PILOT ENERGY LIMITED
ABN 86 115 229 984
and Controlled Entities

Annual Financial Report
For the Year Ended 30 September 2017

Pilot Energy Limited

A.B.N 86 115 229 984

Contents

For the Year Ended 30 September 2017

Pilot Energy Limited

A.B.N 86 115 229 984

Corporate Directory
30 September 2017

Directors
Mr Wilson Xue
Mr Benson Wong
Mr Xingjin Wang

Secretary
Lisa Dadswell

Registered and Principal Office
Level 12, Grosvenor Place
225 George Street, SYDNEY NSW 2000

Website:	www.pilotenergy.com.au
Email:	info@pilotenergy.com.au
Telephone:	+61 2 8016 2819
Facsimile:	+61 2 9279 0664

Postal Address
Suite 604, Tower B, The Zenith
821 Pacific Highway
Chatswood NSW 2067

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

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

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

ASX Code
Shares: PGY

Legal Form of Entity
Public Company

Country of Incorporation and Domicile
Australia

Chairman's Report
30 September 2017

Dear Shareholder,

Market conditions for oil and gas explorers have continued to challenge throughout the year, as a broad-based improvement in investor sentiment has remained elusive and all listed exploration companies appear under-valued. However, such challenges present opportunities for companies able to access capital and Pilot Energy is fortunate to have found support from a new substantial shareholder this year and we are thankful for that support.

Your Board and Management have continued to assess opportunities throughout the year and have made a subtle shift in focus for the Company. Whilst we will continue to pursue substantial conventional exploration prospects, the focus is more acutely on near-term opportunities for cashflow generation. In making this shift, we seek to build a more sustainable business regardless of external market conditions.

Within the continued volatility of the international crude oil market, we have observed a slow but incrementally positive shift in the price of oil, with a corresponding improvement in industry sentiment. This is supportive of your Board's efforts to refocus the portfolio on opportunities which the Company can execute and actively participate.

We have also seen continued calls for further diversity of gas supply on both coasts of Australia accompanied by various State and Territory moratoriums, particularly on fracture stimulation. Whilst many see this dichotomy as placing the industry in limbo and may in fact contribute to lagging investor sentiment, for proponents of conventional projects, such as Pilot, it is allowing our activities to advance.

In recent years landholder relations have been progressively more challenging for onshore projects in Australia as green groups pressure landowners and politicians to stymie the industry and indirectly the economy more broadly. The Government of Western Australia's moratorium on fracture stimulation has presented a solid barrier for some projects and operators, but it is allowing Pilot to re-engage with landowners. The apparent negative of the moratorium potentially allowing renewed progress, albeit slowly, of our conventional onshore prospects.

Recent successes in the Perth Basin have buoyed our hopes for Pilot's portfolio in permits adjacent to these discoveries; further de-risking some of our best prospects and shining a light on the remaining un-tested potential of the Basin. These adjacent successes and associated industry excitement will provide funding options and opportunities, which we would not have otherwise had.

I would like to thank my fellow Directors Benson Wong and Xingjin Wang and their team for their ongoing efforts and diligence in managing the company's finances and technical program. I would also like to thank outgoing Directors Gavin Harper and Iain Smith for their respective contributions in building the existing portfolio.

Lastly, I would like to acknowledge and thank our shareholders for their support and patience as we continue to reposition the Company to build a more sustainable business.

Yours faithfully,

Wilson Xue

Chairman

Pilot Energy Limited

A.B.N 86 115 229 984

Review of Operations

30 September 2017

Highlights

- Completion of $720,000 capital raising at 15 cents per share (post-consolidation)
- Share consolidation on a 50:1 basis reduced the number of shares on issue to 63,576,514
- Board and management renewal during FY2017
- WA-481-P permit high-graded by oil discovery in the adjacent permit
- Commitment to the onshore Wye Knot 1 well in EP437
- WA-507-P Joint Venture sale process
- WA-503-P seismic acquisition delayed until 2018

Overview

Pilot Energy Limited is listed on the Australian Securities Exchange (ASX: PGY). The Company has one operational segment, being the exploration, evaluation and development of oil and gas interests. The Company's assets are currently focused in six exploration permits located onshore and offshore Western Australia.

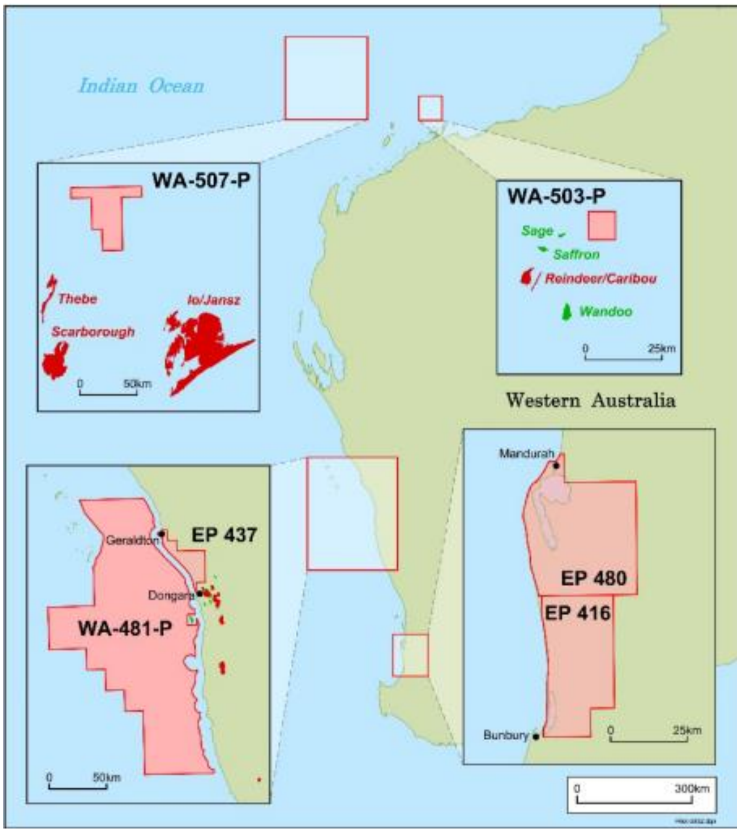
Company Goals and Strategy

The Board's vision for Pilot Energy is for the Company to become a leading exploration and production company.

