



ANNUAL REPORT 2023

FOR THE YEAR ENDED
30 SEPTEMBER 2023



Pilot
Energy

Leading the clean energy transition



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CORPORATE DIRECTORY

Directors	Bradley Lingo (<i>Executive Chairman</i>) Anthony (Tony) Strasser (<i>Managing Director</i>) Daniel Chen (<i>Non-Executive Director</i>) Bruce Gordon (<i>Non-Executive Director</i>)
Company Secretary	Cate Friedlander
Registered and Principal Office	Suite 301, 35 Spring Street Bondi Junction NSW 2022 info@pilotenergy.com.au www.pilotenergy.com.au
Auditors	MNSA Pty Ltd Level 1, 283 George Street Sydney NSW 2000
Legal Advisers	MinterEllison Governor Macquarie Tower Level 40, 1 Farrer Place Sydney NSW 2000
Share Registry	Boardroom Pty Limited Level 8, 210 George Street Sydney NSW 2000
ASX Code	ASX: PGY
Legal Form of Entity	Public Company
Country of Incorporation and Domicile	Australia

CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the board of directors of Pilot Energy Limited (Pilot, or the Company) it is my pleasure to present the 2023 Annual Report.

Pilot continues to make significant progress on its Mid West Clean Energy Project (MWCEP or the "Project"). The MWCEP is Pilot's flagship development project and involves leveraging its existing brownfield Cliff Head oil field infrastructure to enable a large-scale clean energy project. The MWCEP involves:

- Providing permanent CO₂ storage through converting the Cliff Head oil field into a permanent CO₂ storage facility; and
- Producing clean ammonia for supply to domestic and export customers through leveraging natural resources of the Mid West region (natural gas and renewable energy potential).

The 2023 year has seen the Company's MWCEP transition from completing full feasibility studies to project development with a key focus on concluding partnering arrangements and funding for the project. In this regard, the Company was pleased to announce on 31 October of this year that Pilot had partnered with Samsung C&T Corporation Engineering & Construction Group ('Samsung') pursuant to a non-binding conditional Memorandum of Understanding ('MOU').

Over the past year the Company has been focused on three key things. Firstly, advancing regulatory approvals for the Project. Secondly, on bringing partners into the project to assist in both funding and executing the Project. Thirdly, on securing commercial offtake arrangements for the project for both Clean Ammonia supply and CO₂ storage service.

With respect to securing regulatory approvals for the Project, Pilot has materially advanced the regulatory approval process with the submission in November 2022 to the National Offshore Petroleum Titles Administrator (NOPTA) of the first ever Application for Approval of Declaration of Formation – the first approval stage to use the existing Cliff Head oil field for permanent CO₂ storage.

With respect to the focus on partnering, Pilot has been conducting a competitive process which has resulted in Samsung joining the Project as the first joint development partner in the Project and this process is continuing to bring additional partners. Similarly, the focus on securing commercial offtake arrangements for Clean Ammonia supply and CO₂ storage has also advanced over the last year as well with the execution of the MOU with Samsung.

In terms of project execution, the Company has continued to build the Project execution team with the appointment of Genesis Energies as 'Owner's Engineer', CO2Tech as CO₂ storage technical adviser, Advanced Energy Technologies for offshore well construction for the CO₂ storage project and 8Rivers as the provider of the core 8RH2 clean hydrogen production technology essential to the production of low cost Clean Ammonia with a carbon intensity that significantly beats the Clean H2 carbon intensity standards set by the EU, Japan, Korea and the USA.

The 2023 year has seen the Company consolidate its energy transition plans with the successful conclusion of key transactions and arrangements which has set the foundations for the development of the MWCEP. These include the following:

- Arrangements were concluded with 8 Rivers Capital, LLC. for their capital investment in the Company as well as for technical design services for the MWCEP hydrogen production facilities utilising the ground-breaking 8RH2 hydrogen production technology.
- Completion of the non-binding Memorandum of Understanding with Samsung as announced on 31 October 2023 in relation to the development of the Cliff Head CO₂ Storage Project and the Clean Energy Ammonia Project;
- Pilot and Triangle Energy (Global) Limited announced in July 2023 that they had revised its existing Sale and Purchase Agreement with Pilot to acquire Triangle's interest in the Cliff Head Joint Venture, subject to key conditions being satisfied.
- Pilot and international CO₂ marine transportation and storage solution provider, Knutsen NYK Carbon Carriers AS ('KNCC') signed a Memorandum of Understanding (MoU) in June 2023 to collaborate on offering an integrated solution for marine transportation and offshore injection of CO₂ storage at the Cliff Head CO₂ Storage Project.
- Pilot and CO₂ capture solution provider, KC8 Capture Technologies Limited (KC8), signed a Memorandum of Understanding (MoU) in June 2023 to collaborate on a CO₂ capture and storage service solution targeting key emitters in the region adjacent to the Cliff Head CO₂ Storage Project; and
- Pilot and Canadian carbon capture & removal solutions provider, Svante Technologies Inc (Svante), signed a MoU in April 2023 to collaborate on offering a one-stop-shop solution for carbon capture, transportation, and storage to industrial businesses with hard-to-avoid CO₂ emissions.

Importantly during the year, in May 2023, Pilot concluded a Convertible Note Agreement with a syndicate of sophisticated investors for an investment of \$3 million into the Company. The investor syndicate was led by Mr Greg Columbus, a highly respected executive in the Australian resources sector. He was recently the Chairman and a major shareholder of ASX listed Warrego Energy Limited (until its takeover this year) and is also an experienced investor in listed companies.

Finally, I would like to thank fellow directors, Tony Strasser (Managing director), Daniel Chen and Bruce Gordon, and Cate Friedlander (General Counsel and Company Secretary) and Nick Watson (GM Corporate Development) for their continued hard work.

To our loyal shareholders, we thank you for your ongoing support during the year.

Yours faithfully,



For and on behalf of the Board
Brad Lingo
Chairman

CORPORATE AND OPERATIONS REVIEW

CORPORATE ACTIVITIES

A. Capital Raising

During the 2023 year, and since the date of the 2022 Annual Report, the Company has raised the following amounts:

- In April 2023, a placement raising \$1.7 million;
- In May 2023, the issue of \$3 million in Convertible Notes;
- In November 2023, a placement raising \$2.4 million;
- In December 2023, a placement raising \$1.3 million;
- In December 2023, a further \$3.5 million by way of Convertible Note syndicate, with \$1 million to be advanced in December 2023. The balance is to be received following the Company's AGM scheduled to be held in February 2024.

The equity placements were to sophisticated and professional investors and all equity raisings were oversubscribed.

The Convertible Notes were arranged by an investor Syndicate led by Mr Greg Columbus. Mr Columbus has over 30 years of experience in the Energy and Oil & Gas industries including technical, commercial, executive and non-executive roles and is also an experienced investor in listed companies. Currently Mr Columbus is Non-executive Chairman of ASX listed Talon Energy and previously, he was also the Non-executive Chairman of ASX listed Warrego Energy Limited, both developers of natural gas resources in the Perth Basin, Western Australia. Talon Energy is currently completing a Scheme of Arrangement with Strike Energy and Warrego Energy was taken over by the Hancock Prospecting Group in March 2023.

B. 8 Rivers Capital

During the 2023 year, 8 Rivers Capital, LLC (www.8rivers.com) (8RC), a subsidiary of SK Materials of Korea, cemented its relationship with Pilot as follows:

- Capital Investment - completed its strategic investment contribution of \$500,000 in the Company in November 2022 as part of the capital raise in July 2022.
- Provision of technical services - commencing in November 2022, 8RC assigned key personnel to the MWCEP to undertake work focusing on the preparation of a basis of design for the MWCEP hydrogen production facilities. The basis of design was required to support the CO₂ Storage FEED and Pre-FEED for the hydrogen and ammonia facilities.

In consideration of the provision of these services, 8RC was issued shares in Pilot to the value of \$500,000 over two instalments as per the Subscription Agreement.

- Ammonia Rights Agreement

As previously announced, in further consideration of 8RC entering into the Subscription Agreement, 8RC was granted (or its nominee, a member of the SK Inc. group of companies) a priority right to enter into an ammonia supply agreement to purchase up to 50% of the blue ammonia output (subject to a cap of 250,000 tonnes per annum).

C. Shares and Options Issued

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

D. ASX Reconciliation

The Company continues to engage with the ASX in respect of the requirement to comply with Chapters 11, 1 and 2 of the Listing Rules in relation to preliminary activities connected to renewable energy that exceed a certain scale relative to Pilot's core oil and gas activities and noting that ASX may consider such activities, at certain thresholds, to constitute a change in nature and scale of Pilot's activities in terms of Listing Rules Chapter 11.

E. Corporate Governance

The Board is committed to operating in accordance with the highest standards of corporate governance. To the extent appropriate for the Company, given its size and stage of development, the Company has adopted the fourth edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council on 27 February 2019. The Company's corporate governance statement for the financial year ending 30 September 2023 was approved and adopted by the Board on 13 December 2023. This document sets out in summary the Company's governance policies and the extent to which it has met the Corporate Governance Council's Principles and Recommendations and, where they have not been met, explains why. The Corporate Governance Statement is available on Pilot's website, under the "Company" heading.

F. Environmental, Social and Corporate Governance (ESG)

Pilot is committed to the principles of ESG as the most effective means of creating long-term enterprise value and addressing the societal priorities enshrined in the United Nations' Sustainable Development Goals.

In November 2023, the Company made a commitment to commence reporting on the Environmental, Social, and Governance (ESG) disclosures of the Stakeholder Capitalism Metrics (SCM) of the World Economic Forum (WEF). The Company is in the process of making ESG disclosures in the form of a set of universal, comparable ESG metrics focused on people, planet, prosperity and principles of governance that organisations can report on regardless of industry or region.

By integrating ESG metrics into the Company's governance, business strategy, and performance management process, Pilot diligently consider all pertinent risks and opportunities in running its business. Pilot continues to look for opportunities for further transparency on the topics which are material to its business.

The Company has entered into an agreement with Socialsuite, to utilise Socialsuite's ESG reporting disclosure platform. This platform will enable Pilot to demonstrate its ongoing commitment to ESG by providing a dedicated solution to track, report, and share its ESG disclosures. With Socialsuite, the Company has started the journey of building robust ESG credentials and is working towards releasing its inaugural ESG report in December 2024.

