



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

## **Interim Financial Report**

**For the Half Year Ended 31 March 2018**

# Pilot Energy Limited

A.B.N. 86 115 229 984

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## **Pilot Energy Limited**

**A.B.N. 86 115 229 984**

## **Corporate Directory**

### **Directors**

Mr Wilson Xue  
Mr Benson Wong  
Dr Xingjin Wang  
Mr Michael Lonergan

### **Secretary**

Ms Lisa Dadswell

### **Registered and Principal Office**

Level 12, Grosvenor Place  
225 George Street, SYDNEY NSW 2000

Website: [www.pilotenergy.com.au](http://www.pilotenergy.com.au)  
Email: [info@pilotenergy.com.au](mailto:info@pilotenergy.com.au)  
Telephone: +61 8 9480 0470  
Facsimile: +61 8 9321 0320

### **Postal Address**

Suite 604, Tower B, The Zenith  
821 Pacific Highway  
CHATSWOOD NSW 2067

### **Auditors**

MNSA Pty Ltd  
Level 1, 283 George Street  
SYDNEY NSW 2000

### **Bankers**

National Australia Bank Limited  
Level 5, 402-410 Chapel Road  
BANKSTOWN NSW 2200

### **Share Registry**

Boardroom Pty Limited  
Level 12, 225 George Street  
SYDNEY NSW 2000

### **ASX Code**

Shares: PGY

### **Legal Form of Entity**

Public Company

### **Country of Incorporation and Domicile**

Australia

## Pilot Energy Limited

A.B.N. 86 115 229 984

# Directors' Report

## For the Half Year Ended 31 March 2018

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 half year ended 31 March 2018 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
Mr Michael Lonergan	Non-Executive Director	Appointed 11 December 2017

#### Executive

Mr Benson Wong	Chief Financial Officer & Executive Director	Appointed 29 April 2016
Dr Xingjin Wang	Executive Director & Chief Technical Officer	Appointed 10 August 2017

#### Chief Executive Officer

Mr Robert Gard was appointed to the position of Chief Financial Officer on 3 April 2018

#### Company Secretary

Ms Lisa Dadswell was appointed to the position of Company Secretary on 31 August 2017.

### 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 63,576,514 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.

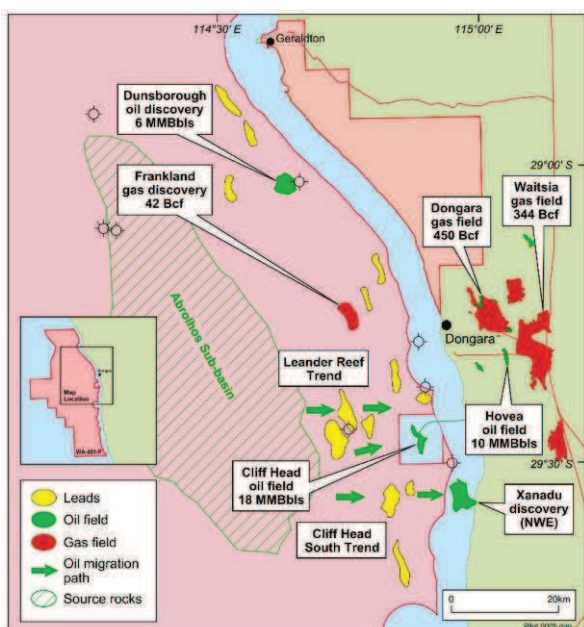
## Review of Operations For the six months ended 31 March 2018

### 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.

WA-481-P is located adjacent to existing oil and gas infrastructure, within shallow waters to the west of numerous oil and gas fields, including the offshore Cliff Head oil field and the onshore Waitsia gas discovery. The 17,475 km<sup>2</sup> permit covers a major portion of the offshore extension of the north Perth Basin. The primary petroleum plays are for oil and/or gas within the Dongara Sandstone and the Irwin River Coal Measures (IRCM). Both oil and gas are proven within the permit, with the Frankland gas and the Dunsborough oil discoveries representing contingent resources of up to 59 Bcf gas and 9.8 MMbbls oil, respectively.