In pursuit of that goal, the Company's strategy has been reset to rationalise the existing portfolio of high quality, low commitment conventional petroleum exploration assets to re-focus on opportunities with the potential to deliver near-term oil and gas production.

In general, the Company will seek to divest the existing Carnarvon Basin assets, whilst continuing to acquire material interests in new projects, with a preference for operated properties in order to maintain control over project cost and timing.

Refocusing the portfolio of projects will provide Pilot Energy's investors with exposure not just to significant upside from several conventional petroleum plays, but also line-of-sight to Company sustaining cashflow generation.



Review of Operations

30 September 2017

The Financial Year

Throughout the course of the financial year, prevailing market conditions have continued to be challenging but slowly improving for oil and gas exploration companies. A slow but steady increase in oil futures pricing and successful exploration and appraisal results by in permits adjacent the Company's north-Perth Basin assets providing encouragement that the Board's strategic refocus is the correct course of action.

A rationalization of the Company's share capital structure was conducted during the year commencing with a sale of unmarketable share parcels, which completed in May 2017.

A share placement was completed in July 2017 with the issue of 4.8 million ordinary shares (post-consolidation) to Giant Rainbow Investments Limited, at a price of 15 cents per share (post-consolidation) to raise $720,000.

Pursuant to approval obtained at the general meeting of shareholders held on 12 July 2017, the share capital consolidation was completed on a 50:1 basis. Post consolidation and at the end of the financial year ending 30 September 2017, the following securities were on issue:

- 63,576,514 fully paid ordinary shares
- 900,000 unlisted options exercisable at $0.10 by 30 June 2019
- 2,600,000 unlisted options exercisable at $0.20 by 31 December 2019.

Following the capital raise, Mr Iain Smith resigned as Managing Director to pursue another opportunity and the Board appointed Dr. Xingjin Wang as Executive Director and Chief Technical Officer.

The Company changed its registered office and principal place of business from Perth to Sydney in September 2017.

Independent Experts Valuation

To ensure the Share Subscription Agreement represented a fair and reasonable transaction to non-associated shareholders of the Company, an Independent Expert's Report was commissioned to value Pilot Energy shares. The report was prepared by BDO Corporate Finance (WA) Pty Ltd (**BDO**) in association with independent technical specialist RISC Operations Pty Ltd (**RISC**) and completed in June 2017.

BDO's valuation, post-consolidation, is as follows:

	Low Value per share	Preferred Value per share	High Value per share
Value of Pilot Energy share	21.5 cents	30.0 cents	39.5 cents

In its report BDO chose to employ Net Asset Value, on a going concern basis, as the primary valuation methodology, and instructed RISC to provide an independent market valuation of the Company's exploration assets.

RISC determined that, on a portfolio basis, the range of values for the Company's exploration assets is between A$16.5 million and A$29.6million, with a midpoint value of A$23.0 million.

BDO's full report, including RISC's extensive Independent Technical Specialist Report was published in the Notice of Meeting as released to the ASX on 13 June 2017.

Pilot Energy Limited

A.B.N 86 115 229 984

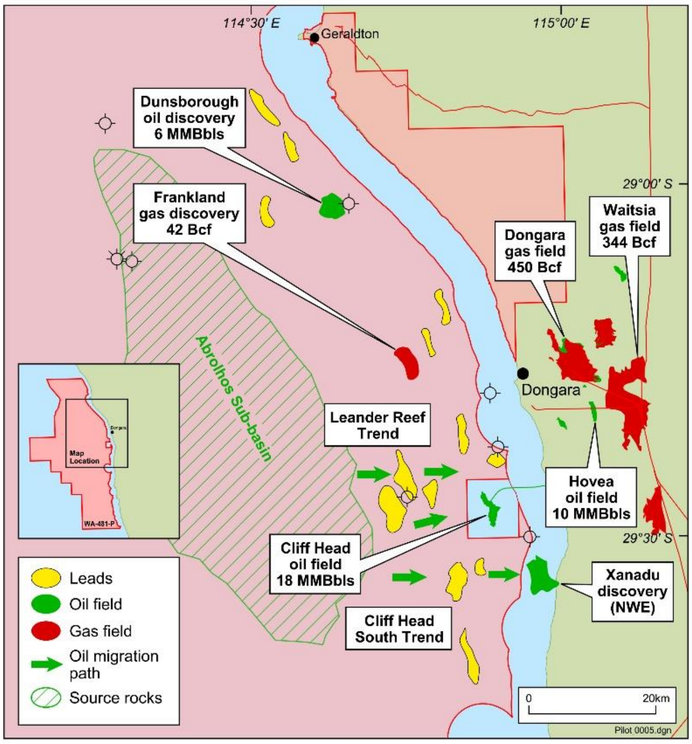
Review of Operations

30 September 2017

WA-481-P (Operator, 60%)

The WA-481-P exploration permit was acquired in 2016, with $65.5million of associated Petroleum Resource Rent Tax (PRRT) credits being transferred with the permit title (60% retained by Pilot) and is quickly becoming the primary focus of Pilot's portfolio.

Late in the year the Company noted the discovery of oil the Irwin River Coal Measures (IRCM) at the Xanadu-1 well in the adjacent TO/15 permit. The discovery is significant for Pilot as it reduces exploration risk for the permit and provides a welcome source of industry focus and momentum for the basin, as such the discovery should facilitate funding options for future exploration activities in WA-481-P.



