



PILOT ENERGY LIMITED
A.B.N. 86 115 229 984

Interim Financial Report

For the Half Year Ended 31 March 2017

Pilot Energy Limited

A.B.N. 86 115 229 98

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For the Half Year Ended 31 March 2017

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Pilot Energy Limited

A.B.N. 86 115 229 98

Corporate Directory

Directors

Mr Wilson Xue
Mr Iain Smith
Mr Benson Wong

Secretary

Mr David McArthur

Registered and Principal Office

Level 3, 1060 Hay Street
WEST PERTH WA 6005

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Email: info@pilotenergy.com.au
Telephone: +61 8 9480 0470
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Postal Address

PO Box 1395
WEST PERTH, WA 6005

Auditors

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

Bankers

National Australia Bank Limited
Level 5, 402-410 Chapel Road
BANKSTOWN NSW 2000

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

A.B.N. 86 115 229 98

Directors' Report For the six months ended 31 March 2017

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 2017 and the auditor's report thereon.

1. General information

Information on directors

The directors of the company during the half year and to the date of this report are:

Non-Executive

Mr Wilson Xue	Chairman of the Board	Appointed 2 December 2016
	Non-Executive Director	Appointed 27 June 2016

Executive

Mr Iain Smith	Managing Director	Appointed 10 February 2014
Mr Benson Wong	Chief Financial Officer & Executive Director	Appointed 29 April 2016

Mr Gavin Harper was a Non-Executive Director of the Company from 17 March 2014 to 2 December 2016. Non-Executive Director, Mr Wilson Xue, was appointed as Chairman following the resignation.

Company Secretary

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

2. Operating results and review of operations for the year

Review of operations

Pilot Energy Limited is listed on the Australian Securities Exchange (ASX: PGY) and has 2,938,816,834 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

Other than as detailed in the following Project Review, there were no significant events during the reporting period.

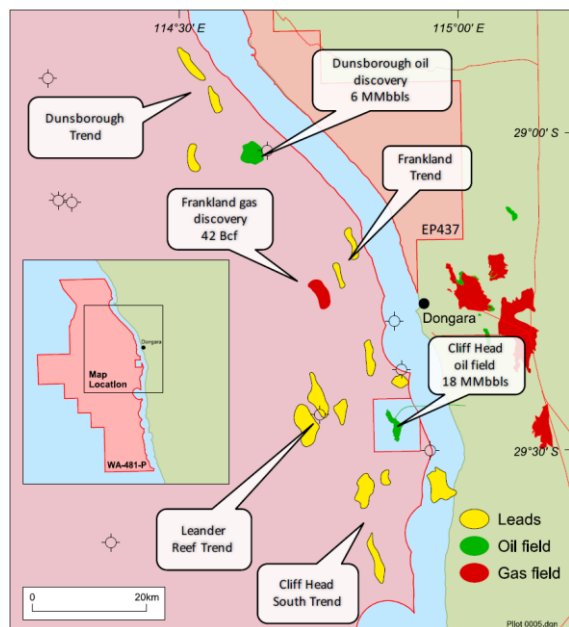
Pilot Energy Limited

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Directors' Report For the six months ended 31 March 2017

Project Review

WA-481-P: High Impact Shallow Water Oil & Gas Exploration



Pilot Energy holds a 60% working interest, as Operator, in exploration permit WA-481-P, located in the offshore north Perth Basin.

The large permit (17,475 km²) covers shallow waters to the west of the onshore Dongara, Beharra Springs and Waitsia gas fields, and the Jingemlia, Hovea and Cliff Head oil fields.

The primary petroleum plays are oil and/or gas within the Dongara Sandstone and the Irwin River Coal Measures. Both oil and gas are proven within the permit, with the Frankland gas and the Dunsborough oil discoveries representing contingent resources of 42 Bcf gas and 6 MMbbls oil respectively.