During the reporting period, the Company noted with great interest the recovery of oil from reservoir quality sands of the IRCM by the Xanadu-1 well in TP/15, as announced by Norwest Energy NL on 25 September 2017. The recovery of oil is significant for Pilot Energy and Key Petroleum Limited as it appears to validate the interpreted oil migration pathways from the known oil sources of the Kockatea Shale and the IRCM in the Abrolhos Sub-Basin in the central portion of WA-481-P. Oil from the source kitchen is interpreted to have migrated up-dip through the southern portion of WA-481-P into the Cliff Head and Xanadu structures located in the adjacent permit to the east. The Xanadu-1 technical success has reduced a key risk of migration for both the Cliff Head South and the Leander Reef oil trends. Together the Cliff Head South and Leander Reef Trends comprise over 80% of the currently assessed 247.8 MMbbl best case (148.7 MMbbl net Pilot Energy, 99.1 MMbbl net Key Petroleum) prospective resources for the permit.

The current exploration permit commitments for WA-481-P comprise seismic data reprocessing and geological/geophysical studies. These studies are designed to address the primary geological risks associated with each of the various prospects and leads, such that a prioritised inventory of drill-ready prospects can be finalised to facilitate joint venture participation in a drilling program. The seismic reprocessing, which includes pre-stack depth migration (PSDM) of the existing data, commenced in January and is now on track to be

completed in Q4 2018. The Joint Venture is working cooperatively to ensure high-quality reprocessing and interpretation are undertaken in a timely fashion to support additional joint venture participation and drilling activities as soon as is practicable.

As included in the Notice of Meeting announced to the ASX on 13 June 2017, RISC’s independent assessment of Contingent and Prospective Resources for oil and gas in WA-481-P as at 18 May 2017. A summary of the assessment is as follows:

Contingent Resources	Gross (100%)			Net to Pilot (60%)		
	1C	2C	3C	1C	2C	3C
Dunsborough Oil (MMbbl)	3.3	6.0	9.8	2.0	3.6	5.9
Frankland Gas (Bcf)	29.4	41.6	58.9	17.6	25.0	35.3

## Pilot Energy Limited

A.B.N 86 115 229 984

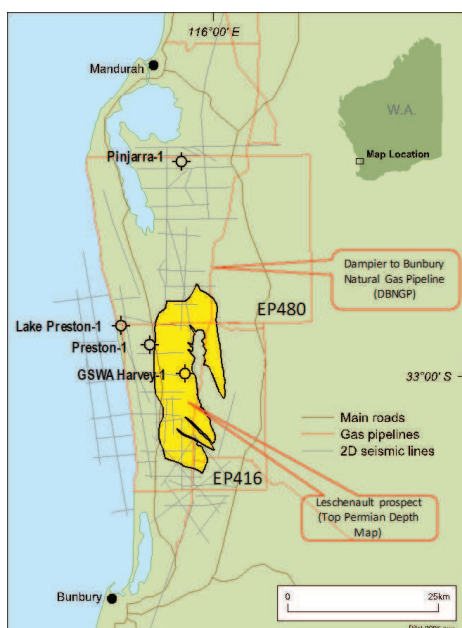
## Review of Operations For the six months ended 31 March 2018

### Project Review (continued)

Prospective Resources	No. of Prospects	Gross (100%) MMBOE			Net to Pilot (60%) MMBOE		
		Low	Best	High	Low	Best	High
Cliff Head South Oil	4	59	107	186	35	64	112
Dunsborough Oil	4	19	35	70	11	21	42
Frankland Gas	2	5	8	12	3	5	7
Leander Reef Oil	3	56	98	168	34	59	101
<b>Total</b>	<b>13</b>	<b>139</b>	<b>248</b>	<b>436</b>	<b>83</b>	<b>149</b>	<b>262</b>

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

Pilot Energy holds a 60% interest, as Operator, in exploration permits EP416 and EP480, located within the southern Perth Basin.



During the Quarter, Pilot Energy continued to make preparations to conduct a geochemical survey over the Leschenault conventional gas prospect, however is facing delays due to difficulty with finalising land access negotiations. The State government's announcement in September last year of a ban on fracking in the region and the placing of a moratorium on the use of fracking throughout the rest of WA has impacted land owner sentiment somewhat, further delaying the commencement of field work.

Leschenault is a "three-way dip" feature that relies on closure to the west by a bounding fault. The well-defined structure has two structural 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, i.e. whether the western bounding fault has sealing capacity to retain hydrocarbon gas migrating in to the structure. To address this risk a non-invasive geochemical survey is planned over the coming months, with results expected in this year. 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.