REVIEW OF OPERATIONS

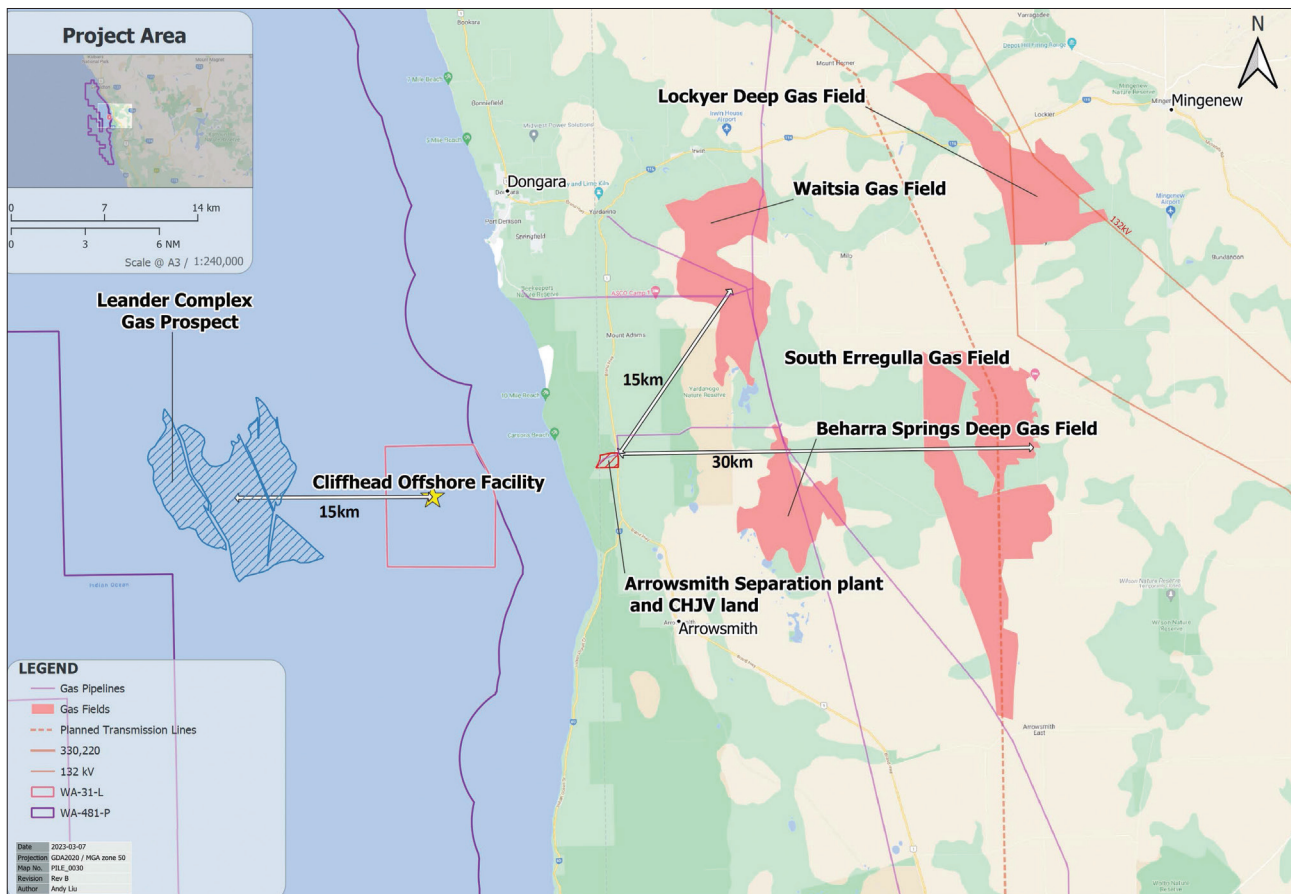


Figure 1. Overview of Pilot's Mid West operations

A. Mid West Clean Energy Project (MWCEP)

During the year Pilot continued development activities for the MWCEP (refer to the Figure 2 below) with the project team progressing foundational elements, including 1) obtaining key regulatory and environmental approvals (continued engagement with NOPTA, Commonwealth and WA governments), 2) preparing for MWCEP FEED entry targeted Q1 2024) and 3) engaging with potential equity participants and offtake customers.

Pilot initiated the MWCEP to leverage the existing Mid West operational asset base (comprising the Cliff Head offshore oil production facility and onshore Arrowsmith separation plant) into the production of clean energy. The Project includes a fully integrated CO₂ Storage operation through the conversion of the operating Cliff Head offshore oil field which will enable the production of blue hydrogen, green hydrogen, and ammonia.

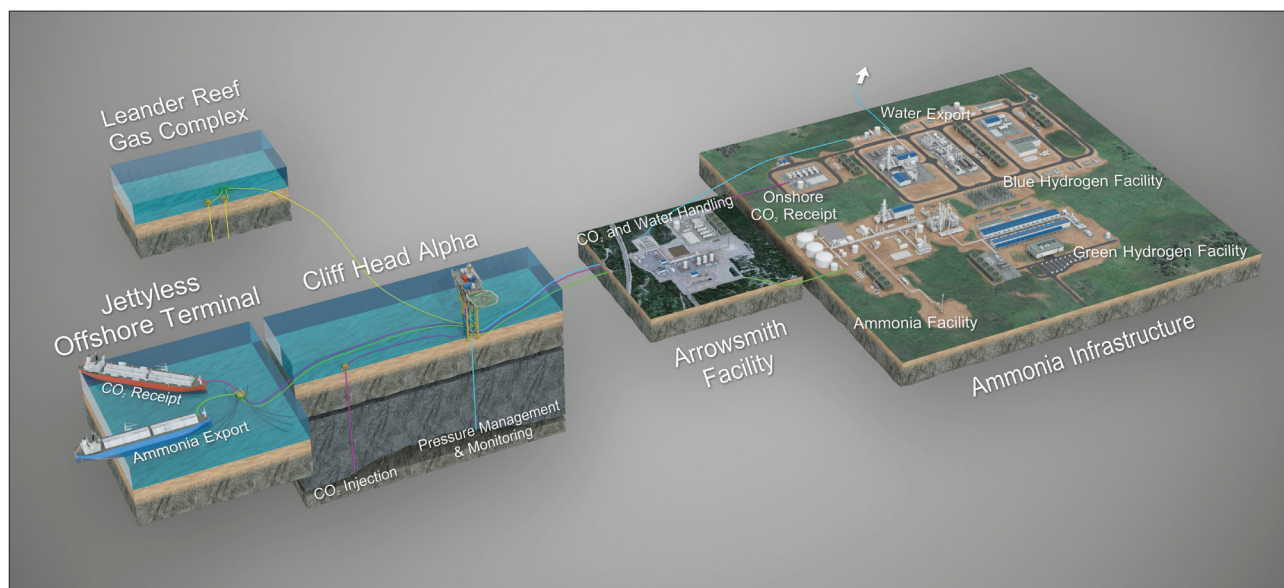


Figure 2. Pilot's MWCEP overview schematic – includes potential gas supply from Leander Complex (subject to ongoing exploration and appraisal success)

The table below shows the status of the key activities currently in progress.

1. Regulatory and environmental approvals	<ul style="list-style-type: none"> Following the application to the Commonwealth offshore regulator NOPTA for the Declaration of a Greenhouse Gas Storage formation in November 2022, there continues to be active engagement with NOPTA. Continued engagement with WA State & Commonwealth governments on the execution and regulatory approval of the project. Continued development of the MWCEP approvals strategy
2. Project partnering & offtake	<ul style="list-style-type: none"> Pilot is now in advanced discussions with several strategic and financial parties to partner in the MWCEP. In this regard, various agreements (refer below) have been entered into to set the framework for participation in the project. Interested parties include those with capacity to participate as an equity participant, ammonia and or CO₂ storage offtake and to act as the project engineering, procurement, and construction contractor. On 31 October 2023 Pilot announced that it had partnered with Samsung C&T Corporation Engineering & Construction Group ('Samsung') and has entered into a non-binding conditional Memorandum of Understanding in relation to the development of the Cliff Head CO₂ Storage Project and the Clean Energy Ammonia Project.
3. MWCEP Governance framework	<ul style="list-style-type: none"> Developing and implementing governance and project management framework based on the Project Management Institute (PMI) principles. Framework includes management plans addressing risks, cost control, schedule, change management, stakeholders, communications, and procurement strategy. The governance framework will be employed throughout the full project lifecycle providing a comprehensive roadmap guiding the project team and stakeholders

Table 1. MWCEP key activity status

B. Carbon Management Services

Pilot’s feasibility studies and ongoing market engagement highlight the significant opportunity to provide carbon management services to domestic and international emitters. Following the entry into arrangements with the two CO₂ capture technology partners, Svante and KC8 and international CO₂ marine transportation and storage solution provider KNCC.

Pilot has led engagement with a number of emitters focusing on industries operating in the Mid West and Kwinana regions of Western Australia. Engagement activities include direct engagement with emitters, Kwinana Industries Council and Pilot presenting to the Kwinana Major Projects conference (August 2023) on the Kwinana to Cliff Head Seaborne CO₂ export and permanent offshore storage opportunity (refer to Kwinana Major Projects Conference - Kwinana to Cliff Head presentation dated 21 August 2023 – pilotenergy.com.au/presentations). The Pilot, KNCC and Svante teams also participated in the Gastech 2023 conference in Singapore broadening the potential scope of customers for the project’s carbon management service.

C. Oil and Gas Operations

i. Cliff Head Oil field, Perth Basin, Western Australia

The Cliff Head Oil Field (**Cliff Head**) is located approximately 270km north of Perth and 10km off the coastal town of Dongara in Western Australia at a water depth of 15-20m. The Production Licence WA-31-L covers 72km² and the oil field covers 6km². It was the first commercial oil discovery developed in the offshore Perth Basin with first oil production commencing in May 2006.

The Cliff Head Joint Venture is effectively held by the following group entities:

- Triangle Energy (Global) Limited (ASX: TEG) (“Triangle”): 78.75%
- Pilot Energy Limited: 21.25%

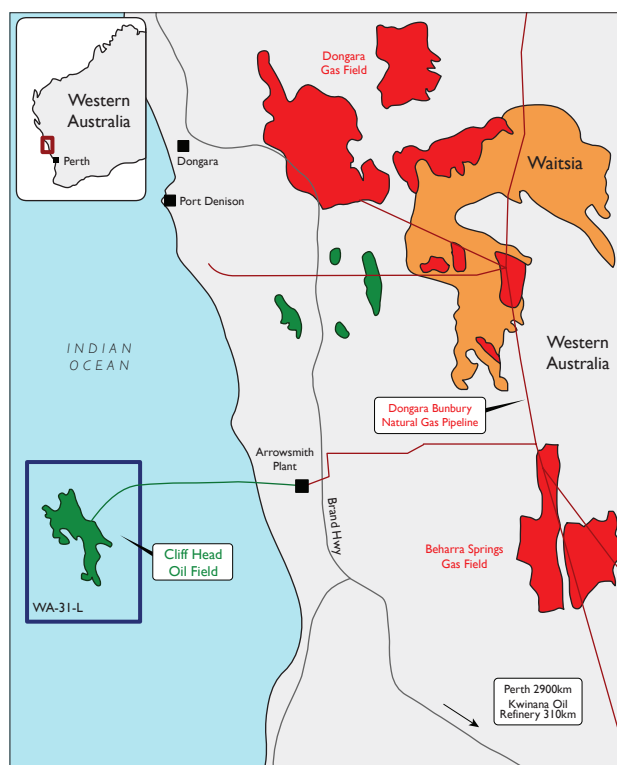


Figure 3. Cliff Head Oil Field Location

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

1. Pilot (via its 100% subsidiary, Royal Energy) holds a 50% interest in Triangle Energy (Operations) Pty Ltd (“TEO”) which itself holds a 42.5% direct interest in WA -31 L and the Cliff Head Oil Field project. In accordance with applicable accounting standards, Pilot accounts for this investment on an equity accounting basis.

Facilities and Infrastructure

The Cliff Head facilities are the only offshore and operational onshore infrastructure in the highly prospective Perth Basin, and are therefore important for any exploration success or development in the surrounding area. An unmanned platform in 15m -20m of water with a 14km pipeline, carries the crude oil to a dedicated stabilisation processing plant at Arrowsmith with a production capacity of 15,000bopd. The Arrowsmith stabilisation processing plant has the capacity to process third party crude.

The production, export and sales route continue to progress smoothly. Oil is produced from the Cliff Head A platform

as shown in Figure 4 below. The crude oil is stored at the Arrowsmith site until the oil storage tanks are filled. Approximately 26,500 barrels of oil is trucked (first loadout) to Geraldton and loaded onto Triangle’s chartered tanker, the AB Paloma. After the first loadout, the tanker anchors off Geraldton until the tanks at ASP are full again. Once ready, the tanker is brought into port for the second time, loaded with a further ~26,000-27,000 barrels (second loadout) and then departs to a refinery / buyer in Asia for a spot market sale. After delivery, payment is generally received within 30 days depending on the individual sales contract.