During the reporting period the Company completed its preliminary interpretation of the available upon 2D and 3D seismic data, identifying some 13 structural prospects across four distinct areas of interest. As announced on 30 January 2017, Pilot Energy has finalised its assessment of the significant prospective resources for these prospects, as follows:

Trend	No. of Prospects	Gross (100%) MMBOE		
		Low	Best	High
Cliff Head South Oil	4	59.1	106.8	186.4
Dunsborough Oil	4	18.6	35.3	69.8
Frankland Gas	2	4.8	7.6	11.7
Leander Reef Oil	3	55.9	98.1	168
Total	13	138.4	247.8	435.9

Prospects around the Cliff Head oil field and the Dunsborough oil discovery are currently the Company's main focus, and a work program is being formulated to address the key geological risks in order to identify the leading prospects for drilling.

The WA-481-P permit is currently in Year 4 of the secondary term, expiring on 20 August 2016. The subsequent two years of the secondary term are discretionary, with each carrying an exploration well commitment. Pilot Energy has applied to the National Offshore Petroleum Titles Administrator (NOPTA) to vary the work program for permit years 5 and 6, such that the commitment wells are replaced with seismic reprocessing and associated studies, aimed at high-grading prospects to drill-ready status. In the meantime, the Company has commenced marketing the permit to potential farmin candidates.

Directors' Report For the six months ended 31 March 2017

Project Review (continued)

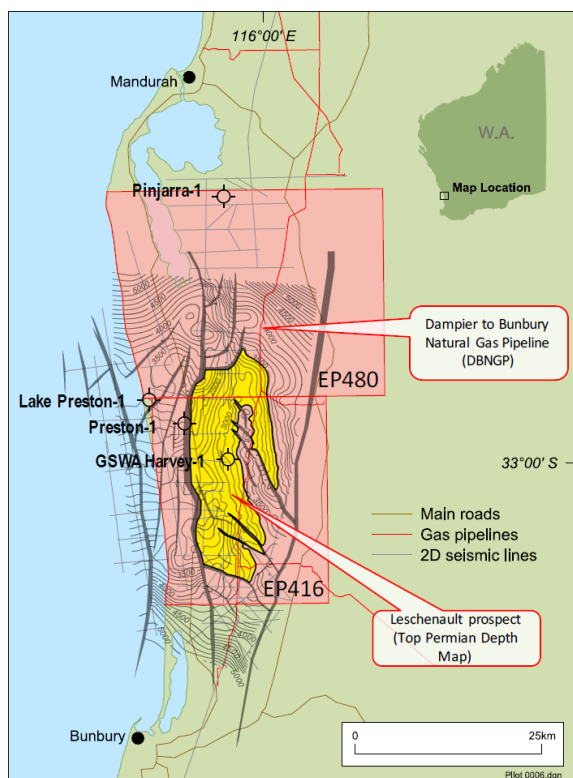
EP416 & EP480: High Impact, Low Cost Onshore Gas Exploration

During the reporting period Pilot Energy completed its Farmin Agreement with Empire Oil & Gas, and now holds a 60% interest, as Operator, in exploration permits EP416 and EP480, located within the southern Perth Basin. During the reporting period, and as announced on 7 November 2016, RISC Operations Pty Ltd (**RISC**), completed an audit of the Company's internal estimate of prospective resources for the Leschenault conventional gas prospect, located in exploration permits EP416 and EP480.

RISC's report confirms the prospective resources of the two main reservoir target intervals, as follows:

Reservoir	Gross (100%) Bcf		
	Low	Best	High
Lesueur Sandstone	150	435	970
Sue Sandstone	120	290	625
Total	270	725	1,595

The Leschenault prospect straddles both permits and is located less than 10 km from the DBNGP regional gas distribution pipeline, providing an efficient route to commercialisation in the event of exploration success. RISC confirm the presence of a very large, structurally robust prospect, with up to 240 km² of structural closure. Leschenault is a "three-way dip" feature that relies on closure to the west by a major bounding fault and exhibits two culminations, either of which is a potential drilling location for a vertical well to test the two conventional reservoir targets, being the Permian Sue Sandstone and the Triassic Lesueur Sandstone.