The Xanadu 1 discovery appears to validate the interpreted oil migration pathways from the known oil sources of the Kockatea Shale and the IRCM in the Abrolhos Sub-Basin in the central portion of WA-481-P. Oil from the source kitchen is interpreted to have migrated up-dip through the southern portion of WA-481-P into the Cliff Head and now into the Xanadu structure located in the adjacent permit to the east.

The success of Xanadu-1 has significantly reduced the key risk of oil migration for the Cliff Head South and the Leander Reef oil trends. Together the Cliff Head South and Leander Reef Trends comprise over 80% of the currently assessed prospective resources for the permit.

The current WA-481-P exploration permit commitments comprise seismic data reprocessing and geological/geophysical studies. These studies are designed to address the primary geological risks associated with each of the various prospects and leads, such that a prioritised inventory of drill-ready prospects can be finalised.

The Joint Venture is commencing reprocessing (pre-stack depth migration, or PSDM) of the existing seismic data to further improve the probability of success for future wells. The reprocessing work is expected to take 6 months to complete. The Joint Venture will work cooperatively to ensure high-quality reprocessing and interpretation are undertaken in a timely fashion to support additional joint venture participation and drilling activities as soon as is practicable.

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

The permit is covered by extensive 2D and 3D seismic data, which confirms the presence of thirteen structural prospects in four distinct areas. Individual prospects offer potential for up to 78 MMbbls of oil, and three of the areas are substantially de-risked by prior discoveries on-block at Cliff Head, Dunsborough and Frankland.

Review of Operations

30 September 2017

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

Contingent Resources - Oil	Gross MMbbl (100%)			Net Pilot MMbbl (60%)		
	1C	2C	3C	1C	2C	3C
Dunsborough – Dongara Sandstone	2.4	4.2	6.8	1.5	2.5	4.1
Dunsborough – IRCM	0.9	1.8	3.0	0.5	1.1	1.8
Total	**3.3**	**6.0**	**9.8**	**2.0**	**3.6**	**5.9**

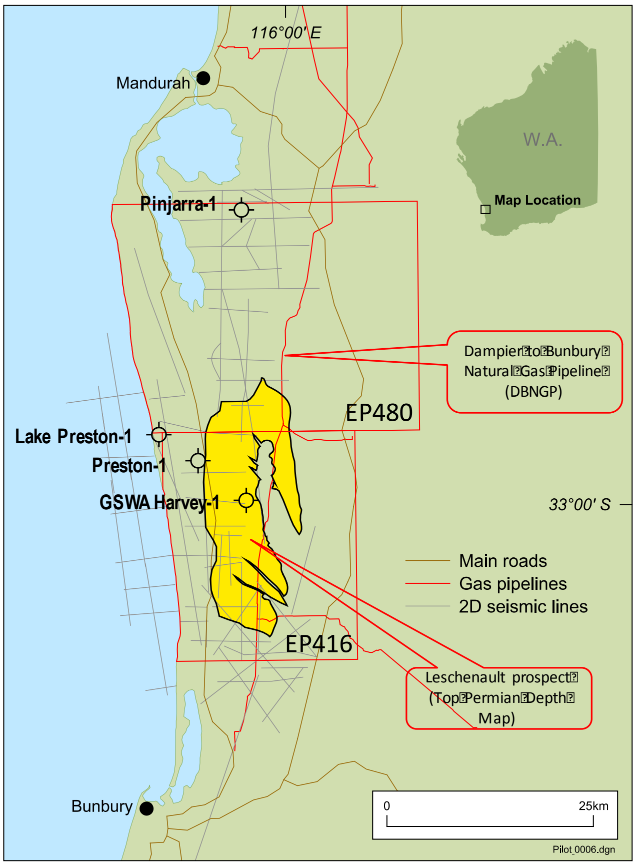
Contingent Resources - Gas	Gross Bcf (100%)			Net Pilot Bcf (60%)		
	1C	2C	3C	1C	2C	3C
Frankland – Dongara Sandstone	23.4	33.0	46.1	14.0	19.8	27.6
Frankland – IRCM	6.0	8.6	12.8	3.6	5.2	7.7
Total	**29.4**	**41.6**	**58.9**	**17.6**	**25.0**	**35.3**

Prospective Resources - Oil	Gross MMbbl (100%)			Net Pilot MMbbl (60%)		
	Low	Best	High	Low	Best	High
Cliff Head SW	25.0	44.8	78.4	15.0	26.9	47.0
Cliff Head S	6.9	12.7	22.7	4.1	7.6	13.6
Twin Lions W	24.5	44.2	75.8	14.7	26.5	45.5
Leander Reef Upthrown	26.5	46.1	78.1	15.9	27.7	46.9
Leander Reef Downthrown	21.4	38.0	66.3	12.8	22.8	39.8
Leander Reef West	8.0	14.0	23.6	4.8	8.4	14.2
Bootenal	4.1	7.9	14.1	2.5	4.7	8.5
Yungara	3.9	7.9	14.6	2.3	4.7	8.8
Total	**120.3**	**215.6**	**373.6**	**72.2**	**129.4**	**224.2**

Prospective Resources - Gas	Gross Bcf (100%)			Net Pilot Bcf (60%)		
	Low	Best	High	Low	Best	High
Frankland NE	9.7	15.8	24.6	5.8	9.5	14.8
Frankland NE2	18.3	29.8	45.7	11.0	17.9	27.4
Total	**28.0**	**45.6**	**70.3**	**16.8**	**27.4**	**42.2**

EP416 & EP480 Exploration Permits (Operator, 60%)

Activities in the EP416 and EP480 permits over the year primarily comprised landholder liaisons in preparation for a geochemical survey over the very large Leschenault conventional gas prospect. Landholder relations have been challenging in the Perth basin of late, but given both the conventional nature of Leschenault and the West Australian Government's moratorium on fracture stimulation, management are confident that progress can be made in the coming year.