As announced on 7 November 2016, RISC completed an independent assessment of prospective resources for the two main reservoir target intervals at Leschenault, confirming the potential for very significant volumes of gas, as follows:

Reservoir	Gross (100%) Bcf			Net to Pilot (60%) MMbbl		
	Low	Best	High	Low	Best	High
Lesueur Sandstone	150	435	970	90	261	582
Sue Sandstone	120	290	625	72	174	375
<b>Total</b>	<b>270</b>	<b>725</b>	<b>1,595</b>	<b>162</b>	<b>435</b>	<b>957</b>

## Review of Operations For the six months ended 31 March 2018

### Project Review (continued)

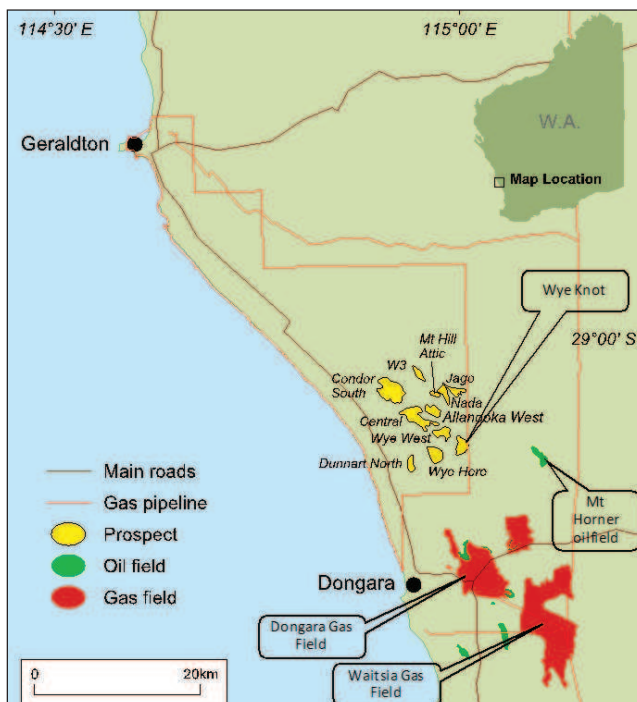
#### EP437 Exploration Permit: Low Cost, Onshore Oil Exploration

Pilot Energy holds a 13.058%, non-operated interest in the EP437 exploration permit. During the reporting period preparations to drill the Wye Knot-1 exploration well in EP437 (Operator: Key Petroleum) have continued including the purchase and design of long lead wellhead equipment and assessment of options by the Operator to have compensation determined for land access by a legal process. The preferred drilling location for Wye Knot-1 has not changed and the Operator has advised that it will advise the Joint Venture of the outcome of land compensation in the next quarter. Under the current Government approved work program, the drilling of Wye Knot-1, a commitment well, is currently required to commence by 27 November 2018.

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 likely 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’s assessment of the prospective resources targeted by Wye Knot-1 is as follows:

Reservoir	Gross (100%) MMbbl			Net to Pilot (13%) MMbbl		
	Low	Best	High	Low	Best	High
Triassic (Bookara & Arranoo)	0.2	1.4	6.1	0.03	0.18	0.79

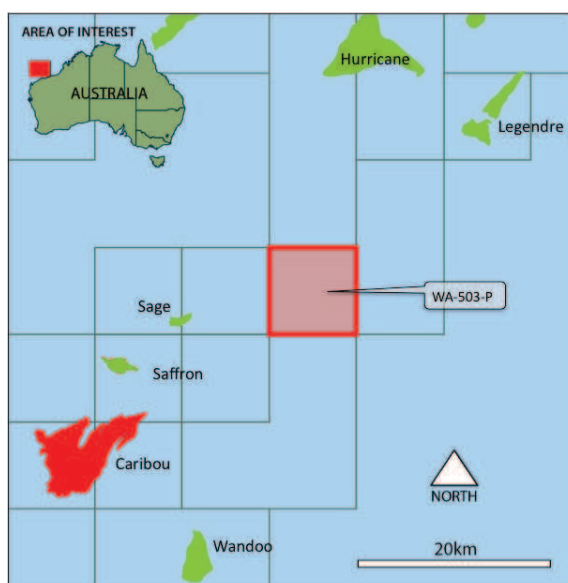
An oil discovery at Wye Knot-1 could be commercialised rapidly, and at low cost. Pilot Energy estimates the Net Present Value of a commercial discovery at between US\$15 and US\$20 per barrel, at current oil prices and depending on the size of the discovered resource. Importantly, success at Wye Knot-1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

## Review of Operations For the six months ended 31 March 2018

### Project Review (continued)

#### 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 80km<sup>2</sup> 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 applied to NOPTA to extend the primary term of WA-503-P in order to provide sufficient time for the remaining work commitments to be completed.