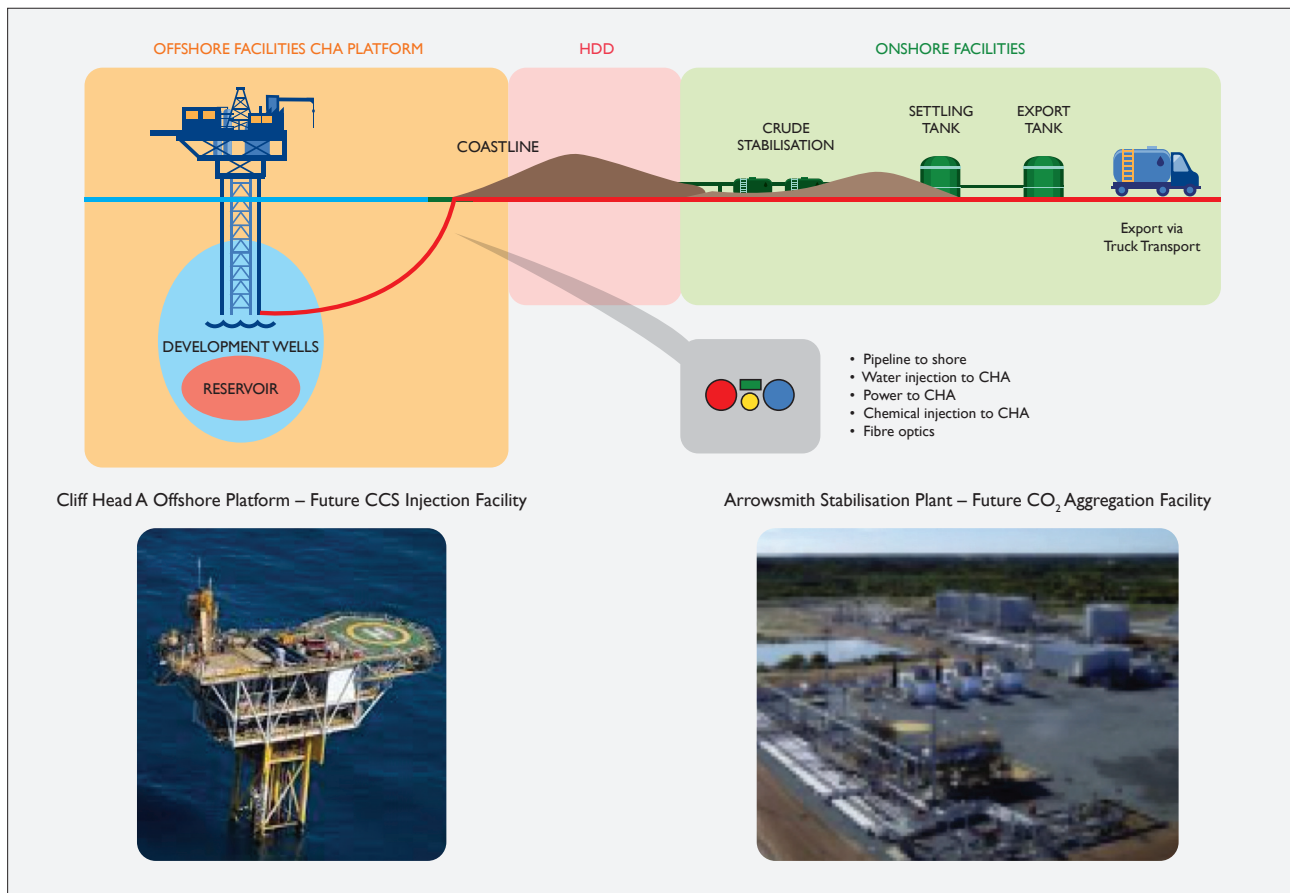


Figure 4. Cliff Head Facilities and Infrastructure

The remotely operated unmanned offshore platform has five production wells and three water injection wells. The two 14km, 250mm diameter pipelines connect the offshore platform to the onshore crude stabilisation plant. The facility operates on a closed loop water re-injection system.

Operations

The key operational statistics for the year ended 30 September 2023 for the CH JV (100% basis) are set out in the table below.

1 October 2022 - 30 September 2023	CHJV (100%)	Pilot (21.25%)
Production (bbls)	216,499	46,006
Average daily production (bopd)	593	126
Sales revenue (bbls)	209,624	44,545
Average oil price received (A\$ per bbl)	114	114
Sales revenue (\$'000)	23,853	5,069
Oil Inventory (11,348 bbls) (\$'000)*	2,089	444
Routine operating costs (\$'000)	(11,165)	(2,373)
Operating Margin (\$'000)	14,777	3,140
Trucking, storage and handling (\$'000)	(13,795)	(2,931)
Routine Profit (\$'000)	982	209
Non-routine operating costs (\$'000)	(3,147)	(669)
Gross Profit (before tax, \$'000)	(2,165)	(460)

Notes:

* Quarterly figures represent a movement in the value of the cumulative barrels stored.

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

*** Pilot (via its 100% subsidiary, Royal Energy) holds a 50% interest in Triangle Energy (Operations) Pty Ltd ("TEO") which itself holds a 42.5% direct interest in WA -31 L and the Cliff Head Oil Field project. In accordance with applicable accounting standards, Pilot accounts for this investment on an equity accounting basis.

Acquisition of Triangle Energy Interest in CHJV

As announced on 27 July 2023, Pilot and Triangle Energy (Global) Limited had revised its existing Sale and Purchase Agreement with Pilot to acquire Triangle's interest in the Cliff Head Joint Venture.

The revised agreement results in Pilot acquiring the remaining 78.75% interest that it does not already hold in the Cliff Head JV via the purchase of Triangle subsidiaries including Triangle Energy (Operations) Pty Ltd (TEO), which is the operator of the Cliff Head Field. The transaction is expected to complete by early in 2024. This agreement supersedes the arrangements under which Pilot was to increase its interest in the Cliff Head Oil Field JV to 60% and become full operator upon receiving National Offshore Petroleum Titles Administrator (NOPTA) approval of a Declaration of Greenhouse Gas Storage Formation covering WA-31L previously announced (see ASX announcement of 6 October 2022).

Existing employees of TEO will continue to work on the Cliff Head field as it transitions from oil production to the CO₂ Storage project.

The consideration to be paid by Pilot to Triangle will be staged as follows:

1. \$3.0 million cash when NOPTA issues Declaration of Greenhouse Gas Storage Formation (that the Cliff Head reservoir is technically suitable for CO₂ injection);
2. \$4.5 million cash when NOPTA issues a Greenhouse Gas Injection License; and
3. Up to \$7.5 million in royalties from the CO₂ sequestration project (2% Revenue Royalty from third party carbon management services)

Completion of the revised agreement is subject to the following conditions precedent:

1. NOPTA issuing the Declaration of a Greenhouse Gas Storage Formation
2. Pilot securing sufficient financial security to satisfy NOPTA and Triangle that it can assume the full abandonment liability for the Cliff Head oilfield in accordance with the Offshore Petroleum and Greenhouse Gas Storage Act 2006.

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

Pilot holds a 100% operated interest in the 8,605km² permit located in shallow waters offshore Western Australia encompassing the Dunsborough oil fields, and Frankland gas field.

The offshore petroleum system within WA-481-P shares many attributes with the Dandaragan Trough, and is potentially a mirror of, and analogous to, the prolific onshore Perth Basin gas discoveries (e.g. Waitsia, Erregulla and Lockyer Deep).

Results of recent technical data set review have focussed on the large Leander Complex gas prospect located 15km west of the Cliff Head oil platform and three oil prospects south of Cliff Head. Within the gas fairway, Pilot is also progressing a review of the resource potential of Harrier, Hawk and other prospects identified on sparse 2D seismic. These have large GIP potential and represent significant follow-up potential to possible future drilling success at Leander. 3D seismic will be required to further de-risk these opportunities prior to drilling.

Pilot's internally assessed prospective resources to date include the Leander Complex gas resource of 450 Bcf and the Babbler, Brahminy and Cliff Head SW oil resources of 41 million barrels. These are in addition to the discovered Dunsborough contingent oil resource (2C) of 6 million barrels, and Frankland contingent gas resource (2C) of 42 Bcf gas also within WA-481-P.

The resulting prospective gas resource estimate of 450 Bcf, on a success case, could potentially provide Pilot with sufficient gas to self-supply over 10 years of blue ammonia production at the Mid West Clean Energy Project. Future production from WA 481P could leverage the proposed Cliff Head CO₂ Storage operations infrastructure to lower the economic volumes required to support incremental oil and gas developments.

Current workstreams being progressed in WA-481-P include:

- Continued technical assessment of other gas (and oil) prospects in the permit, particularly large gas prospects in the vicinity of the Leander Complex.
- Further progressing stakeholder engagement and regulatory approval for Eureka 3D marine seismic survey. A comprehensive Environmental Plan (EP) for the survey is being prepared with lodgement with NOPSEMA now anticipated for January 2024.
- Ongoing farm-out process to secure farm-in partner(s) for the upcoming WA-481-P seismic and future drilling campaigns
- Application to the Regulator has been made for a variation to the work commitment for the permit (400km² of new 3D seismic with PSDM processing to replace current program of 350km² of 3D seismic and 200km² of new 2D seismic, both with PSDM processing). A suspension/extension for the permit was also requested as part of the application to allow sufficient time to acquire the 3D seismic program. At the end of the reporting period, Pilot was awaiting a decision from NOPTA for the application.

D. Reserves and Resources

i. Oil and Gas

The 2022 Cliff Head 2P Reserves assessment was performed by Triangle Energy (Global) Limited, current project operator. This was based upon reservoir engineering analysis of future production based on historical trends (ie decline curve analysis) undertaken in 2022, less production to 30 June 2023*.

Production Licence WA-31-L Cliff Head

Oil Field Developed Reserves (MMstb)		
Cliff Head Oil Field	Gross (100%) 2P	Net to Pilot (21.25%) 2P
30 June 2023 Reserves	0.53	0.11

Source: Page 15 of Tringle Energy (Global) 2023 Annual Report

Pilot notes that during the period 1 July 2023 through to 30 September 2023, 50,148 bbls (Pilot share 10,656 bbls) of oil have been produced.

The Company confirms there are no changes to WA-481-P Contingent Resource information which was previously presented to the market in the Company's ASX Announcement "Resources Update" dated 23 April 2021. The Contingent Resource estimates set out in the following tables are based on the Independent Technical Specialist Report prepared by RISC dated 28 January 2021 relating to the Company's Australian exploration assets.

WA-481-P Contingent Resources

Pilot interest: 100%

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

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

Source: RISC Technical Specialist Report January 2021.

Pilot has internally assessed the prospective gas and oil resources associated in WA-481-P which are in addition to the existing Dunsborough and Frankland contingent gas resources above.

WA-481-P Contingent Gas Resources (Bcf)	
	Prospective Resource (Best estimate)
Leander Complex (Gas)	450 Bcf
Cliff Head SW (Oil)	13 million bbls
Babbler (Oil)	19 million bbls
Brahminy (Oil)	9 million bbls

ii. CO₂ Storage Resource

As reported in the Company's 2022 Annual Report, the Pilot's technical team, along with CO2Tech during 2022, undertook a full technical assessment of the CO₂ storage potential across the WA 31-L tenement area. This work stream expanded key technical models to cover the entire WA 31-L and adjacent area (expanding into Pilot's 100% held WA 481-P exploration licence). Set out below are the results of the Resource Assessment.

This technical data set has supported the CHJV's submission to NOPTA to declare an identified storage formation in November 2022. A further CO2 Tech review of the CO₂ Storage resources is underway and is expected to be finalised during the next quarter.

The CHJV's application (for the Declaration of Formation) is the first application to be made under the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (OPGGGS Act) and the Offshore Petroleum and Greenhouse Gas Storage (Greenhouse Gas Injection and Storage) Regulations 2011 (the Regulations).

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

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

Prospective Storage Resource (million tonnes)			
	1U	2U	3U
WA 481P (Pilot share, 100% basis)	46.2	80.4	144.2

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

E. Tenement Details

The following table summarises Pilot's interest in its Oil and Gas tenements which are also presented on the map below.

Tenement reference	Tenement Location	Interest at beginning of quarter	Interest at end of quarter
WA-31-L ⁱ	Western Australia – Offshore Commonwealth Waters	21.25%	21.25%
WA-481-P	Western Australia – Offshore Commonwealth Waters	100%	100%

i The Company holds a 50% interest in TEO which has a 42.5% direct interest in WA-31L. Subject to restructure as noted in ASX announcement dated 27 July 2023 and summarised in the body of this Report.