Leschenault is a "three-way dip" feature that relies on closure to the west by a bounding fault. The well-defined structure has two structural culminations, either of which is a potential drilling location for a vertical well to test the two conventional reservoir targets, being the Permian Sue Sandstone and the Triassic Lesueur Sandstone.

The main geological risk associated with Leschenault is one of cross-fault seal, i.e. whether the western bounding fault has sealing capacity to retain hydrocarbon gas migrating in to the structure. To address this risk a non-invasive geochemical survey is planned, with results expected in H1 2018. The aim of the survey is to identify anomalies due to micro-seepage of hydrocarbon gas components from depth, that are broadly conformable to the prospect's area of structural closure. This would suggest that either or both reservoir targets are gas-bearing, de-risking the prospect for future drilling.

RISC's independent assessment of prospective resources for the two main reservoir target intervals at Leschenault as of 31 October 2016 remained unchanged following their most recent report (May 2017), confirming the potential for very significant volumes of gas, as follows:

Reservoir	Gross Bcf (100%)			Net Pilot Bcf (60%)		
	Low	Best	High	Low	Best	High
Lesueur Sandstone	150	435	970	90	260	580
Sue Sandstone	120	290	625	70	175	375
Total	**270**	**725**	**1,595**	**160**	**435**	**955**

Pilot Energy Limited

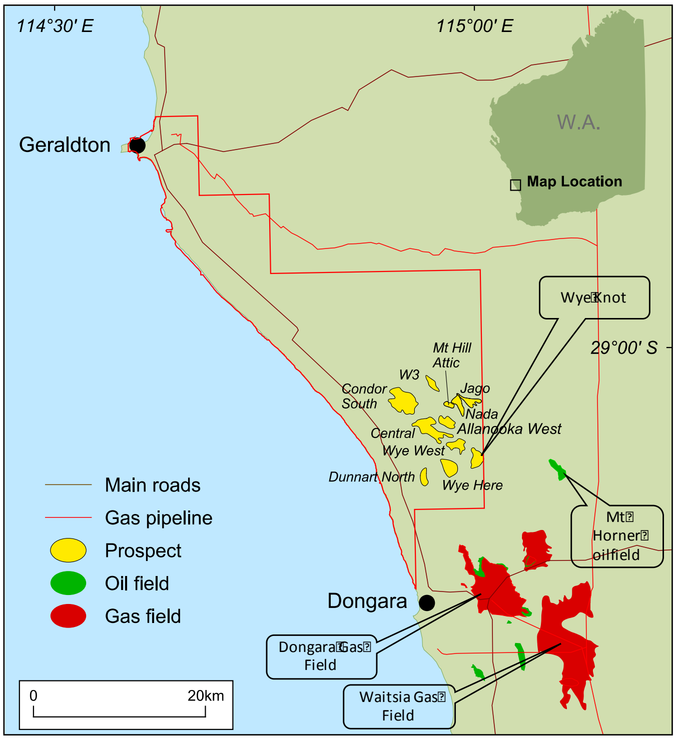
A.B.N 86 115 229 984

Review of Operations

30 September 2017

EP437 Exploration Permit (13.058%)

Early in the year, the EP437 Joint Venture committed to drill the Wye Knot-1 exploration well (Operator: Key Petroleum). Through the course of the year preparations have continued, with activity primarily focused on landholder compensation discussions. A preferred drilling location for Wye Knot-1 has been identified, however the Operator has recently advised that the final timing remains subject to securing a suitable land access agreement.



The Wye Knot oil prospect is located down-dip from the Wye-1 gas discovery, drilled in 1996 at the crest of a four-way-dip-closed structure that benefits from additional closure via faulting to the northeast and northwest.

Wye-1 tested gas at commercial rates from two good quality reservoirs, with the Bookara and the Arranoo sandstone reservoirs flowing 4.4MMscf per day and 2.5 MMscf per day respectively. Neither of the reservoirs exhibited a water leg, and both exhibited live oil shows during drilling.

The presence of shows indicates that the reservoirs were originally oil-filled at the Wye-1 location, with the oil likely being displaced to a down-dip oil rim by subsequent gas migration in to the crest of the structure. This dual-charge model is evident elsewhere within the north Perth Basin, including at the nearby Dongara gas field, where the Dongara-8 well produced at an initial rate of 800 barrels of oil per day from an oil rim.

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

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

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

Review of Operations

30 September 2017

WA-507-P Exploration Permit (Operator, 80%)

Block WA-507-P is located within the prolific Northern Carnarvon Basin, covering an area of 1,622 km^2 over the Exmouth Plateau. The permit is covered by an existing, high quality 3D seismic dataset, which reveals the presence of three very large structures, ranging from 27 km^2 to 121 km^2 in area.

During the year, a simultaneous AVO inversion and lithology classification study was conducted on WA-507-P, with the goal of further investigating the prospectivity of the permit for oil and gas within the three large prospects previously identified. The study provided insights into the potential connectedness of meaningful sand bodies and fluid substitution analysis provided positive indications of hydrocarbon bearing sands.

The WA-507-P block is located in deep water and the Joint Venture therefore decided to market for sale an unencumbered 100% interest in the highly prospective block. The sale will allow Pilot to focus on its Perth Basin assets and comes at a time of renewed interest in the Exmouth Plateau, with the award of adjacent and nearby new permits to Chevron and Woodside Joint Ventures. Pilot's partner, Black Swan (20%), is currently marketing the property on behalf of the Joint Venture.