The main geological risk associated with Leschenault is one of cross-fault seal. In order to address this risk, a geochemical survey will commence shortly, with results expected by Q4 2017. The aim of the survey is to identify anomalies due to micro-seepage of hydrocarbon gas components from depth, that are broadly conformable to the prospect's area of structural closure. This would suggest that either or both reservoir targets are gas-bearing, de-risking the prospect for future drilling.

Also during the reporting period, the West Australian Department of Mines & Petroleum (WADMP) granted a renewal of the EP416 exploration permit. The permit was renewed for a five-year term, with the primary term work commitment (two years) comprising of geochemical surveying, advanced processing of the Falcon airborne geophysical survey data (acquired in 2015), and geological/geophysical studies. An optional exploration well is required in year four.

The WADMP also approved variation of the the work program for the current permit year of exploration permit EP480, such that the prior commitment to acquire 50 km of 2D seismic data has been replaced with geochemical surveying, advanced processing of the Falcon AGG airborne geophysical data, and geotechnical studies. This variation provides consistency of work programs across both EP480 and EP416.

Directors' Report For the six months ended 31 March 2017

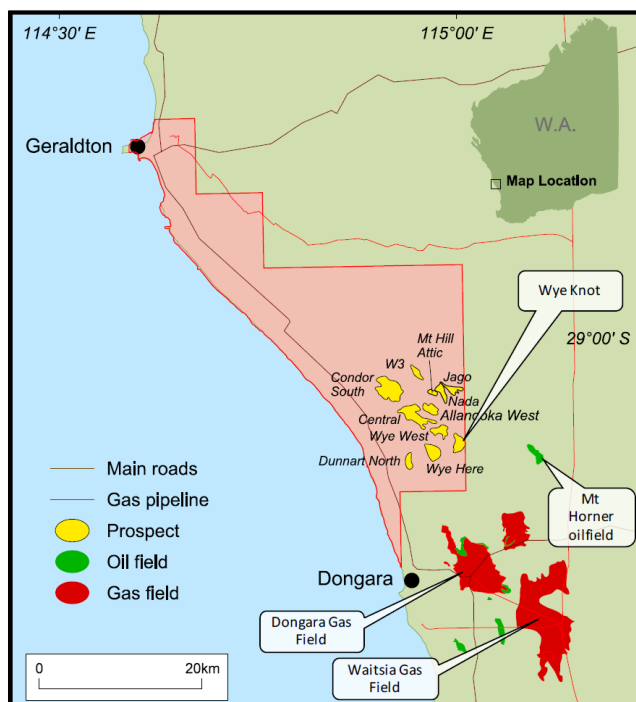
Project Review (continued)

EP437 Exploration Permit: Low Cost, Onshore Oil Exploration

Pilot Energy holds a 13.058%, non-operated interest in the EP437 exploration permit. During the reporting period the EP437 Joint Venture Operator (Key Petroleum) approved drilling of the Wye Knot-1 exploration well in 2017. The Wye Knot oil prospect is located down-dip from the Wye-1 gas discovery, drilled in 1996 at the crest of a four-way-dip-closed structure that benefits from additional closure via faulting to the northeast and northwest.

Wye-1 tested gas at commercial rates from two good quality reservoirs, with the Bookara and the Arranoo sandstone reservoirs flowing 4.4MMscf per day and 2.5 MMscf per day respectively. Neither of the reservoirs exhibited a water leg, and both exhibited live oil shows during drilling. The presence of shows indicates that the reservoirs were originally oil-filled at the Wye-1 location, with the oil possibly being displaced to a down-dip oil rim by subsequent gas migration in to the crest of the structure. This dual-charge model is evident elsewhere within the north Perth Basin, including at the nearby Dongara gas field, where the Dongara-8 well produced at an initial rate of 800 barrels of oil per day from an oil rim.

The Operator has successfully applied for a \$200,000 Exploration Incentive Scheme grant from the WADMP, and the well location has been agreed by the Joint Venture. Presently the Operator is in the process of negotiating land access and identifying a suitable drilling rig.