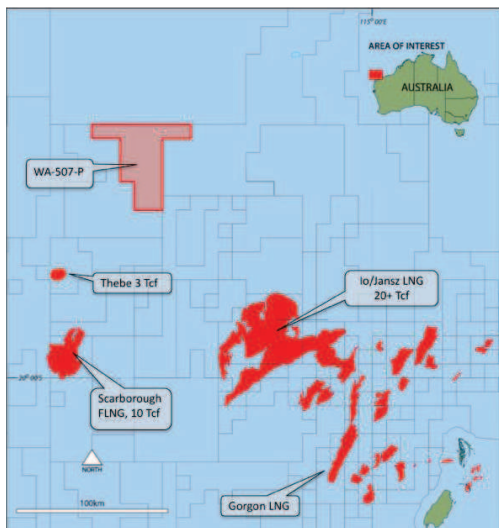
Prospective Resources were independently assessed for WA-503-P by Gaffney Cline as of 30 November 2015 as follows:

Reservoir	Gross (100%) Bcf			Net to Pilot (60%) MMbbl		
	Low	Best	High	Low	Best	High
Updip Janus	4.5	10.0	19.7	3.6	8.0	15.8
Updip Orion	8.8	29.1	72.8	7.0	23.3	58.2
Bojangles	3.0	6.9	14.0	2.4	5.5	11.2
<b>Total</b>	<b>16.3</b>	<b>46.0</b>	<b>106.5</b>	<b>13.0</b>	<b>36.8</b>	<b>85.2</b>



## Review of Operations For the six months ended 31 March 2018

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



As announced on 21 February 2018, Pilot Energy executed a binding agreement for the sale of its beneficial interest in offshore exploration permit WA-507-P to Black Swan Resources Pty Ltd (**Black Swan**).

Under the terms of the agreement, Pilot Energy will receive a 7.5% share of any net profit interest derived from the Permit in each calendar quarter, in return for Black Swan covering all costs associated with activities and management of the Permit. Pilot Energy will remain on title after completion of the transaction in respect of its 80% legal interest in the Permit, but Black Swan will assume the beneficial interest and all risks and liabilities in respect of the Permit.

The agreement with Black Swan is consistent with Pilot Energy's strategy of minimizing project costs. It enables the company to reduce its risk exposure and expenditure on the Permit to essentially zero while retaining a portion of the profits which may result from Black Swan's exploration efforts should they be successful.

Subsequent to the end of the quarter, Pilot announced that Black Swan has elected to withdraw from the Permit and that Black Swan and Pilot agreed to apply to the Titles Administrator to surrender the Permit

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

### Review of operations (continued)

#### Financial Position

For the half year ended 31 March 2018, the Group generated a loss of \$604,951 (2017: Loss \$175,409) and had a net working capital surplus of \$55,556 (2017: Surplus \$1,061,462).

The Group had a net cash inflow of \$253,632 (2017: Outflow \$277,028)

#### Competent Person Statement

This announcement contains information on conventional petroleum resources which is based on and fairly represents information and supporting documentation reviewed by Dr Xingjin Wang, a Petroleum Engineer with over 30 years' experience and a Master in petroleum engineering from the University of New South Wales and a PhD in applied Geology from the University of New South Wales. Dr Wang is an active member of the SPE and PESA, and is competent person in accordance with the ASX listing rules. He is an Executive Director of Pilot Energy Ltd, and 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 half year ended 31 March 2018.

#### 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 2017 Annual Report, and can be viewed on the Company's website.

#### Events subsequent to reporting date

Other than the matters disclosed in note 7 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 2018 has been received and can be found on page 9 of the financial report.