These prospects have very significant prospective resources for gas and/or oil within the Triassic Mungaroo reservoir, which hosts much of the hydrocarbons discovered to date in the Northwest Shelf. The prospective resources (oil and/or gas) have been independently assessed by Gaffney Cline & Associates, as per the Company announcements of 25 February and 20 October, 2015. The permit is located in the outboard part of the Mungaroo delta system, where the reservoir is believed to be thick and areally extensive, and the hydrocarbon source formations are believed to have been deposited in a more marine environment. This provides the potential for a working oil system within the permit.

Licensing of the 6,368 km^2 "Gnaraloo/Cazadores" multi-client 3D seismic dataset data is the main work commitment associated with the three-year primary term of the permit, ending 16 November 2017. Pilot Energy has fulfilled the main work commitments associated with the Primary Term.

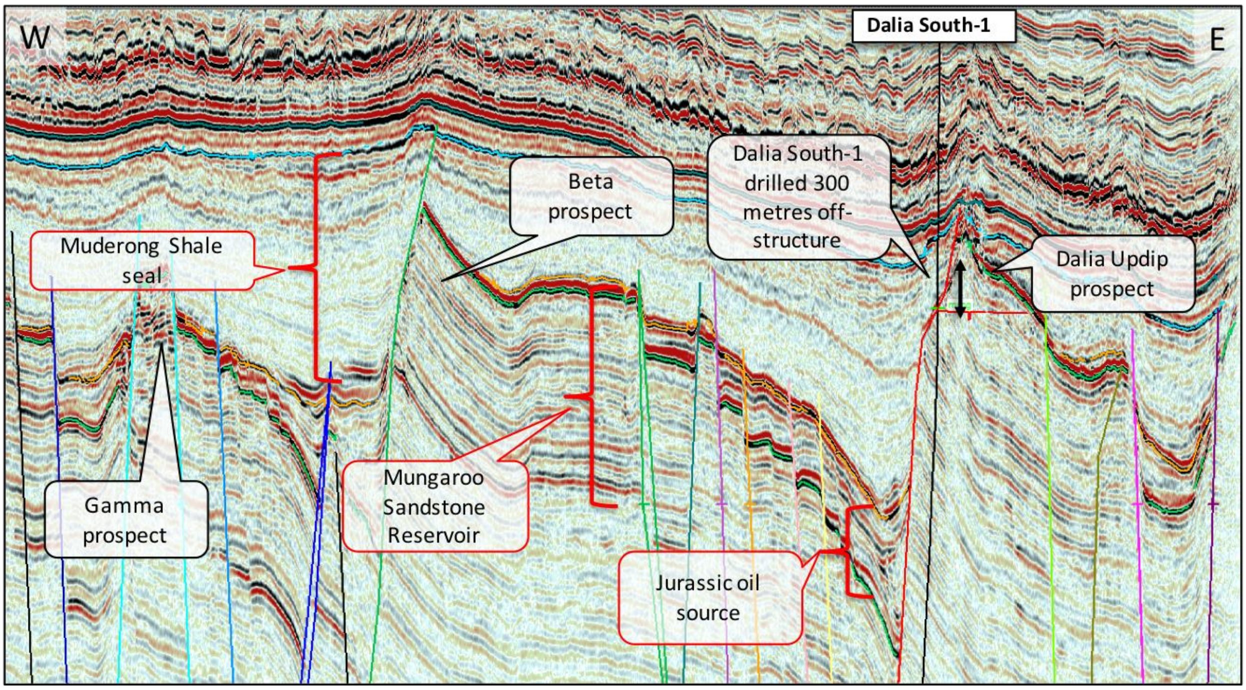


Figure: 3D Seismic Image Across Three Main WA-507-P Prospects (image shown courtesy of TGS Nopec)

Review of Operations

30 September 2017

An independent assessment of Prospective Resources for WA-501-P was conducted by Gaffney Cline effective 31 January 2015 for both gas and oil cases as follows:

Prospect –	Gross Bcf (100%)			Net Pilot Bcf (60%)		
Gas Case	Low	Best	High	Low	Best	High
Dalia Updip	1,644	4,734	9,639	1,315	3,787	7,711
Beta	1,010	2,436	5,674	808	1,949	4,539
Gamma	1,376	2,877	5,786	1,101	2,301	4,629
Total	**4,030**	**10,047**	**21,099**	**3,224**	**8,037**	**16,879**

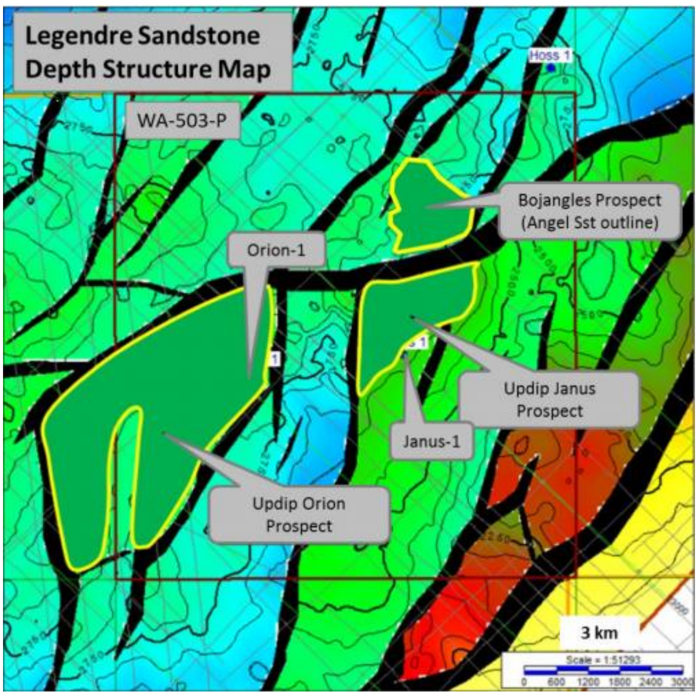
Prospect –	Gross MMbbl (100%)			Net Pilot MMbbl (60%)		
Oil Case	Low	Best	High	Low	Best	High
Dalia Updip	250	764	1,743	200	611	1,394
Beta	151	381	931	121	305	745
Gamma	203	436	926	162	349	741
Total	**604**	**1,581**	**3,600**	**483**	**1,265**	**2,880**

WA-503-P Exploration Permit (Operator, 80%)

Block WA-503-P is located offshore Western Australia within the Dampier Sub-basin, inboard of the giant Northwest Shelf complex and on trend with numerous oil and gas discoveries; including the Legendre and Hurricane fields. The shallow water depth across the block (maximum 70 metres) allows for drilling by lower cost "jack-up" drilling rigs.