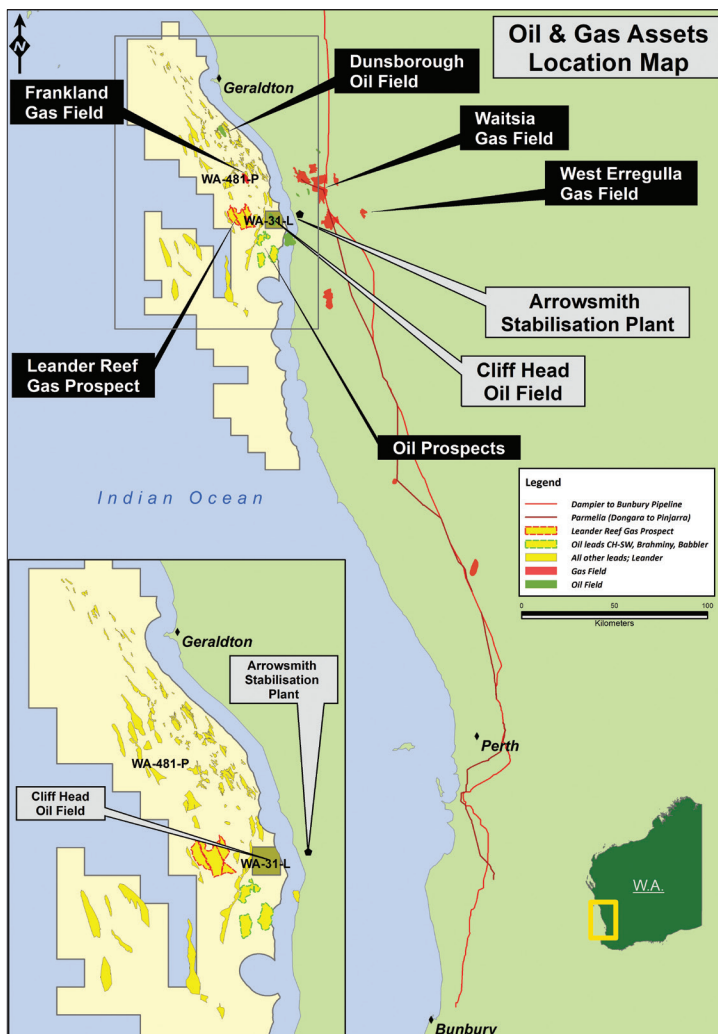


Figure 5. Pilot Oil & Gas Assets Map

F. Competent Person Statement

This report contains information on conventional petroleum resources and CO₂ Storage which is based on and fairly represents information and supporting documentation reviewed by Dr Xingjin Wang, a Petroleum Engineer with over 30 years' experience and a Master in Petroleum Engineering from the University of New South Wales and a PhD in applied Geology from the University of New South Wales. Dr Wang is an active member of the SPE and PESA and is qualified in accordance with ASX listing rule 5.1. He is a former Director of Pilot Energy Ltd and has consented to the inclusion of this information in the form and context to which it appears.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2023

The Directors present their report, together with the financial statements of Pilot Energy Limited and its controlled entities (referred to as Pilot, the Company or the Group), for the financial year ended 30 September 2023.

1 Directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Directors - Current	
Bradley Lingo Executive Chairman Appointed: 12 May 2020	<p>Brad has extensive experience in developing and implementing business strategy to create and maximize value in the Australian and International oil, gas and energy markets. Throughout his 32 year career, Brad has held a number of senior executive roles namely at Drillsearch, Commonwealth Bank of Australia, Sunshine Gas and Epic Energy – all focussed on developing and implementing focussed business development strategies aimed at growing and delivering shareholder value.</p> <p><u>Director's holdings as at date of report</u> 10,000,000 options expiring 4 November 2025 3,500,000 options expiring 18 March 2025</p> <p><u>Other Directorships</u></p> <ul style="list-style-type: none">• PZE Limited (not listed)• Armour Energy Ltd (ASX: AJQ) (resigned 4 April 2022)
Anthony Strasser Managing Director Appointed: 31 May 2021	<p>Tony brings extensive oil and gas company leadership and management experience in both listed and unlisted oil and gas companies. He is a qualified Chartered Accountant with extensive experience in corporate finance, M&A and capital raising with a strong pedigree in project and capital management and corporate governance. He led the Anzon Energy Group to successful IPO's on the ASX and London AIM stock exchange, and was the co-founder of Australian energy companies, Bridgeport Energy Limited and Royal Energy Pty Ltd. Formerly Tony worked in a professional advisory capacity on corporate transactions, due diligence assignments and M&A, having worked in taxation and corporate finance at Arthur Andersen and Coopers & Lybrand respectively.</p> <p><u>Director's holdings as at date of report</u> ⁽¹⁾ 25,266,136 ordinary shares 3,500,000 options expiring 18 March 2025 500,000 options expiring 19 August 2025 500,000 options expiring 25 August 2025 750,000 options expiring 30 April 2026</p>

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

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2023

Directors - Current (continued)

Daniel Chen

Non-executive Director

Appointed: 15 September 2020

Daniel has over 19 years of business, project management and leadership experience, predominantly with Fortune Top 200 companies in port, maritime and logistic industries. He has led several global implementation projects in Asia, Europe and Oceania throughout his career thus far. Highlights include development of the world's first fully automated container terminal, regional procurement responsibilities for an annual spend of USD 200 million, and working with multiple global supply chain providers to reengineer existing processes to improve operational efficiency. Recently, Daniel has advised Orient Energy and Denison Gas in Australia on various corporate initiatives.

Director's holdings as at date of report ⁽²⁾

8,000,000 ordinary shares
2,000,000 options expiring 18 March 2025
500,000 options expiring 19 August 2025
500,000 options expiring 25 August 2025
500,000 options expiring 30 April 2026

Other Directorships

- PZE Limited (not listed)

Bruce Gordon

Non-executive Director

Appointed: 31 May 2021

Bruce is a corporate finance and corporate audit specialist with over 26 years' experience acting for, and advising, ASX and international and Asia/Pacific companies. He has extensive knowledge in public accounting, financial reporting and corporate governance. Previously Bruce held positions as the Lead Partner of the BDO National Corporate Finance Team and the BDO East Coast Partnership Corporate Finance Team, the Leader of the BDO East Coast Partnership Natural Resources Team, a member of BDO's National Natural Resources Team and the Business Development Team. Bruce is a Fellow of Chartered Accountants Australia and New Zealand and Fellow of The Australian Institute of Company Directors.

Director's holdings as at date of report ⁽³⁾

6,000,000 ordinary shares
2,000,000 options expiring 18 March 2025
325,000 options expiring 25 August 2025
250,000 options expiring 30 April 2026

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

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

2 Company Secretary

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

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2023

3 Director's Meetings

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Full meetings of directors	
	Number of meetings attended	Number of meetings eligible to attend
Bradley Lingo (appointed 12/05/2020)	9	9
Anthony Strasser (Appointed 31/05/2021)	9	9
Daniel Chen (appointed 15/09/2020)	9	9
Bruce Gordon (appointed 31/05/2021)	9	9

- The audit & risk committee comprises Bruce Gordon (Chairman) and Daniel Chen.
- All other functions including finance, remuneration, nomination, risk management and environmental functions are handled by the full Board of Directors of the Company.

4 Principal Activities

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

Pilot is currently engaged in oil and gas production, development and exploration activities and is pursuing the diversification and transition to the development of carbon management projects, hydrogen and integrated renewable energy by leveraging its existing oil and gas tenements and infrastructure to cornerstone these developments.

There were no significant changes in the nature of the Group's principal activities during the financial year.

5 Operating Results and Financial Review

Operating and financial review

Information on the operations and financial position of the Group and its strategies and prospects is set out in the Review of Operations at the beginning of this Annual Report.

The consolidated loss of the Group amounted to \$4,191,149 (2022: loss of \$2,709,823).

6 Significant Changes in State of Affairs

In the opinion of the Directors, there were no matters that significantly affected the state of affairs of the Group during the financial year, other than those matters referred to in the review of operations report.

7 Dividends

The Directors recommend that no dividend be provided for the year ended 30 September 2023 (2022: Nil).

8 Environmental Issues

The Group is subject to significant environmental regulation in relation to its exploration activities. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

Pilot Energy Limited and Controlled Entities

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Directors' Report

30 September 2023

9 Events After the Reporting Date

Refer to Note 31 to the Financial Statements.

10 Indemnification and Insurance of Officers and Auditors

During the financial year, the Company incurred an insurance premium of \$27,740 (2022: \$27,170) to insure the Directors and key management of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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

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

11 Likely Developments and Expected Results

The Group will continue to pursue its business plans as noted in section 4 above.

12 Capital Structure

(i) Ordinary Shares

At the balance date of this report, total ordinary shares on issue total 1,037,557,606. Details of all share issues during the year are set out in Note 19 to the Financial Statements.

(ii) Unissued shares under options

At the balance date of this report, there are 282,543,695 unissued ordinary shares under option. Details of share options are set out in Note 19 to the Financial Statements

- All unissued shares are ordinary shares of the Company.
- These options do not entitle the holder to participate in any share issue of the Company.
- Further details in relation to the share-based payments to directors are included in the Remuneration Report.

Shares issued on exercise of options

During the year ended 30 September 2023, 17,653,847 shares were issued as a result of the exercise of options.

Options Expired

During the year ended 30 September 2023, 54,212,092 options expired (2022: nil expired).

13 Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Pilot Energy Limited and Controlled Entities

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Directors' Report

30 September 2023

14 Remuneration Report - Audited

The Directors are pleased to present your Company's 2023 Remuneration Report prepared in accordance with the *Corporations Act 2001*. The Report sets out the detailed remuneration information for Pilot Energy's Non-executive Directors, Executive Directors and other Key Management Personnel (KMP) of the Group. The remuneration disclosures in this Report cover the following persons:

	Position	Date Appointed	Date Resigned
Bradley Lingo	Executive Chairman	12 May 2020	-
Anthony Strasser	Managing Director	31 May 2021	-
Daniel Chen	Non-executive Director	15 September 2020	-
Bruce Gordon	Non-executive Director	31 May 2021	-
Nick Watson	GM Corporate Development	1 July 2023	-

The Report contains the following sections:

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

(a) Remuneration Governance

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

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2023

14 Remuneration Report - Audited (continued)

(b) Executive remuneration strategy and framework

Remuneration is referred to as compensation in this report.

Compensation levels for key management personnel of the Group are set to attract, retain and motivate appropriately qualified and experienced Directors and Executives. As the Group's principal activities during the year were new ventures and exploration / evaluation, measurement of remuneration policies against financial performance is not considered relevant. The measurement of remuneration policies considered a range of factors including budget performance, delivery of results and timely completion of development programmes.

The objective of the Group's reward framework is to ensure that remuneration policies and structures are fair and competitive. The Board ensures that remuneration satisfies the following criteria for reward:

- competitiveness and reasonableness;
- transparency;
- attracts and retains high calibre executives; and
- rewards capability and experience.

Executive remuneration mix

The remuneration of the Managing Director and other KMP was structured as a mix of fixed remuneration and variable "at risk" remuneration through short-term and long-term incentive components.

Fixed compensation

Fixed compensation consists of base compensation plus employer contributions to superannuation funds (unless otherwise stated). Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group and compares compensation to ensure it is comparable and competitive within the market in which the Group operates.

Fixed compensation is not "at risk" but is appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

Performance-linked compensation

Performance-linked compensation consists of both short-term and longer-term remuneration. Performance-linked remuneration is not based on specific financial indicators such as earnings or dividends as the Group is at the exploration and development stage. Vesting of long term incentives is based on the market conditions, which is considered an appropriate measure of the outcome of overall performance. There is no separate profit-share plan.

Short-term incentive

Short term incentives (STI) reward employees for their individual achievements and contributions to business success and organisation outcomes during the financial year. STI's are a variable reward and are not guaranteed.

Each year, the Board considers the appropriate targets and Key Performance Indicators (KPI's) to link the STI and the level of payout if targets are met. This includes capping the maximum payout under the STI scheme and determining the minimum levels of performance to trigger payment of the STI's. Depending upon the level of management, KPI's include the following:

- competitiveness and reasonableness;
- transparency;
- attracts and retains high calibre executives; and
- rewards capability and experience.

Long-term incentive

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

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2023

14 Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

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

(i) *Performance Rights*

There were no new performance rights granted as remuneration to directors and key management during the reporting period.

(ii) *New options*

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

(iii) *Vested options*

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

(iv) *Expired options or forfeited*

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

Consequences of performance on shareholder wealth

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

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

Shareholder returns	2023	2022	2021	2020	2019
Net (loss) / profit attributable to equity holders (\$)	(4,191,149)	(2,709,823)	(3,828,787)	(889,388)	(661,640)
Basic (loss) / earnings per share (cents)	(0.49)	(0.52)	(1.43)	(1.00)	(0.83)
Share price at year end	0.025	0.018	0.055	0.034	0.031
Market capitalisation (\$)	25,938,940	11,005,881	27,588,094	3,601,585	2,463,590
Net tangible assets / (liabilities) (NTA) (\$) ⁽¹⁾	11,867,198	10,202,006	11,958,456	(1,229,949)	(641,838)
NTA Backing (cents)	0.011	0.016	0.024	(0.012)	(0.008)

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

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

(c) Board and management changes

Mr Nick Watson was appointed GM Corporate Development on 1 July 2023. There were no other changes to the Board or management during the year.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2023

14 Remuneration Report – Audited (continued)

(d) Service contracts

On appointment to the Board, all non-executive directors enter into a consultancy agreement with the Group in the form of a contract of appointment. The contract summarises the Board's policies and terms, including compensation, relevant to the officer or director.