The Operator's assessment of the prospective resources targeted by Wye Knot-1 is as follows:

Reservoir	Gross (100%) MMBbls		
	Low	Best	High
Triassic (Bookara & Arranoo)	0.2	1.4	6.1

An oil discovery at Wye Knot-1 could be commercialised rapidly, and at low cost. Pilot Energy estimates the Net Present Value of a commercial discovery at between US\$15 and US\$20 per barrel, at current oil prices and depending on the size of the discovered resource. Importantly, success at Wye Knot-1 will de-risk other prospects within EP437, including Becos, Updip Wattle Grove, and Ganay.

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

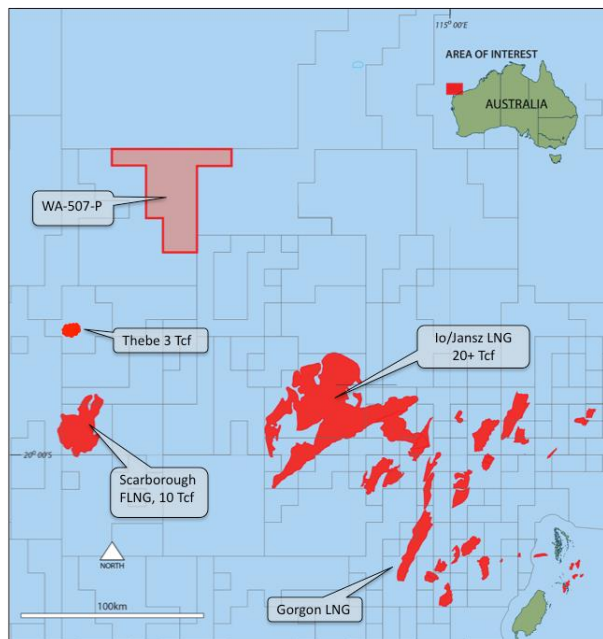
Pilot Energy holds an 80% working interest, as Operator, in exploration permit WA-507-P. The permit covers an area of 1,622km² over the Exmouth Plateau, some 300 km offshore Western Australia, in water depths of 1,000 to 1,500 metres. During the reporting period the Company received an R&D tax rebate totalling \$708,846, relating to its R&D project under the R&D Tax Incentive scheme. Pilot Energy expects to receive a further R&D refund in Q2 2018, of approximately A\$100,000, based on ongoing costs primarily associated with a seismic inversion study that forms the basis of the R&D project. Block WA-507-P is located within the prolific Northern Carnarvon Basin, covering an area of 1,622 km² over the Exmouth Plateau. The block is covered by an existing, high quality 3D seismic dataset, which reveals the presence of three very large structures, ranging from 27 km² to 121 km² in area.

These prospects have very significant prospective resources for gas and/or oil within the Triassic Mungaroo reservoir, which hosts much of the hydrocarbons discovered to date in the Northwest Shelf. The prospective resources (oil and/or gas) have been independently assessed by Gaffney Cline & Associates, as per the Company announcements of 25 February and 20 October,

Directors' Report For the six months ended 31 March 2017

Project Review (continued)