The primary exploration focus of WA-503-P is Lower Cretaceous to Upper Jurassic sandstone reservoirs within the oil rich Legendre Trend, situated along the eastern flank of the Lewis Trough. The decommissioned Legendre field is situated some 20 km to the northeast of the block, and produced over 40 MMbbl of oil from excellent quality sandstone reservoirs.

Pilot has identified three exploration prospects, two of which are up-dip of the existing off-structure wells Orion 1 and Janus1. The Janus-1 well had 4m of oil shows in the Eliassen reservoir.



An 80km^2 3D broadband seismic survey was to have been completed before 12 May 2017 under a low-cost contract Pilot has in place, however this has not been possible due to the absence of a suitable seismic vessel within Australian waters and NOPTA approved an extension of the primary term until 12 May 2018.

Pilot Energy has considered various alternative solutions, including acquiring the survey on a proprietary basis with other vessels that are currently located overseas. However, mobilisation and demobilisation costs are prohibitive and are not justified by the survey's small size. The seismic contractor recently advised that the NOPSEMA permit application process is ongoing and that acquisition in H1 2018 prior to the next whale migration season remains possible, but a further permit extension application may be required.

Review of Operations

30 September 2017

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

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

Directors' Report

30 September 2017

The directors present their report, together with the financial statements of the Group, being Pilot Energy Limited (the Company) and its controlled entities, for the financial year ended 30 September 2017.

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
Wilson Xue Non-executive Chairman Appointed: 27 June 2016 Appointed positions: Non-executive Director on 27 June 2016 Non-executive chairman on 2 December 2016	Mr Xue is an entrepreneur and businessman with 25 years of senior management experience. He has an impressive record of establishing and growing businesses across a breadth of industries. In addition to Mr Xue's business acumen, his extensive international contacts will benefit the Company as it implements its growth strategy. Directors Holdings as at 27 November 2017 7,407,600 ordinary shares (1) 400,000 options expiring 31 December 2019 (1)
Benson Wong Executive Director Chief Financial Officer Chief Executive Officer Appointed: 28 April 2016 Appointed positions: Executive Director on 29 April 2016 Chief Financial Officer on 28 April 2016 Chief Executive Officer on 12 September 2017	Mr Wong is a management finance specialist with 14 years' senior managerial experience and over six years' experience in director roles. In these roles he has held overall finance, administrative and human resources responsibilities. Mr Wong holds a Masters Degree in Commerce from the University of New South Wales, and is an Associate Member of CPA Australia. Directors Holdings as at 27 November 2017 3,703,740 ordinary shares (2) 400,000 options expiring 31 December 2019 (3)
Xingjin Wang Executive Director Chief Technical Officer Appointed: 9 August 2017 Appointed positions: Executive Director on 9 August 2017 Chief Technical Officer on 12 September 2017	Xingjin is a petroleum engineer with more than 25 years of international experience in petroleum exploration and production. He has extensive experience in the petroleum basins of Australia, and previously held senior management positions with Arrow Energy. More recently, Xingjin has provided consulting services to a number of companies in the areas of asset evaluation and petroleum engineering. He holds a PhD in Applied Geology from the University of New South Wales. Directors Holdings as at 27 November 2017 518,920 ordinary shares (4) 400,000 options expiring 31 December 2019 (4)

(1) held in related entity, Billion Power Capital Limited

(2) held in related entity, Sunpex International Pty Ltd

(3) held in related entity, Sunpex International Limited

(4) held in related entity, Austar Nominees Pty Ltd

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Gavin Harper Non-executive Chairman Retired: 2 December 2016 Appointed positions: Non-executive Director on 17 March 2014; Non-executive Chairman on 1 May 2014 Executive Chairman on 3 July 2014 Non-executive Chairman on 1 July 2015	Mr Harper has over 39 years of experience in the energy industry, including a variety of operational and leadership roles in his 25 years with Chevron Corporation. He has particular strengths in business development strategies, corporate-government and other major stakeholder interactions and working within complex business and joint venture environments. Mr Harper has been a director of a number of ASX listed companies and is currently Non-Executive Director of ASX 300 Sino Gas and Energy Holdings. He holds a BA (Sociology/Anthropology) from the University of Kent, and a Diploma Business Administration from the University of Strathclyde. He is a Member of the Australian Institute of Company Directors. Directors Holdings as at 30 September 2017 400,000 options expiring 31 December 2019 (5)
Iain Smith Managing Director Resigned: 9 August 2017 Appointed positions: Non-executive Director on 10 February 2014; Executive Director on 3 July 2014 Managing Director on 1 July 2015	Mr Smith has 27 years' experience of the upstream petroleum sector, in both technical and commercial roles within Australia and overseas. After a number of years within the New Ventures team of Premier Oil, Iain spent ten years in sales and general management roles within the geophysical technology/services sector in the UK, Australia and India. He subsequently held commercial advisory roles within the Exploration/New Ventures and Browse LNG business units of Woodside Energy, before joining Neon Energy as Commercial Manager. He was instrumental in the merger between Neon Energy Pty Ltd and Salinas Energy Ltd, and managed the farmout of Neon's high profile Vietnamese exploration assets to KrisEnergy Ltd and Eni SpA.,and the sale of Neon's Californian assets. Mr Smith holds an MSc in Petroleum Geology and Geophysics from Imperial College London, and a Graduate Diploma in Business Administration from the University of Western Australia. Directors Holdings as at 30 September 2017 200,000 options expiring 31 December 2019 (6)
Michael Lonergan Non-executive Director Appointed:11 December 2017 Appointed positions: Non-executive Director on 11 December 2017	Mike is a Petroleum Geophysicist with over 30 years of domestic and international oil and gas experience. He has held senior technical and project management roles during his career, having worked for Delhi Petroleum, Oil Company of Australia, Origin Energy, Rohöl-Aufsuchungs Aktiengesellschaft, Mosaic Oil, AGL and Pangaea Resources.