Executive remuneration and other terms of employment are formalised in service agreements. The service agreements outline the components of compensation paid to key management personnel (KMPs) but do not prescribe how compensation levels are modified year by year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performance by KMPs and any changes required to meet the principles of the compensation policy.

The major provisions of the agreements relating to remuneration are set out below:

Name	Term of agreement	KMP notice period	Company notice period	Base salary ⁽¹⁾	Termination Benefit ⁽²⁾
Mr Bradley Lingo ⁽³⁾	Ongoing from 1 October 2023	6 months	12 months	\$500,000	12 months' base salary
Mr Anthony Strasser	Ongoing from 1 January 2023 ⁽⁴⁾	2 months	2 months	\$389,057	10 months' base salary
Mr Daniel Chen	Ongoing from 1 January 2024	1 month	1 month	\$100,000	1 months' base salary
Mr Bruce Gordon	Ongoing from 1 January 2024	1 month	1 month	\$100,000	1 months' base salary
Mr Nick Watson	Ongoing from 1 July 2023	3 months	3 months	\$420,000	-

(1) The base salary figures do not include superannuation.

(2) Termination benefits are payable upon early termination by the Group, other than for gross misconduct.

(3) As part of Mr Lingo's employment services contract, there is an Over-Riding Royalty Interest (ORRI) over the anticipated clean energy projects. In September 2022, the Board approved the ORRI agreement which provides for a 2% royalty of the gross revenue from all Sale Agreements with Greenslate Energy Pty Ltd (a related entity of Mr Lingo) relating to the Mid West Clean Energy project.

(4) Mr Strasser's salary increases by CPI at the beginning of each calendar year.

(e) Non-executive director remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the full Board of Directors at this time.

The current base fees were last reviewed with effect from 1 October 2023. The fees approved by the Board are exclusive of the statutory superannuation amount.

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

In addition to their base fees, non-executive directors may also receive payment for consultancy services at the lesser of \$200 per hour or \$1,500 per day plus any reimbursable expenses.

The Chairman's fees are determined independently to the fees paid to the non-executive directors, based on comparative roles in the external market.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Report

30 September 2023

14 Remuneration Report – Audited (continued)

(f) Key Management Personnel Remuneration

Name		Short-term benefits			Other long-term benefits	Share based payments			Total	Fixed Remuneration %	Performance based %
		Salary and fees (A)	Short term incentive bonus (B)	Non-monetary benefits (C)	Superannuation	Shares (D)	Rights (D)	Options (D)			
Executive Directors											
Bradley Lingo (appointed 15/05/2020)	2023	378,415	120,000	-	27,965	-	-	-	526,380	77%	23%
	2022	333,300	100,000	-	38,910	-	-	2,611	474,821	78%	22%
Anthony Strasser (appointed 31/05/2021)	2023	386,014	70,000	-	30,069	-	-	-	486,083	86%	14%
	2022	368,244	90,000	-	36,753	-	-	2,611	497,608	81%	19%
Sub-total executive directors' remuneration	2023	764,429	190,000	-	58,034	-	-	-	1,012,463	81%	19%
	2022	701,544	190,000	-	75,663	-	-	5,222	972,429	80%	20%
Non-Executive Directors											
Daniel Chen (appointed 15/09/2020)	2023	150,000	-	-	15,937	-	-	-	165,937	100%	-
	2022	150,000	-	-	15,437	-	-	1,492	166,929	99%	1%
Bruce Gordon (appointed 31/05/2021)	2023	75,522	10,000	-	-	-	-	-	85,522	88%	12%
	2022	71,500	-	-	-	-	-	1,492	72,992	98%	2%
Sub-total non-executive directors' remuneration	2023	225,522	10,000	-	15,937	-	-	-	251,459	96%	4%
	2022	221,500	-	-	15,437	-	-	2,984	239,921	99%	1%
GM Corporate Development											
Nick Watson (appointed 01/07/2023)	2023	319,760	-	-	-	125,000	-	-	444,760	72%	28%
	2022	-	-	-	-	-	-	-	-	-	-
Sub-total GM Corporate Development	2023	319,760	-	-	-	125,000	-	-	444,760	72%	28%
	2022	-	-	-	-	-	-	-	-	-	-
Total Key Management Remuneration											
	2023	1,309,711	200,000	-	73,971	125,000	-	-	1,708,682	81%	19%
	2022	923,044	190,000	-	91,100	-	-	8,206	1,212,350	84%	16%

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Report 30 September 2023

14 Remuneration Report – Audited (continued)

(g) Other KMP disclosures *KMP option holdings*

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

	Held at 1 October 2022	Held on Appointment or (resignation)	Options Granted/ Acquired	Options expired	Held at 30 September 2023	Vested during the year	Vested and Exercisable at 30 September 2023
Executive directors							
Bradley Lingo	13,500,000	-	-	-	13,500,000	3,500,000	13,500,000
Anthony Strasser ⁽¹⁾	4,000,000	-	1,250,000	-	5,250,000	5,250,000	5,250,000
Non-executive directors							
Daniel Chen ⁽²⁾	2,500,000	-	1,000,000	-	3,500,000	3,500,000	3,500,000
Bruce Gordon ⁽³⁾	2,000,000	-	575,000	-	2,575,000	2,575,000	2,575,000
Other KMP							
Nick Watson ⁽⁴⁾	-	3,000,000	-	-	3,000,000	3,000,000	3,000,000

KMP shareholdings

	Held at 1 October 2022	Held on Appointment or (resignation)	Issued/ (Disposed)	Held at 30 September 2023
Executive directors				
Bradley Lingo	-	-	-	-
Anthony Strasser ⁽¹⁾	22,766,136	-	2,500,000	25,266,136
Non-executive directors				
Daniel Chen ⁽²⁾	6,000,000	-	2,000,000	8,000,000
Bruce Gordon ⁽³⁾	4,850,000	-	1,150,000	6,000,000
Other KMP				
Nick Watson ⁽⁴⁾	-	9,459,295	4,573,247	14,032,542

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

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

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

(4) held in related entity Watsonno1 Pty Ltd and Castle Rock Energy Pty Ltd

THIS IS THE END OF THE REMUNERATION REPORT - AUDITED

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Report

30 September 2023

15 Lead Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included in the financial report.

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

16 Corporate Governance Statement

The company's corporate governance practices and policies have been made publicly available on the company's website at <https://www.pilotenergy.com.au/corporate-governance>.



Bradley Lingo
Executive Chairman

Dated at Sydney, New South Wales this 15th December 2023.



**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE
CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF PILOT ENERGY LIMITED ABN 86 115 229 984
AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 September 2023 there have been no contraventions of:

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

MNSA PTY LTD
MNSA Pty Ltd

Allan Facey
Director

Sydney
15th December 2023

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 September 2023

	Note	2023 \$	2022 \$
Revenue from continuing operations	4	421,082	425,761
R&D Tax Incentive		1,101,113	-
Administrative expenses		(732,427)	(523,252)
Amortisation	12	(86,433)	(34,080)
Depreciation	13	-	(2,891)
Employee benefits expense		(1,509,514)	(1,823,444)
Professional fees		(603,823)	(873,389)
Finance expenses	5	(103,408)	(420)
Share of (loss)/profit of associate	7	(850,358)	2,352,885
Impairment	14,15	(514,205)	(1,715,000)
Share based payments expense	21	(1,303,486)	(497,182)
Foreign exchange losses		(9,690)	(18,811)
Loss before income tax		(4,191,149)	(2,709,823)
Income tax expense	8	-	-
Loss from continuing operations		(4,191,149)	(2,709,823)
Loss from discontinued operations		-	-
Loss for the year		(4,191,149)	(2,709,823)
Total comprehensive loss for the year		(4,191,149)	(2,709,823)
Loss per share (cents per share)			
<u>From continuing operations</u>			
Basic and diluted	22	(0.49)	(0.52)

The accompanying notes form part of these financial statements.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Consolidated Statement of Financial Position As at 30 September 2023

	Note	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	1,661,320	2,015,333
Trade and other receivables	11	208,783	223,751
TOTAL CURRENT ASSETS		<u>1,870,103</u>	<u>2,239,084</u>
NON-CURRENT ASSETS			
Trade and other receivables	11	744,439	78,409
Right-of-use-asset	12	172,866	250,909
Property, plant and equipment	13	-	-
Investment in associate	14	-	850,358
Cliff Head and other non-current assets	3	10,691,947	7,162,117
Exploration, evaluation and development assets	15	2,513,012	1,678,662
TOTAL NON-CURRENT ASSETS		<u>14,122,264</u>	<u>9,961,880</u>
TOTAL ASSETS		<u>15,992,367</u>	<u>12,259,538</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	541,740	1,339,061
Employee benefits	17	364,567	216,654
Financial liabilities	18	97,072	58,574
TOTAL CURRENT LIABILITIES		<u>1,003,379</u>	<u>1,614,289</u>
NON-CURRENT LIABILITIES			
Financial liabilities	18	2,948,924	192,335
TOTAL NON-CURRENT LIABILITIES		<u>2,948,924</u>	<u>192,335</u>
TOTAL LIABILITIES		<u>3,952,303</u>	<u>1,806,624</u>
NET ASSETS		<u>12,040,064</u>	<u>10,452,915</u>
EQUITY			
Issued capital	19	67,840,072	62,422,575
Reserves	20	609,866	249,930
Accumulated losses		(56,409,874)	(52,219,590)
TOTAL EQUITY		<u>12,040,064</u>	<u>10,452,915</u>

The accompanying notes form part of these financial statements.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Consolidated Statement of Changes in Equity For the Year Ended 30 September 2023

	Ordinary Shares	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
2023				
Balance at 1 October 2022	62,422,575	(52,219,590)	249,930	10,452,915
Loss attributable to members of the parent entity	-	(4,191,149)	-	(4,191,149)
Transactions with owners in their capacity as owners				
Shares issued during the year	4,199,750	-	-	4,199,750
Options issued during the year	-	-	187,253	187,253
Options exercised during the year	353,077	-	(37,276)	315,801
Options expired during the year	-	865	(865)	-
Equity-based compensation	1,250,647	-	52,839	1,303,486
Convertible notes issued during the year	-	-	157,985	157,985
Capital Raising Costs	(385,977)	-	-	(385,977)
Balance at 30 September 2023	67,840,072	(56,409,874)	609,866	12,040,064
2022				
Balance at 1 October 2021	60,580,248	(49,509,767)	1,785	11,072,266
Loss attributable to members of the parent entity	-	(2,709,823)	-	(2,709,823)
Transactions with owners in their capacity as owners				
Shares issued during the year	1,479,707	-	-	1,479,707
Options issued during the year	-	-	98,583	98,583
Options exercised during the year	15,000	-	(865)	14,135
Equity-based compensation	347,620	-	150,427	498,047
Balance at 30 September 2022	62,422,575	(52,219,590)	249,930	10,452,915

The accompanying notes form part of these financial statements.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Consolidated Statement of Cash Flows For the Year Ended 30 September 2023

	2023	2022
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	304,246	519,986
R&D tax incentive	1,101,113	-
Payments to suppliers and employees	(4,207,629)	(3,188,025)
Interest received	24,777	34,852
Interest paid	(8,129)	(477)
Net cash used in operating activities	30 <u>(2,785,622)</u>	<u>(2,633,664)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for loan to associate	(431,500)	571,089
Payments for carbon capture projects	(1,921,422)	(1,338,788)
Payments for wind and solar expenditure	(175,000)	(1,023,413)
Payments for capitalised exploration, evaluation and development	(2,033,420)	(608,864)
Payments for land	(225,000)	-
Net cash used in investing activities	<u>(4,786,342)</u>	<u>(2,399,976)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares and options	4,552,827	1,715,000
Payments for capital raising	(236,000)	(121,710)
Proceeds from borrowings – convertible notes	3,000,000	-
Convertible note interest	(92,111)	-
Net cash provided by financing activities	<u>7,224,716</u>	<u>1,593,290</u>
Net decrease in cash and cash equivalents held	(347,248)	(3,440,350)
Effect of exchange rate fluctuations on cash held	(6,765)	264
Cash and cash equivalents at beginning of year	2,015,333	5,455,419
Cash and cash equivalents at end of financial year	10 <u>1,661,320</u>	<u>2,015,333</u>

The accompanying notes form part of these financial statements.