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



Mr Benson Wong  
Executive Director

Dated at Sydney, New South Wales this 13th day of June 2018



**PILOT ENERGY LIMITED ABN 86 115 229 984  
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C  
OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PILOT ENERGY LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 March 2018 there have been no contraventions of:

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

MNSA Pty Ltd

MNSA Pty Ltd

**Mark Schiliro**  
Director

Sydney

Dated this 13<sup>th</sup> day of June 2018

## Pilot Energy Limited

A.B.N. 86 115 229 984

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 March 2018

	31 March 2018	31 March 2017
	\$	\$
Revenue from continuing operations	40,003	5,735
Other income	-	805,455
R&D tax refund	74,603	-
Administrative expenses	(127,447)	(170,622)
Employee benefit expenses	(215,541)	(329,769)
Professional fees	(216,171)	(207,929)
Finance costs	(1)	(755)
Other expenses	(39,669)	(13,486)
Exploration & Evaluation costs expensed	(121,636)	(264,038)
<b>Loss before income tax</b>	<b>(605,859)</b>	<b>(175,409)</b>
Income tax expense	-	-
<b>Loss from continuing operations</b>	<b>(605,859)</b>	<b>(175,409)</b>
<b>Loss for the half year</b>	<b>(605,859)</b>	<b>(175,409)</b>
<b>Other comprehensive income</b>		
Foreign currency translation difference	908	-
<b>Total comprehensive (loss)/profit for the period</b>	<b>(604,951)</b>	<b>(175,409)</b>
<b>Loss attributable to owners of the Company</b>	<b>(604,951)</b>	<b>(175,409)</b>
<b>Total comprehensive (loss)/profit attributable to the owners of the Company</b>	<b>(604,951)</b>	<b>(175,409)</b>
<b>(Loss)/profit per share (cents per share)</b>		
Basic and diluted from continuing operations	(0.95)	(0.006)
<b>Basic and Diluted (cents per share)</b>	<b>(0.95)</b>	<b>(0.006)</b>

The accompanying notes form part of these consolidated financial statements.

## Pilot Energy Limited

A.B.N. 86 115 229 984

### Consolidated Statement of Financial Position As at 31 March 2018

	Consolidated		
	31 March	30 September	
	2018	2017	
Note	\$	\$	
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	889,255	635,623	
Trade and other receivables	-	51,641	
<b>TOTAL CURRENT ASSETS</b>	<b>889,255</b>	<b>687,264</b>	
NON-CURRENT ASSETS			
Trade and other receivables	95,758	97,258	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>95,758</b>	<b>97,258</b>	
<b>TOTAL ASSETS</b>	<b>985,013</b>	<b>784,522</b>	
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	138,198	57,093	
Unearned revenue	680,000	-	
Employee benefits	15,501	21,673	
<b>TOTAL CURRENT LIABILITIES</b>	<b>833,699</b>	<b>78,766</b>	
NON-CURRENT LIABILITIES			
Other non-current liabilities	50,509	-	
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>50,509</b>	<b>-</b>	
<b>TOTAL LIABILITIES</b>	<b>884,208</b>	<b>78,766</b>	
<b>NET ASSETS</b>	<b>100,805</b>	<b>705,756</b>	
<b>EQUITY</b>			
Issued capital	4	43,672,930	43,672,930
Reserves		(604,953)	(604,953)
Retained earnings		(42,967,172)	(42,362,221)
<b>Total equity attributable to equity holders of the Company</b>		<b>100,805</b>	<b>705,756</b>

The accompanying notes form part of these consolidated financial statements.

## Pilot Energy Limited

A.B.N. 86 115 229 984

### Consolidated Statement of Changes in Equity For the Half Year Ended 31 March 2018

	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Share Based Payments	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 October 2017</b>	<b>43,672,930</b>	<b>(42,362,221)</b>	<b>(820,678)</b>	<b>215,725</b>	<b>705,756</b>
Loss attributable to members of the parent entity	-	(604,951)	-	-	(604,951)
<b>Transactions with owners in their capacity as owners</b>					
Expiration of unexercised options	-	-	-	-	-
Issue of options during period	-	-	-	-	-
<b>Balance at 31 March 2018</b>	<b>43,672,930</b>	<b>(42,967,172)</b>	<b>(820,678)</b>	<b>215,725</b>	<b>100,805</b>
<b>Balance at 1 October 2016</b>	<b>42,952,930</b>	<b>(41,470,280)</b>	<b>(820,678)</b>	<b>592,256</b>	<b>1,254,228</b>
Loss attributable to members of the parent entity	-	(175,409)	-	-	(175,409)
<b>Transactions with owners in their capacity as owners</b>					
Expiration of unexercised options	-	322,375	-	(322,375)	-
Issue of options during period	-	-	-	49,309	49,309
<b>Balance at 31 March 2017</b>	<b>42,952,930</b>	<b>(41,323,314)</b>	<b>(820,678)</b>	<b>319,190</b>	<b>1,128,128</b>

The accompanying notes form part of these consolidated financial statements.