(5) held in related entity, New Energy Solutions Pty Ltd

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

Mr Iain Smith was a Non-executive Director of the Company from 10 February 2014 to 3 July 2014 and an Executive Director from 3 July 2014 until his resignation on 9 August 2017.

2. Company Secretary

The following person held the position of Company secretary at the end of the financial year:

Lisa Dadswell has been the company secretary since 1 September 2017. Lisa Dadswell is a Chartered Secretary recognised by the Institute of Chartered Secretaries and Administrators with over 15 years of corporate governance experience. Prior to this, David McArthur was the company secretary since 14 May 2015 and resigned on 31 August 2017.

3. Director's Meetings

During the financial year, 3 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 held whilst a director**
Gavin Harper (1)	1	1
Wilson Xue	3	3
Iain Smith (2)	3	3
Benson Wong	3	3
Xingjin Wang (3)	-	-

(1) Mr Gavin Harper resigned as Chairman on 2 December 2016.
(2) Mr Iain Smith resigned as a director on 9 August 2017.
(3) Mr Xingjin Wang was appointed as a director on 9 August 2017.

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

4. Principal Activities

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

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

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 results

The consolidated loss of the Group amounted to $1,368,008 (2016: loss of $1,864,313).

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.

5. Significant Changes in State of Affairs

A share placement was completed in July 2017 with the issue of 4.8 million ordinary shares (post consolidation) raising $720,000 .

Pursuant to approval obtained at the general meeting of shareholders held on 12 July 2017, a share consolidation was completed on a 50:1 basis during the year.

6. Dividends

The Directors recommend that no dividend be provided for the year ended 30 September 2017 (2016: Nil).

7. Events After the Reporting Date

As announced on the 19 October 2017, the WA-507-P Joint Venture (Pilot Energy 80%) the directors have resolved to market for sale an unencumbered 100% interest in the permit. The sale will allow Pilot to focus on its Perth Basin interests. The highly prospective permit covers 1,622 km^2 of the Exmouth Plateau, near the Thebe, Scarborough and Jupiter gas fields.

As announce on the 11 December 2017, Mr Michael Lonergan has been appointed as Non-executive director of the Company. Mike is a Petroleum Geophysicist with over 30 years of domestic and international oil and gas experience. He has held senior technical and project management roles during his career, having worked for Delhi Petroleum, Oil Company of Australia, Origin Energy, Rohöl-Aufsuchungs Aktiengesellschaft, Mosaic Oil, AGL and Pangaea Resources.

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.

9. Indemnification and Insurance of Officers and Auditors

During the financial year, the Company paid an insurance premium of $17,962 (2016: $23,747) 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.

10. Likely Developments and Expected Results

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

11. Share Options

Unissued shares under options

At the date of this report, the unissued ordinary shares of Pilot Energy Limited under option are as follows:

Date of Expiry	Exercise Price	Number under Option
30 June 2019	$0.10	900,000
31 December 2019	$0.20	2,600,000
		3,500,000

All unissued shares are ordinary shares of the Company.

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

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

Shares issued on exercise of options

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

Options Expired

During the year ended 30 September 2017, 32,500,000 options expired (2016: 146,591,813 expired).

Capital Consolidation

During the year, a capital consolidation was approved at the general meeting of shareholders held on 12 July 2017 and was completed on a 50:1 basis.

12. 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.

13. Non-Audit Services

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

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

	2017	2016
BDO Audit (WA) Pty Ltd	**$**	**$**
Taxation services		
Tax compliance services	16,085	17,402
Other		
Independent Experts Report	17,850	-
Total remuneration for non-audit services	**33,935**	**17,402**

14. Remuneration Report - Audited

The Directors are pleased to present your Company's 2017 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
Wilson Xue	Non-executive Chairman	27 June 2016	-
Benson Wong	Chief Executive Officer	29 April 2016	-
Xingjin Wang	Chief Technical Officer	9 August 2017	-
Gavin Harper	Former Non-Executive Chairman	17 March 2014	2 December 2016
Iain Smith	Former Managing Director	10 February 2014	9 August 2017

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
(h) Voting and comments made at the Company's 2017 Annual General Meeting

14. Remuneration Report – Audited (continued)

(a) Remuneration Governance

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

(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

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

14. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

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

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

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

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

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

(1) Subject to remaining in tenure as a director of the Company:
- 5,000,000 to vest on 30 June 2015;
- 5,000,000 to vest on 30 June 2016; and
- 5,000,000 to vest on 30 June 2017 (Tenure Vested Performance Rights).

(2) 5,000,000 Tenure Vested Performance Rights to convert to fully paid shares if the Company's share price remains above 3.5 cents for five consecutive days prior to Expiry Date.

(3) 10,000,000 Tenure Vested Performance Rights to convert to fully paid shares if the Company's share price remains above 5 cents for five consecutive days prior to Expiry Date – less any performance rights that may have converted under Hurdle 2.