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Notes to the Financial Statements

For the Year Ended 30 September 2023

The financial report covers Pilot Energy Limited and its controlled entities ('the Group'). Pilot Energy Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

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

The financial report was authorised for issue by the Directors on 15th December 2023.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Summary of Significant Accounting policies

(a) Basis for Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity.

(b) Going Concern

The Directors have prepared the financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has a working capital surplus of \$866,724 (2022: surplus of \$624,795) and net cash outflow for the 30 September 2023 financial year of \$347,248 (2022: outflow of \$3,440,350). The Group incurred a loss for the year of \$4,191,149 (2022: loss of \$2,709,823) and has net operating cash outflow for the year of \$2,785,622 (2022: outflow of \$2,633,664).

The Directors are aware that the Group's ability to continue as a going concern, and to fund its exploration, evaluation and development activities and project costs may require the Group securing further working capital sourced from one or more of the following alternatives in addition to its current cash reserves:

- Capital market raising such as:
 - Private placement
 - Entitlements issue
 - Share purchase plan
- Borrowings from related or third parties;
- Investments / partnership arrangements from strategic investors;
- Farming out assets to reduce future expenditure obligations.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

2 Summary of Significant Accounting policies (continued)

(b) Going Concern (continued)

The 2023 year has seen the Company's flagship Mid West Clean Energy Project (MWCEP) transition from completing full feasibility studies to early stage project development with a key focus on concluding partnering arrangements and project funding. Over the past year the Company has been focused on three key areas:

- securing regulatory approvals for the Project, including the submission in November 2022 to the National Offshore Petroleum Titles Administrator (NOPATA) of the first ever Application for Approval of Declaration of Formation – the first approval stage to use the existing Cliff Head oil field for permanent CO2 storage
- bringing partners into the project to assist in both funding and executing the Project.
- securing commercial offtake arrangements for the project for both Clean Ammonia supply and CO2 storage service.

These developments with regards the MWCEP, together with corporate progress on arrangements with Triangle Energy (Global) Limited to acquire their interest in the CHJV, as well as successful capital raisings during the past eighteen months, gives the directors comfort regarding the Company's development plans and its ability to meet ongoing funding requirements.

The Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs if necessary. The Directors are therefore of the opinion that the use of going concern basis is appropriate.

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

(c) New Accounting Standards and Interpretations

International Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 September 2023.

The adoption of these new and revised Standards and Interpretations will not have an impact on the financial position or performance of the Group.

(d) Critical Accounting Estimates and Judgements

Key estimates

(i) *Impairment*

The group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgements

(i) *Exploration, evaluation and development expenditure (oil and gas)*

The Group capitalises expenditure relating to exploration, evaluation and development where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

(ii) *Cliff Head and other projects*

Pilot is also engaged in pursuing carbon management projects utilising the Cliff Head infrastructure, as well as the transition to the development of integrated renewable energy including hydrogen and other carbon management projects by leveraging its existing oil and gas tenements and infrastructure to cornerstone these developments.

The Group is undertaking feasibility studies in relation to these projects and in this regard, all related expenditure will be capitalised where it is considered likely to be recoverable or where the activities have not reached a stage where a reasonable assessment of the viability of the projects can be determined.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

2 Summary of Significant Accounting policies (continued)

(d) Critical Accounting Estimates and Judgements (continued)

(iii) *Cashflow Projections*

Management estimates its cashflow projections based on information available to management at that time and projections are revised on a rolling basis to ensure they are relevant and realistic. Cashflow projections require the use of assumptions when estimating the timing of the payments of forward estimates. The actual performance of the business may be materially different to that projected due to factors which were not foreseeable or controllable by management at the time the original estimates were prepared.

(iv) *Share-based payment transactions*

The consolidated group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes valuation model taking into account the terms and conditions upon which the instruments were granted. The inputs to the Black-Scholes valuation model include the share price at grant date, exercise price, the term of the right, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right. The accounting estimates and assumptions relating to equity-settled share-based payments, most significantly the volatility assumption, would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(v) *Uncertainty over tax provision*

The group has used its best estimate in instances where accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment.

(vi) *Employee benefits*

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(e) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

2 Summary of Significant Accounting policies (continued)

(f) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of goods and service tax (GST) except:

- (i) where the amount of GST incurred is not recoverable from the relevant taxation authority.
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities is classified as operating cash flows.

(g) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current assessments of the time value of money and, where appropriate, specific risks to the liability. Increases in the provision from the passage of time is recognised in finance costs.

(h) Joint Venture Interests

An interest in a joint venture operation is brought to account by including in the respective financial statement categories:

- the consolidated entity's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture including the economic entity's share of any liabilities for which the consolidated entity is jointly and/or severally liable; and
- the consolidated entity's share of expenses of the joint venture.

Farmouts

The Group ("farmor") has recognised one of its joint venture arrangements in EP-480 with AET ("farmee") as a farmout arrangement. The farmor uses the carrying amount of the interest before the farmout as the carrying amount of the portion of the interest retained, credits any cash consideration received against the carrying amount, with excess included as a gain in profit or loss. The farmor does not record exploration expenditures on the exploration tenements and licences made by the farmee.

(i) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

2 Summary of Significant Accounting policies (continued)

(j) Research and Development

Costs associated with maintaining research and development programs are recognised as an expense as incurred. Research and development costs that are directly attributable to the design and testing of identifiable and unique products and or processes controlled by the group are recognised as intangible assets where the following criteria are met:

- it is feasible to complete the research and development so that the end product or process will be available for use;
- management intends to complete the research and development and use or sell the product or process;
- there is an ability to use or sell the research and development expenditure;
- it can be demonstrated how the research and development of the product or process will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development expenditure are available; and
- the expenditure incurred during research and development can be reliably measured.

Directly attributable costs that are capitalised as part of the research and development include employee costs and an appropriate portion of relevant overheads.

Capitalised research and development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3 Cliff Head and Other Non-Current Assets

Accounting Policy

Cliff Head and Other Non-Current Assets

The asset, Cliff Head, was recognised as a result of a Business Combination. The asset was measured at fair value at the date of acquisition as probable that associated future economic benefits would flow to the Group.

Expenditure incurred relating to the MWCEP (including feasibility costs and pre-FEED development costs) is recognised in the Statement of Financial Position for each Project, or separately identifiable asset, when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. The assessment of probability attaching to the flow of economic benefits is made on the basis of the evidence available when the expenditure is incurred.

Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure but does not include general overheads or administrative expenditure not having a specific connection to a particular project.

	2023	2022
	\$	\$
Cliff Head	3,619,120	3,619,120
MWCEP*	5,767,738	2,457,519
Wind and Solar Feasibility Expenditure	1,305,089	1,085,478
Total Cliff Head and Other Non-Current Assets	10,691,947	7,162,117

*Mid-West Clean Energy Project

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

4 Revenue from Continuing Operations

	2023	2022
	\$	\$
Revenue from related parties	394,299	350,154
Other income	-	20,800
Interest	26,783	54,807
Total Revenue	421,082	425,761

5 Finance Expenses

	2023	2022
	\$	\$
Interest	103,408	420
Total finance expenses	103,408	420

6 Impairment of Assets

Accounting Policy

The Directors assess at each reporting date whether there is an indication that an asset has been impaired.

Impairment

The Directors assess at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are impaired when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount.

Associates

The requirements of AASB 128: *Investments in Associates and Joint Ventures* and AASB 9: *Financial Instruments* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136: *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Cliff Head and other non-current assets

An impairment test is carried out on the assets by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. The assessment includes considerations of external and internal sources of information for indicators of impairment. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

7 Share of Profit/(Loss) of Associate

Accounting Policy

Interests in associates, where the investor has significant influence over the investee, are accounted for using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

The Group has a 21.25% equity interest in the Cliff Head Oil Field through 50% interest in Triangle Energy (Operations) Pty Ltd (TEO), the operator and owner of 42.5% joint venture interest in the Cliff Head Oil Field.

	2023		2022	
	TEO	Pilot Energy Portion (50%)	TEO	Pilot Energy Portion (50%)
	\$	\$	\$	\$
Total Share of Profit / (Loss) of Associate for the year	(3,165,717)	(850,358)*	4,705,768	2,352,885

*Loss attributable to Pilot has been capped at available equity.

8 Income Tax Expense

Accounting Policy

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

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

Deferred Income Tax Assets relating to temporary differences, carry forward of unused tax assets and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

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

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

(a) Amounts recognised in profit or loss:

	2023	2022
	\$	\$
Current tax benefit		
Current period	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Total income tax benefit	-	-

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 September 2023

8 Income Tax Expense (continued)

(b) Reconciliation of effective tax rate

	2023	2022
	\$	\$
Loss for the period	(4,191,149)	(2,709,823)
Applicable Group domestic income tax rate	25%	25%
Loss excluding income tax	<u>(4,191,149)</u>	<u>(2,709,823)</u>
Add:		
Tax effect of:		
- Income tax using the Group's domestic tax rate of 25% (2022: 25%)	(1,047,787)	(677,456)
- non-deductible expenses	-	-
- Tax losses carried forward and other timing differences not brought to account	<u>1,047,787</u>	<u>677,456</u>
Income tax expense	<u>-</u>	<u>-</u>

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits up to \$11,338,709 (2022: \$10,290,922) attributed to tax losses have not been brought to account.

The benefit of these tax losses will only be obtained if:

- i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- ii) the conditions for the deductibility imposed by tax legislation continue to be complied with;
- iii) no changes in tax legislation adversely affect the Group in realising the benefit; and
- iv) satisfaction of either the continuity of ownership or the same business.

(c) Unrecognised deferred tax assets:

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

	2023	2022
	\$	\$
Deferred tax assets (DTAs)		
Share issue costs	96,494	28,509
Exploration expenditure	1,091,045	74,395
Carry forward tax losses	11,338,709	10,185,826
Other	-	2,192
DTAs not brought to account	<u>12,526,248</u>	<u>10,290,922</u>

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

9 Operating Segments

Information about reportable segments

Pilot is a junior oil and gas exploration and production company that is pursuing the diversification and transition to the development of carbon management projects, production of hydrogen and clean ammonia for export to emerging APAC Clean Energy markets. Pilot intends to leverage its existing oil and gas operations and infrastructure to cornerstone these developments.

Therefore at this time, the Group has not identified additional operating segments in assessing performance and determining the allocation of resources.

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

- having the same ownership structure; and
- exploration programs targeting the tenements as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the tenements.

Unless otherwise stated, all amounts reported with respect to operating tenements, are determined in accordance with *AASB 8 Operating Segments*. Information provided to the Board of Directors is consistent with information presented in the Consolidated Statement of Profit or Loss and Consolidated Statement of Financial Position respectively.

10 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

	2023	2022
	\$	\$
Cash at bank and in hand	1,661,320	2,015,333
	<u>1,661,320</u>	<u>2,015,333</u>

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

11 Trade and Other Receivables

Accounting Policy

Trade receivables are recognised initially at the value of the invoice sent to the counter-party and subsequently at the amounts considered recoverable (amortised cost). Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding charge to the consolidated statement of profit or loss.

	2023	2022
<i>Current</i>	\$	\$
Trade Debtors	150,405	-
GST	51,482	155,741
Amounts Rechargeable to TEO	-	58,815
Prepayments	6,896	9,195
Total current trade and other receivables	208,783	223,751
<i>Non-Current</i>		
Deposits	310,933	78,409
Loan to TEO	433,506	-
Total non-current trade and other receivables	744,439	78,409

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

12 Right-of-use Assets

Accounting Policy

AASB 16 requires a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

The right of use asset and lease liability is recorded on the balance sheet in respect of the Group's portfolio of property leases, currently accounted for as operating leases.