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

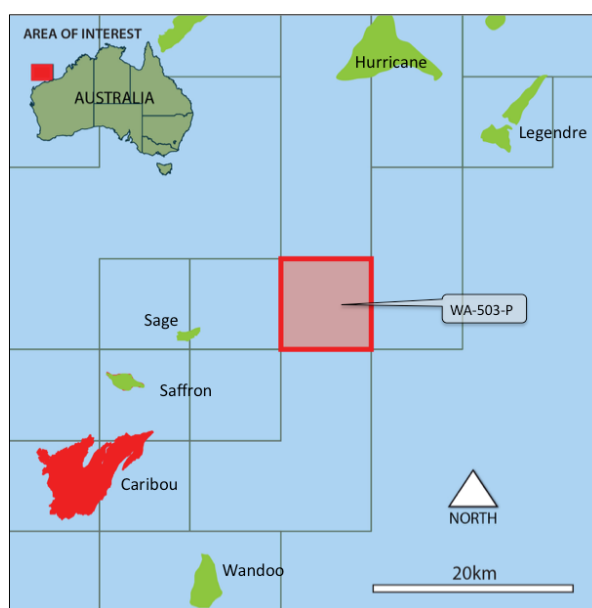


2015. The permit is located in the outboard part of the Mungaroo delta system, where the reservoir is believed to be thick and areally extensive, and the hydrocarbon source formations are believed to have been deposited in a more marine environment. This provides the potential for a working oil system within the permit.

Licensing of the 6,368 km² “Gnaraloo/Cazadores” multi-client 3D seismic dataset data is the main work commitment associated with the three-year primary term of the permit, ending 16 November 2017. Pilot Energy has paid the Permit Award Fee associated with the seismic license agreement, and with a “drill-or-drop” decision not required until November 2019, the Company has fulfilled the main work commitments associated with the Primary Term.

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

Pilot Energy holds an 80% working interest, as Operator, 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 focus of WA-503-P is Lower Cretaceous to Upper Jurassic sandstone reservoirs within the oil rich Legendre Trend, situated along the eastern flank of the Lewis Trough. The decommissioned Legendre field is situated some 20 km to the northeast of the block, and produced over 40 MMbbl of oil from excellent quality sandstone reservoirs.

The current work commitment associated with the permit’s primary term is acquisition of 80km² of new “Broadband” 3D seismic and completion of various geological and geophysical studies. The new data will cover the permit and surrounding area, and will refine seismic imaging of the three prospects identified by Pilot Energy thus far, to help determine the leading prospect for drilling in the permit’s (discretionary) secondary term.

The Company has an agreement in place with a seismic contractor to acquire the new data, however completion of the survey has been delayed due to the lack of 3D seismic vessels within Australian waters. Pilot Energy has explored alternative options to acquire the data, and has kept NOPTA fully informed of the situation. Further to recent discussions with NOPTA, the Company has submitted an application to extend the primary term of WA-503-P in order to provide sufficient time for the remaining work commitments to be completed.

2. Operating results and review of operations for the year (continued)

Review of operations (continued)

Financial Position

For the six months ended 31 March 2017, the Group generated a loss of \$175,409 (2016: Profit \$975,649) and had a net working capital surplus of \$1,061,462 (2016: Surplus \$218,051).

The Group had a net cash outflow of \$277,028 (2016: Outflow \$523,892)

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 35 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.

Dividends

The directors recommend that no dividend be provided for the six months ended 31 March 2017.

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 2016 Annual Report, and can be viewed on the Company's website.

Events subsequent to reporting date

Other than the matters disclosed in note 8 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.

Lead Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 March 2017 has been received and can be found on page 8 of the interim financial report.

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



Mr Iain Smith
Managing Director

Dated at Perth, Western Australia this 1st day of June 2017

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 2017, 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, 1 June 2017

Pilot Energy Limited

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 March 2017

	31 March 2017	31 March 2016
Note	\$	\$
Revenue - Interest income	5,735	3,986
Other income	805,455	-
Administrative expenses	(170,622)	(89,179)
Employee benefit expenses	(329,769)	(182,690)
Professional fees	(207,929)	(121,917)
Finance costs	(755)	(225)
Other expenses	(13,486)	(28,293)
Exploration & Evaluation costs expensed	(264,038)	-
Loss before income tax	(175,409)	(418,318)
Income tax expense	-	-
Loss from continuing operations	(175,409)	(418,318)
Profit from discontinued operations	-	1,393,967
Profit/(loss) for the half year	(175,409)	975,649
Other comprehensive income		
Foreign currency translation difference	-	19,070
Total comprehensive profit/(loss) for the period	(175,409)	994,719
Profit/(loss) attributable to owners of the Company	(175,409)	975,649
Total comprehensive profit/(loss) attributable to the owners of the Company	(175,409)	994,719
Profit/(loss) per share (cents per share)		
Basic and diluted from continuing operations	(0.006)	(0.03)
Basic and diluted from discontinued operations	0.000	(0.09)
Basic and Diluted (cents per share)	(0.006)	0.06

The accompanying notes form part of these consolidated financial statements.

