the equity instruments granted. The fair value of the options issued is \$15,600.

During the reporting period 108,164,528 listed and 843,882 unlisted options expired (2015: 27,500,000 unlisted options expired).

At the date of this report, there are 185,083,403 options on issue in Pilot Energy Limited (2015: 170,658,492). The exercise price ranges from 0.2 cents to 12 cents, and the expiry dates range from April 2016 to June 2019.

Performance Rights

At the date of this report, there are 45,000,000 Performance Rights issued to three directors under the Pilot Energy long term incentive plan, to take up ordinary shares. These performance rights were issued on 1 July 2014 and expire on 30 June 2018.

PILOT ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 5 OTHER DISCLOSURES

The disclosures in this section focus on share schemes in operation and financial risk management of the Group and other mandatory disclosures, such as details of related party transactions.

5.1 RELATED PARTIES

There have been no material changes in related party transactions since the end of the period, 30 September 2015.

5.2 SUBSEQUENT EVENTS

On 26 April 2016, the Company received \$800,000 in respect of Tranche 1 of the SSA.

On 29 April 2016, Mr Benson Wong was appointed Executive Director and Chief Financial Officer.

On 30 April 2016, 2,000,000 unlisted options expired.

Other than as disclosed above, there have been no matters or circumstances that have arisen since the end of the reporting period 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.

**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 31 March 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Perth this 9th day of May 2016.



IAIN SMITH
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pilot Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pilot Energy Limited, which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pilot Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pilot Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pilot Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1.3 in the half-year financial report, which describes the principle conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, circular BDO logo watermark.

Dean Just

Director

Perth, 9 May 2016