	2023	2022
	\$	\$
Right-of-use asset		
Opening right-of-use asset	250,909	34,080
Amortisation charge for the year	(86,433)	(34,080)
Additions	8,390	250,909
Closing right-of-use asset	172,866	250,909

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

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

13 Property, Plant and Equipment

Accounting Policy

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset

	2023	2022
	\$	\$
Furniture at cost	163	163
Accumulated depreciation	(163)	(163)
Total Furniture	-	-
Office equipment at cost	3,047	1,340
Additions	-	1,707
Total Office equipment at cost	3,047	3,047
Accumulated depreciation	(3,047)	(1,692)
Depreciation charge for year	-	(1,355)
Total Office Equipment	-	-
Computers at cost	6,270	6,270
Additions	-	-
Total Computers at cost	6,270	6,270
Accumulated depreciation	(6,270)	(4,734)
Depreciation charge for year	-	(1,536)
Total Computers	-	-
Total Property, Plant and Equipment	-	-
Reconciliation of Property, Plant and Equipment		
Property, Plant and Equipment acquired through Royal Energy Pty Ltd	-	2,891
Additions during the year	-	-
Depreciation during year	-	(2,891)
Total, Property, Plant and Equipment	-	-

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

14 Investment in Associate

Accounting Policy

Interests in associates, where the investor has significant influence over the investee, are accounted for using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

The Group has a 21.25% equity interest in the Cliff Head Oil Field through 50% interest in Triangle Energy (Operations) Pty Ltd (TEO), the operator and owner of 42.5% joint venture interest in the Cliff Head Oil Field.

Summarised aggregated financial information of the Group's share

	2023	2022
	\$	\$
<i>Triangle Energy (Operations) Pty Ltd</i>		
Opening carrying amount of the Group's Interest	850,358	212,473
Share of associate (loss) / profit for the year	(850,358)	2,352,885
Less impairment	-	(1,715,000)
Closing carrying amount of the Group's Interest	-	850,358

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

15 Exploration, Evaluation and Development Assets

Accounting Policy

Exploration, Evaluation and Development

Exploration, evaluation and development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration, evaluation and development costs in relation to separate areas of interest for which grants of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Development

Once a development decision has been taken, all past and future exploration and evaluation assets in respect of the area of interest are tested for impairment and transferred to the cost of development. To date, no development decision has been made.

Restoration

Costs of site restoration are provided over the life of the facility from when development commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for in the financial year of the change in estimate. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

	2023	2022
	\$	\$
Exploration, Evaluation and Development Assets	1,678,662	917,365
Capitalised expenditure	1,348,555	761,297
Less impairment*	(514,205)	-
Closing carrying amount of the Group's Interest	2,513,012	1,678,662

*Pilot was notified on 20 June 2023 regarding the cancellation of oil & gas exploration permits EP416 and EP480. There being no restoration costs, the capitalised expenditure for these permits have been impaired in full.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

16 Trade and Other Payables

Accounting Policy

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid at the end of the month following date of recognition.

	2023	2022
	\$	\$
Trade payables	511,333	1,171,935
Other payables	30,407	138,141
Accrued expenses	-	28,985
	<u>541,740</u>	<u>1,339,061</u>

17 Employee Benefits

	2023	2022
	\$	\$
<i>Current</i>		
Provision for annual leave	364,567	216,654
	<u>364,567</u>	<u>216,654</u>

18 Financial Liabilities

Accounting Policy

Compound financial instruments issued by the Group comprise convertible notes denominated in dollars that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

	2023	2022
	\$	\$
<i>Current</i>		
Lease liabilities	97,072	58,574
	<u>97,072</u>	<u>58,574</u>

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For the Year Ended 30 September 2023

18 Financial Liabilities (continued)

	2023	2022
	\$	\$
<i>Non-Current</i>		
Lease liabilities	103,949	192,335
Convertible notes	2,844,975	-
	<u>2,948,924</u>	<u>192,335</u>

As disclosed to ASX on 4 May 2023, the Company entered into a convertible note agreement with a syndicate of investors to issue convertible notes with a total face value of \$3,000,000 for a term of 24 months at a coupon rate of 12% paid quarterly. Interest is payable in cash for the first two quarters and then, for the remainder of the term, in either cash or shares at the election of the noteholder.

The issue of the Convertible Note was approved by shareholders at the company's General Meeting held on 16 June 2023.

19 Issued Capital

Accounting Policy

Issued and paid-up capital is recognised as the fair value of the consideration received by the Group. The shares issued do not have a par value and there is no limit on the authorised share capital of the Group. Fully paid ordinary shares carry one vote per share, which entitles the holder to participate in the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

Any transaction costs arising on the issue of ordinary shares that would not have been incurred had ordinary shares not been issued are recognised directly in equity as a reduction of the share proceeds received.

The Group may issue shares to contractors at its discretion in exchange for services rendered. The cost of these issued shares is measured by reference to the fair value at the date at which they were granted.

	2023	2022
	\$	\$
Ordinary shares	67,840,449	62,422,575
Total	<u>67,840,449</u>	<u>62,422,575</u>

(a) Ordinary shares

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

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19 Issued Capital (continued)

(a) Ordinary Shares (continued)

	Shares	
	No.	\$
At 1 October 2022	611,437,850	62,422,575
<i>Additions</i>		
Issue of shares to consultants and employees	9,827,801	165,746
Placement of shares at 1.7 cents each	29,411,765	500,000
Placement of shares at 1.5 cents each	130,666,667	1,960,000
Issue of shares to consultants	12,953,367	250,000
Issue of shares to consultants and employees	8,980,181	138,466
Placement of shares at 1.5 cents each	2,650,000	39,750
Placement of shares at 1.0 cents each	170,000,000	1,700,000
Issue of shares to consultants	31,285,773	446,435
Exercise of options to fully paid ordinary shares at 2.0 cents each	17,653,847	353,077
Issue of shares to consultants	12,690,355	250,000
Capital raising costs	-	(385,977)
At 30 September 2023	1,037,557,606	67,840,072

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The Company does not have authorised capital or par value in respect of its shares.

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19 Issued Capital (continued)

(b) Options

At 30 September 2023, a summary of the Company options issued and not exercised are as follows:

Grant Date	Vesting Date	Expiry Date	Exercise price (cents)	Balance at the start of the year	Granted during the year	Expired during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
21 Dec 2020	21 Dec 2020	18 Dec 2022	3.3	6,636,365	-	(6,636,365)	-	-	-
21 Dec 2020	21 Dec 2020	4 Nov 2025	7.0	10,000,000	-	-	-	10,000,000	10,000,000
13 Jan 2021	13 Jan 2021	18 Dec 2022	6.6	37,575,727	-	(37,575,727)	-	-	-
13 Jan 2021	13 Jan 2021	13 Jan 2023	6.6	10,000,000	-	(10,000,000)	-	-	-
12 Nov 2021	12 Nov 2021	2 Nov 2024	8.0	13,333,334	-	-	-	13,333,334	13,333,334
1 Feb 2022	1 Feb 2022	1 Feb 2024	10.0	10,000,000	-	-	-	10,000,000	10,000,000
18 Mar 2022	18 Mar 2022	28 Feb 2025	10.0	17,500,000	-	-	-	17,500,000	17,500,000
19 Aug 2022	19 Aug 2022	25 Aug 2025	3.3	49,999,992	-	-	-	49,999,992	49,999,992
15 Nov 2022	15 Nov 2022	17 Nov 2024	3.3	-	14,705,882	-	-	14,705,882	14,705,882
15 Feb 2023	15 Feb 2023	25 Aug 2025	3.3	-	74,658,334	-	-	74,658,334	74,358,334
21 Jun 2023	21 Jun 2023	30 Apr 2026	2.0	-	110,000,000	-	(17,653,847)	92,346,153	92,346,153
				155,045,418	199,364,216	(54,212,092)	(17,653,847)	282,543,695	282,543,695

During the year ended 30 September 2023, 54,212,092 options expired, 17,653,847 options were exercised and no options were modified (2022: no options expired, 454,545 options exercised, no options modified).

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19 Issued Capital (continued)

(b) Options (continued)

At 30 September 2022, a summary of the Company options issued and not exercised are as follows:

Grant Date	Vesting Date	Expiry Date	Exercise price (cents)	Balance at the start of the year	Granted during the year	Forfeited or exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
21 Dec 2020	21 Dec 2020	18 Dec 2022	3.3	7,090,910	-	(454,545)	6,636,365	6,636,365
21 Dec 2020	21 Dec 2020	4 Nov 2025	7.0	10,000,000	-	-	10,000,000	10,000,000
13 Jan 2021	13 Jan 2021	18 Dec 2022	6.6	37,575,727	-	-	37,575,727	37,575,727
13 Jan 2021	13 Jan 2021	13 Jan 2023	6.6	10,000,000	-	-	10,000,000	10,000,000
12 Nov 2021	12 Nov 2021	2 Nov 2024	8.0	-	13,333,334	-	13,333,334	13,333,334
1 Feb 2022	1 Feb 2022	1 Feb 2024	10.0	-	10,000,000	-	10,000,000	10,000,000
18 Mar 2022	18 Mar 2023	28 Feb 2025	10.0	-	17,500,000	-	17,500,000	-
19 Aug 2022	19 Aug 2022	25 Aug 2025	3.3	-	49,999,992	-	49,999,992	49,999,992
				64,666,637	90,833,326	(454,545)	155,045,418	137,545,418

During the year ended 30 September 2022, no options expired, 454,545 options were exercised and no options were modified (2021: no options expired, no options modified).

Pilot Energy Limited and Controlled Entities

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20 Reserves

Accounting Policy

Nature and purpose of reserves

Share-based payment reserve

This reserve is used to record the cumulative assessed value of equity benefits provided to employees, contractors and Executive Directors as part of their remuneration.

Option premium reserve

This reserve is used to record the cumulative assessed value of options outstanding to shareholders.

Convertible notes reserve

This reserve is used to record the equity portion of issued convertible notes.

(a) Reserves

	2023	2022
	\$	\$
Share Based Payments Reserve	204,186	151,347
Options Reserve	247,695	98,583
Convertible Notes Reserve	157,985	-
Total	609,866	249,930

(b) Share-based Payments Reserve

Accounting Policy

The share option programme allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses.

The share-based payment expense included within the consolidated statement of comprehensive profit or loss can be broken down as follows:

	2023	2022
	\$	\$
(a) Expensed in share-based payments expense		
Options issued to contractors	52,839	141,356
Options issued to directors	-	8,206
Total	52,839	149,562

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 September 2023

21 Share-based Payments

Accounting Policy

The Group may issue shares to contractors at its discretion in exchange for services rendered. The Group measures the goods or services received, and the corresponding increase in equity, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses.

The share-based payment expense included within the consolidated statement of comprehensive profit or loss can be broken down as follows:

	2023	2022
	\$	\$
Shares		
Shares issued to contractors	1,026,161	187,226
Shares issued to KMP	125,000	-
Shares issued to employees	99,486	160,394
	<u>1,250,647</u>	<u>347,620</u>
Options		
Options issued to contractors	52,839	141,356
Options issued to directors	-	8,206
	<u>52,839</u>	<u>149,562</u>
Total	<u>1,303,486</u>	<u>497,182</u>

22 Loss per Share

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

	2023	2022
	\$	\$
As the Group is in a loss position, there is no diluted EPS calculated.		
(a) Earnings used to calculate overall earnings per share		
Net (loss) after income tax	<u>(4,191,149)</u>	<u>(2,709,823)</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	<u>851,416,686</u>	<u>525,394,242</u>
(c) Basic & diluted (loss) per share (cents)	<u>(0.49)</u>	<u>(0.52)</u>

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23 Capital and Other Commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the requirements specified by the respective State Government. These obligations are subject to negotiation when application for a petroleum exploration lease is made and at other times. These commitments are not provided for in the financial report and are payable as follows:

	From 1 Oct 2023 1 Year (net to Pilot)	From 1 Oct 2023 1 to 5 Years (net to Pilot)
G&G	\$100,000	\$200,000
Seismic (planning, acquisition and processing)	\$500,000	\$14,500,000
Drilling of one well (planning and drilling)	-	\$30,000,000
	\$600,000	\$44,700,000

Notes:

WA-481-P	A significant component of the work programme is a commitment to drill an exploration well (estimated to cost in the order of \$15 million) in 2024/25. The Company is in discussions with parties regarding farmout arrangements for the permit and the associated work programme.
EP 416/480	Pilot was notified on 20 June 2023 regarding the cancellation of oil and gas exploration permits EP416 and EP480. There are no restoration costs associated with these permits and no further commitments for these permits.
WA31-L	This table above does not include Pilot's share of Cliff Head's decommissioning expenditure due to the uncertainty of timing of such expenditure which is not expected to occur within 5 years given the Group's business plans.