Pilot Energy Limited

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Consolidated Statement of Financial Position As at 31 March 2017

	Consolidated		
	31 March 2017	30 September 2016	
Note	\$	\$	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	1,058,168	1,335,196	
Trade and other receivables	54,442	16,102	
Other assets	47,700	39,898	
TOTAL CURRENT ASSETS	<u>1,160,310</u>	<u>1,391,196</u>	
NON-CURRENT ASSETS			
Trade and other receivables	66,666	66,666	
Property, plant and equipment	-	721	
TOTAL NON-CURRENT ASSETS	<u>66,666</u>	<u>67,387</u>	
TOTAL ASSETS	<u>1,226,976</u>	<u>1,458,583</u>	
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	85,387	176,763	
Employee benefits	13,461	19,461	
Other financial liabilities	-	8,131	
TOTAL CURRENT LIABILITIES	<u>98,848</u>	<u>204,355</u>	
TOTAL LIABILITIES	<u>98,848</u>	<u>204,355</u>	
NET ASSETS	<u>1,128,128</u>	<u>1,254,228</u>	
EQUITY			
Issued capital	4	42,952,930	42,952,930
Reserves		(501,488)	(228,422)
Retained earnings		(41,323,314)	(41,470,280)
Total equity attributable to equity holders of the Company		<u>1,128,128</u>	<u>1,254,228</u>

The accompanying notes form part of these consolidated financial statements.

Pilot Energy Limited

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Consolidated Statement of Changes in Equity For the Half Year Ended 31 March 2017

Note	Share Capital \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Share Based Payments \$	Total \$
Balance at 1 October 2016	42,952,930	(41,470,280)	(820,678)	592,256	1,254,228
Loss attributable to members of the parent entity	-	(175,409)	-	-	(175,409)
Transactions with owners in their capacity as owners					
Expiration of unexercised options	-	322,375	-	(322,375)	-
Issue of options during period	-	-	-	49,309	49,309
Balance at 31 March 2017	42,952,930	(41,323,314)	(820,678)	319,190	1,128,128
Balance at 1 October 2015	39,685,932	(40,355,130)	302,344	551,160	184,306
Profit attributable to members of the parent entity	-	975,649	-	-	975,649
Other comprehensive income					
Foreign exchange translation difference on foreign operations	-	-	19,070	-	19,070
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	1,290	-	-	-	1,290
Share based payment transactions	-	-	-	15,600	15,600
Issue of shares	40,000	-	-	-	40,000
Balance at 31 March 2016	39,727,222	(39,379,481)	321,414	566,760	1,235,915

The accompanying notes form part of these consolidated financial statements.

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Interim Statement of Cash Flows For the Half Year Ended 31 March 2017

	Consolidated	
	31 March	31 March
	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees	(814,912)	(317,978)
Payments for exploration, evaluation and development	(264,038)	-
Interest received	5,735	1,283
Interest paid	(755)	(225)
Research & development tax refund	805,455	-
Net Cash from/(used in) discontinued operations	-	478,797
Net cash provided by/(used in) operating activities	<u>(268,515)</u>	<u>161,877</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(383)	-
Payments for exploration, evaluation and development	-	(701,666)
Net cash used in investing activities	<u>(383)</u>	<u>(701,666)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital raising costs	-	(1,471)
Proceeds from borrowings	-	25,850
Repayment of borrowings	(8,130)	(8,482)
Net cash provided by/(used in) financing activities	<u>(8,130)</u>	<u>15,897</u>
Net decrease in cash and cash equivalents	(277,028)	(523,892)
Effect of exchange rate changes on cash and cash equivalents	-	(25,613)
Cash and cash equivalents at 1 October	<u>1,335,196</u>	<u>901,639</u>
Cash and cash equivalents at 31 March	<u>1,058,168</u>	<u>352,134</u>

The accompanying notes form part of these consolidated financial statements.