## Pilot Energy Limited

A.B.N. 86 115 229 984

### Interim Statement of Cash Flows For the Half Year Ended 31 March 2018

	Consolidated	
	31 March 2018	31 March 2017
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	720,000	-
Payments to suppliers and employees	(424,930)	(814,912)
Payments for exploration, evaluation and development	(116,043)	(264,038)
Interest received	3	5,735
Interest paid	(1)	(755)
Research & development tax refund	74,603	805,455
Net cash provided by/(used in) operating activities	<u>253,632</u>	<u>(268,515)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	-	(383)
Net cash used in investing activities	<u>-</u>	<u>(383)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of borrowings	-	(8,130)
Net cash provided by/(used in) financing activities	<u>-</u>	<u>(8,130)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>253,632</b>	<b>(277,028)</b>
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at 1 October	<u>635,623</u>	<u>1,335,196</u>
<b>Cash and cash equivalents at 31 March</b>	<b><u>889,255</u></b>	<b><u>1,058,168</u></b>

The accompanying notes form part of these consolidated financial statements.

## Pilot Energy Limited

A.B.N. 86 115 229 984

### Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2018

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 13 June 2018.

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 2018 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 2017, 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 2017. 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 2018.



## Pilot Energy Limited

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# Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2018

## 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 2018 the group had cash and cash equivalents of \$889,255. During the period the Group had a positive working capital of \$55,556 and net operating cash inflows of \$253,632. The Group incurred a loss of \$604,951 for the half year ended 31 March 2018.

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 2017.

### 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

## Pilot Energy Limited

A.B.N. 86 115 229 984

### Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2018

#### 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income. 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 2018	30 September 2017	31 March 2018	30 September 2017
<b>Balance, beginning of period</b>	<b>63,576,514</b>	<b>2,938,816,834</b>	<b>43,672,930</b>	<b>42,952,930</b>
Share consolidation (50:1)	-	(2,880,040,320)	-	-
Placement of fully paid ordinary shares at 0.3 cents each	-	4,800,000	-	720,000
<b>Balance, end of period</b>	<b>63,576,514</b>	<b>63,576,514</b>	<b>43,672,930</b>	<b>43,672,930</b>

##### Options

During the reporting period no options expired (2017: 12,500,000 unlisted options expired).

At the date of this report, there are 3,500,000 options on issue in Pilot Energy Limited (2017: 195,000,000). The exercise price ranges from 10 cents to 20 cents, and the expiry dates range from June 2019 to December 2019.

##### Performance Rights

At the date of this report, there are 300,000 Performance Rights issued to Mr Gavin William Harper 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 2018 (31 March 2017: None).

#### 6 Related Parties

There were no material changes in related party transactions since the end of the period, 30 September 2017.

## **Pilot Energy Limited**

A.B.N. 86 115 229 984

### **Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2018**

#### **7 Events Occurring After the Reporting Date**

As per the announcement issued to the ASX on the 3rd of April 2018, the company appointed Robert Gard as Chief Executive Officer of the company.

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. 86 115 229 984

### 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 2018 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 Benson Wong  
Executive Director

A handwritten signature in black ink, appearing to read 'Benson Wong', is positioned below the name and title of the signatory.

Dated at Sydney, New South Wales this 13th day of June 2018



**PILOT ENERGY LIMITED ABN 86 115 229 984  
AND CONTROLLED ENTITIES**

**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 2018, 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 summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' Responsibility for the Half-year Financial Report*

The directors of Pilot Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 Pilot Energy Limited's financial position as at 31 March 2018 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 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*.

*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 Pilot Energy Limited's financial position as at 31 March 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *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 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 liability's in the normal course of business. Our conclusion is not modified in respect of this matter.

*MNSA Pty Ltd*

MNSA Pty Ltd

**Mark Schiliro**

Director

Sydney

Dated this 13<sup>th</sup> day of June 2018