24 Financial Risk Management

Accounting Policy

Classification of financial instruments

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

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

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

Recognition and de-recognition of financial assets and liabilities

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

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24 Financial Risk Management (continued)

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

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

Specific risks

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

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

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

Objectives, policies and processes

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

Mitigation strategies for specific risks faced are described below:

Liquidity Risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The Group's liabilities have contractual maturities which are summarised below excluding the impact of netting arrangements:

	Carrying amount		Contractual cash flows		12 months or less	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Trade and other payables	541,740	1,339,061	541,740	1,339,061	541,740	1,339,061
Financial liabilities	3,045,996	250,909	3,045,996	250,909	97,072	250,909
Employee benefits	364,567	216,654	364,567	216,654	364,567	216,654
Total	3,952,303	1,806,624	3,952,303	1,806,624	1,003,379	1,806,624

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24 Financial Risk Management (continued)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

There are no balances within trade receivables that contain assets that are not impaired and are past due. It is expected that these balances will be received when due.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

	USD
2023	\$
Nominal amounts	
Financial assets	<u><u>1,842</u></u>
2022	
Nominal amounts	
Financial assets	<u><u>2,298</u></u>

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Notes to the Financial Statements

For the Year Ended 30 September 2023

24 Financial Risk Management (continued)

Market Risk (continued)

Foreign exchange risk (continued)

The following table illustrates the sensitivity of the net result for the year and equity in regard to the Group's financial assets and financial liabilities and the US Dollar – Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years.

It assumes a +/- 10% change of the Australian Dollar / US Dollar exchange rate for the year ended 30 September 2023 (30 September 2022: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

The year-end rate is 1 USD: 1.5485 AUD.

If the Australian Dollar had strengthened and weakened against the USD by 10% (30 September 2022: 10%) then this would have had the following impact:

	2023		2022	
	+10%	-10%	+10%	-10%
USD				
Net results	184	(184)	230	(230)

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Notes to the Financial Statements

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25 Key Management Personnel Remuneration

Accounting Policy

Short-term benefits

Short-term benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of long-term benefits is the amount of the future benefit that employees and other key management personnel have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Share-based payments

The policy relating to share-based payments is set out in note 21.

Key management personnel remuneration included within the profit & loss for the year is shown below:

	2023	2022
	\$	\$
Short-term benefits	1,509,711	1,113,044
Superannuation	73,971	91,100
Share based payments	125,000	8,206
	1,708,682	1,212,350

26 Auditor's Remuneration

	2023	2022
	\$	\$
MNSA		
Audit and other assurance services		
Audit and review of financial reports	37,800	36,936
Total remuneration for audit and other assurance services	37,800	36,936

27 Subsidiaries

Wholly owned subsidiaries of Pilot are set out below.

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2023	2022
				%	%
Royal Energy Pty Ltd	Oil & Gas	Australia	30 June	100	100
Pilot Energy (CH CCUS) Pty Ltd	Oil & Gas	Australia	30 September	100	100
Pilot Energy (CH WSP) Pty Ltd	Dormant	Australia	30 September	100	100
Pilot Energy (SW CCS) Pty Ltd	Dormant	Australia	30 September	100	100
Royal Energy (Cooper Basin) Pty Ltd	Dormant	Australia	30 June	100	100
Rampart Alaska LLC	Dormant	USA	31 December	100	100
Spring River Resources	Dormant	USA	31 December	100	100

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28 Contingent Liabilities

In the opinion of the Directors, the Company did not have any contingent Liabilities at 30 September 2023 (30 September 2022: None).

29 Related Parties

Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

- Throughout the financial year, a net total of \$1.78m has been loaned to Triangle Energy (Operations) Pty Ltd for working capital for the Cliff Head Joint Venture under a loan agreement. At balance date, and in accordance with the Loan Agreement, a total amount of \$433,507 remains outstanding.
- Throughout the financial year, a total of \$394,299 has been charged to Triangle Energy (Operations) Pty Ltd for the provision of services.
- As part of Bradley Lingo's employment services contract, it was agreed at the time to provide an Over-Riding Royalty Interest (ORRI) over the anticipated clean energy projects. In September 2022, the Board approved the ORRI agreement which provides for a 2% royalty of the gross revenue from all Sale Agreements with Greenslate Energy Pty Ltd (a related entity of Mr Lingo) relating to the Mid West Clean Energy project.

30 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

	2023	2022
	\$	\$
Loss for the year	(4,191,149)	(2,709,823)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in loss:		
- accrued interest income	(16,826)	(54,804)
- accrued interest expense	2,960	-
- foreign exchange	9,690	18,811
- rent amortisation	86,433	34,080
- depreciation	-	2,891
- share based payments	1,303,486	497,182
- share of profit/loss of associate	850,358	(2,352,885)
- impairment	514,205	1,715,000
- non-operating receivables & payables	(272,902)	(591,813)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(217,556)	(78,657)
- increase/(decrease) in trade and other payables	(797,321)	590,705
- increase/(decrease) in financial liabilities	(204,913)	216,829
- increase/(decrease) in employee benefits	147,913	78,820
Cash flows (used in) operations	<u>(2,785,622)</u>	<u>(2,633,664)</u>

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Notes to the Financial Statements

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31 Events Occurring After the Reporting Date

As announced on 31 October 2023, completion of the non-binding Memorandum of Understanding with Samsung C&T Corporation Engineering & Construction Group (Samsung) in relation to the development of the Cliff Head CO₂ Storage Project and the Clean Energy Ammonia Project.

As announced on 6 November 2023, 6,000,000 options were issued to Whairo Capital.

As announced on 7 November 2023, 5,000,000 shares at an issue price of \$0.02 per share was issued to one convertible note holder upon exercise of their right to convert their convertible note.

As announced on 7 November 2023, 750,000 shares at an issue price of \$0.02 per share was issued to one option holder upon exercise of their unquoted options.

As announced 14 November 2023, Pilot Energy issued 119,600,000 shares at an issue price of \$0.02 per share to raise \$2.39 million. A further issue of 1,600,000 shares and 30,300,000 options will be issued subject to obtaining shareholder approval at the Company's AGM in February 2024.

As announced on 15 December 2023, the Company entered into binding Convertible Note agreements with a syndicate of sophisticated investors, for an investment in the Company of \$3.5 million, with the initial \$1 million as an advance payment within seven business days. The \$3.5 million Convertible Notes are subject to the Company holding its AGM proposed to be held on or around 6 February 2024.

Pilot Energy Limited and Controlled Entities

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Notes to the Financial Statements

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32 Parent Entity

The following information has been extracted from the books and records of the parent, Pilot Energy Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Pilot Energy Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Statement of Financial Position	2023	2022
Assets	\$	\$
Current assets	1,862,546	2,281,849
Non-current assets	15,256,145	10,245,791
Total Assets	17,118,691	12,527,640
Liabilities		
Current liabilities	1,033,992	1,588,305
Non-current liabilities	2,948,924	192,335
Total Liabilities	3,982,916	1,780,640
Equity		
Issued capital	67,840,072	62,422,575
Reserves	609,866	249,930
Accumulated losses	(55,314,163)	(51,925,505)
Total Equity	13,135,775	10,747,000
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	(3,389,524)	(3,305,561)
Total comprehensive loss	(3,389,524)	(3,305,561)

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 September 2023 (2022: Nil).

Contractual commitments

The parent entity did not have any material commitments as at 30 September 2023 not disclosed in the financial report (2022: Nil).

Pilot Energy Limited and Controlled Entities

A.B.N 86 115 229 984

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes for the year ended 30 September 2023 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Managing Director has given the declarations required by Section 295A that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion and having regard to note 2 in the financial statements, and specifically in continuing to secure future working capital sourced from equity capital raisings, borrowings and farmouts, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Bradley Lingo
Executive Chairman

Dated at Sydney, New South Wales this 15th December 2023.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PILOT ENERGY LIMITED
ABN 86 115 229 984
AND CONTROLLED ENTITIES**

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Pilot Energy Limited (the Company) and controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 September 2023, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
- i. giving a true and fair view of the Group's financial position as at 30 September 2023 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the Ethical Requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Carrying value of Cliff Head and other non-current assets and Exploration, evaluation & development assets</p> <p>As detailed in Notes 3 & 15, the carrying value as at 30 September 2023:</p> <ul style="list-style-type: none"> Cliff Head and other non-current assets was \$10,691,947 and Exploration, evaluation & development assets was \$2,513,012. <p>The assessment of the capitalised carrying value of Cliff Head and other non-current assets and Exploration, evaluation and development assets requires management to make significant accounting judgements and estimates in their assessment of indicators of impairment.</p>	<ul style="list-style-type: none"> We have evaluated the appropriateness of management’s judgements that there is no additional facts or circumstances that suggest the carrying amount of Cliff Head and other non-current assets and exploration, evaluation and development assets exceeds its recoverable amount.





Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Going Concern</p> <p>Following operating losses and cash flow deficits, there is a heightened degree of judgment as to the group’s ability to repay loans and liabilities throughout the going concern assessment period.</p> <p>Accordingly, we considered the appropriateness of the going concern assumption and disclosures made within Note 2(b).</p>	<p>We have challenged the key assumptions in management’s forecast cash flows for the next 12 months by:</p> <ul style="list-style-type: none"> • Considering forecasts and questioning management on assumptions used when formulating cash inflows and outflows; • Assessing the historical accuracy of forecasts prepared by management; • Testing the mechanical accuracy of the model used; and • Considering whether the disclosures relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear.

Other Information

The directors of Pilot Energy Limited and controlled entities are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 30 September 2023 but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2023.

In our opinion the remuneration report of Pilot Energy Limited and controlled entities for the year ended 30 September 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Pilot Energy Limited and controlled entities are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA PTY LTD
MNSA Pty Ltd

Allan Facey
Director

Sydney
15th December 2023

Pilot Energy Limited and Controlled Entities

Additional Information for Listed Public Companies

30 September 2023

The shareholder information set out below was applicable as at 11 December 2023.

Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	189	24,499	0.000
1,001 – 5,000	59	179,247	0.020
5,001 – 10,000	172	1,420,277	0.120
10,001 – 100,000	861	38,330,704	3.300
100,001 and over	674	1,122,952,928	96.560
Total	1,955	1,162,907,606	100.000

There were 655 holders of less than marketable parcel of ordinary shares.

Substantial shareholders

There were no substantial shareholders at 11 December 2023.

Voting rights

Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options and rights

No voting rights.

Pilot Energy Limited and Controlled Entities

Additional Information for Listed Public Companies

30 September 2023

Twenty Largest Shareholders

Shareholders	Ordinary Shares	
	Number Held	% of issued shares
ZERO DEGREES INTERNATIONAL INC	55,055,487	4.734%
PINE STREET PTY LTD <PINE STREET A/C>	51,000,000	4.386%
ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	45,440,012	3.907%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	31,843,173	2.738%
BREAKOUT HOLDINGS PTY LTD <WAY SUPER FUND A/C>	25,934,494	2.230%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,704,006	2.210%
CITICORP NOMINEES PTY LIMITED	24,055,717	2.069%
NEW ENERGY TECHNOLOGY LTD	23,422,486	2.014%
PINE STREET PTY LTD <PINE STREET SUPER FUND A/C>	21,000,000	1.806%
MANDATON HOLDINGS PTY LTD <GADZ INVESTMENT A/C>	19,535,474	1.680%
TOP CLASS HOLDINGS PTY LTD <THE ONSLOW SUPER FUND A/C>	17,500,000	1.505%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	16,221,223	1.395%
STARBLEND NOMINEES PTY LTD <THE INNIS SUPER FUND A/C>	16,000,000	1.376%
MR MARTYN ROGER BROWN	14,000,000	1.204%
WATSON NO 1 PTY LTD <WATSON NO 1 A/C>	13,507,542	1.162%
BNP PARIBAS NOMS PTY LTD	12,746,898	1.096%
BOND STREET CUSTODIANS LIMITED <TRYLAN - D83486 A/C>	12,427,106	1.069%
TOOTING BEC PTY LTD <BAKERLOO SUPERFUND A/C>	11,475,000	0.987%
MICHAEL NICHOLAS LONERGAN	11,151,732	0.959%
JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	10,500,001	0.903%
Total Securities of Top 20 Holdings	458,520,351	39.429%
Total Securities	1,162,907,606	100.00%



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