Pilot Energy Limited

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Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2017

The interim financial report covers Pilot Energy Limited and its controlled entities ('the Group'). Pilot Energy Limited is a for-profit listed company, incorporated and domiciled in Australia.

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

The financial report was authorised for issue by the Directors on 01 June 2017.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

This condensed interim financial report for the reporting period ending 31 March 2017 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*, and IAS 34: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Pilot Energy Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 September 2016, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of 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 2016. 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 2017.

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.

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Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2017

2 Summary of Significant Accounting Policies (continued)

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 no debt obligations. As at 31 March 2017 the group had cash and cash equivalents of \$1,058,168. During the period the Group had a positive working capital of \$1,061,462 and net operating cash outflows of \$268,515. The Group incurred a loss of \$175,409 for the six months ended 31 March 2017.

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

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

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

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.

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

Judgement 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 2016.

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

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Notes to the Consolidated Financial Statements

For the Half Year Ended 31 March 2017

2 Summary of Significant Accounting Policies (continued)

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.

3 Operating Segments

The Group operates in one segment, being evaluation, acquisition, exploration and development of conventional oil and gas resources. Accordingly, under management's approach outlined, only one operating segment has been identified and no further disclosure is required in the financial statements.

4 Issued Capital

Ordinary Shares

	Number of shares		Amount in \$	
	31 March 2017	30 September 2016	31 March 2017	30 September 2016
Balance, beginning of period	2,938,816,834	1,585,476,834	42,952,930	39,685,932
- Issue of fully paid ordinary shares at 0.2 cents each in consideration for acquisition of EP437	-	20,000,000	-	40,000
- Placement of fully paid ordinary shares at 0.2 cents each	-	400,000,000	-	800,000
- Placement of fully paid ordinary shares at 0.3 cents each	-	933,340,000	-	2,800,020
- Capital raising benefit/ (costs)	-	-	-	(373,022)
Balance, end of period	2,938,816,834	2,938,816,834	42,952,930	42,952,930

Options

During the reporting period 12,500,000 unlisted options expired (2016: 108,164,528 listed and 843,882 unlisted options expired).

At the date of this report, there are 195,000,000 options on issue in Pilot Energy Limited (2016: 185,083,403). The exercise price ranges from 0.2 cents to 3 cents, and the expiry dates range from September 2017 to June 2019.

Performance Rights

At the date of this report, there are 30,000,000 Performance Rights issued to two 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.

5 Contingent Liabilities

In the opinion of the Directors, the listed company did not have any contingent liabilities at 31 March 2017 (31 March 2016:None).

6 Related Parties

There were no material changes in related party transactions since the end of the period, 30 September 2016.

Pilot Energy Limited

A.B.N. 86 115 229 98

Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2017

7 Events Occurring After the Reporting Date

The interim financial report was authorised for issue on 01 June 2017 by the board of directors.

As per the announcement issued to the ASX on the 24th of April 2017, the company executed a share subscription agreement (SSA) with Giant Rainbow Investments for 240,000,000 shares at 0.3 cents per share to raise funds of \$720,000, subject to Shareholder approval at a forthcoming general meeting.

On 28th of April 2017, as per the announcement issued to the ASX on the 3rd of May 2017, 10,398,650 shares were sold to a third party for \$66,887, in the 'less-than-marketable' parcel share sale facility.

Except for the above, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Pilot Energy Limited

A.B.N. 86 115 229 98

Directors' Declaration

In the opinion of the Directors of Pilot Energy Limited:

1. The interim financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and the Corporations Regulation 2001; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 March 2017 and of its performance for the half-year ended on that date.
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.

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



Mr Iain Smith
Managing Director

Dated at Perth, Western Australia this 1st day of June 2017

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 2017, 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 2017 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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the 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. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', written over a faint blue 'BDO' stamp.

Dean Just

Director

Perth, 1 June 2017