(4) 15,000,000 Tenure Vested Performance Rights to convert to fully paid shares if the Company's share price remains above 8 cents for five consecutive days prior to Expiry Date – less any performance rights that may have converted under Hurdle 3.

Key valuation assumptions made at valuation date are summarised below:

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

14. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

Long-term incentive (continued)

Performance Rights (continued)

No performance rights were granted as compensation to key management personnel during the reporting period.

Details of performance rights over ordinary shares in the Company are as follows:

	Number granted	Consolidation (50:1) (1)	Number forfeited	Number outstanding	FY granted	Share price at grant date cents	Vested percentage	Vested number	FY in which shares may vest
Executive directors									
Iain Smith (2)	5,000,000	(4,900,000)	(100,000)	-	2015	0.5	100	100,000	2015
	5,000,000	(4,900,000)	(100,000)	-	2015	0.5	100	100,000	2016
	5,000,000	(4,900,000)	(100,000)	-	2015	0.5	100	100,000	2017
Non-executive directors									
Gavin Harper (3)	5,000,000	(4,900,000)	(100,000)	-	2015	0.5	100	100,000	2015
	5,000,000	(4,900,000)	(100,000)	-	2015	0.5	100	100,000	2016
	5,000,000	(4,900,000)	(100,000)	-	2015	0.5	-	-	2017

(1) A capital consolidation of 50:1 was undertaken after approval at a general meeting of shareholders on 12 July 2017.
(2) Mr Iain Smith resigned as a director on 9 August 2017. The 300,000 performance rights above were forfeited pursuant to a deed of settlement and release at the time of resignation.
(3) Mr Gavin Harper retired as a director on 2 December 2016. The 300,000 performance rights above were forfeited pursuant to a deed of settlement and release at the time of retirement.

14. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

Long-term incentive (continued)

(I) New options

There were no new options granted during the reporting period.

(ii) Vested options

During the reporting period, there were 1,200,000 options which vested on 23 June 2017.

(iii) Expired options or forfeited

During the reporting period, 650,000 options expired or were forfeited. (Post consolidation)

(iv) Consolidated options

During the reporting period, there was a 50:1 capital consolidation affecting the number of options.

14. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

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

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

Shareholder returns	**2017**	**2016**	**2015 Restated**	**2014 Restated**	**2013**
Net (loss) / profit attributable to equity holders ($)	(1,368,008)	(1,864,313)	5,498,312	(17,187,866)	(4,414,050)
Basic (loss) / earnings per share (cents)	(2.29)	(0.09)	0.74	n/a	n/a
Share price at year end (cents)	0.05	0.20	0.10	0.80	n/a
Market capitalisation ($)	2,988,096	5,877,634	158,547,683	335,593,822	n/a
Net tangible assets / (liabilities) (NTA) ($)	705,756	1,254,228	(277,943)	(6,095,105)	827,081
NTA Backing (cents)	0.011	0.043	(0.018)	(1.453)	0.412

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

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

(c) Board and Management Changes

On 2 December 2016, Mr Gavin Harper retired from the Company's Board of Directors. Mr Wilson Xue was appointed as replacement Chairman.

On 10 August 2017, Mr Iain Smith resigned from his position as Managing Director and replaced by Mr Benson Wong. Mr Xingjin Wong was also appointed as Executive Director and Chief Technical Officer.

(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.

14. Remuneration Report – Audited (continued)

(d) Service contracts (continued)

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

Name	Term of agreement	Employee notice period	Employer notice period	Base salary	Termination Benefit **
Mr Benson	Ongoing from September 2017	3 months	6 months	$180,000 *	6 months' base salary
Mr Xingjin	Ongoing from September 2017	3 months	6 months	$153,600 *	6 months' base salary

* The base salary figures of Mr Benson Wong and Mr Xingjin Wang do not include superannuation.

** Termination benefits are payable upon early termination by the Group, other than for gross misconduct. For both Mr Benson Wong and Mr Xingjin Wang, termination benefit would be equal to base salary for the notice period.

In addition to their base salary, each executive director is paid a standard director's fee of $40,000 per annum inclusive of superannuation.

(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 Remuneration and Nomination Committee.

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

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

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

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

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

Pilot Energy Limited

A.B.N 86 115 229 984

Directors' Report

30 September 2017

14. Remuneration Report – Audited (continued)

(f) Key Management Personnel Remuneration

		Short-term employee benefits			Post-employment benefits	Share based payments				
Name		**Salary and fees (A)**	**Short term incentive bonus (B)**	**Non-monetary benefits (C)**	**Superannuation**	**Rights (D)**	**Options (D)**	**Total**	**Fixed Remuneration %**	**Performance based remuneration %**
Executive directors										
Benson Wong	2017	165,196	-	6,345	14,269	-	20,645	206,455	90%	10%
	2016	71,475	-	1,971	6,425	-	5,696	85,567	93%	7%
Xingjin Wang[(1)]	2017	41,936	-	887	504		20,645	63,972	68%	32%
	2016	-	-	-	-	-	-	-	-	-
Sub-total executive directors' remuneration	2017	207,132	-	7,232	14,773		41,290	270,427		
	2016	71,475	-	1,971	6,425		5,696	85,567		
Non-executive directors										
Wilson Xue	2017	46,224	-	6,345	4,391	-	20,644	77,604	73%	27%
	2016	9,695	-	1,192	921	-	5,696	17,504	67%	33%
Sub-total non-executive directors' remuneration	2017	46,224	-	6,345	4,391	-	20,644	77,604		
	2016	9,695	-	1,192	921	-	5,696	17,504		
Total current directors' remuneration	2017	253,356	-	13,577	19,164		61,934	348,031		
	2016	81,170	-	3,163	7,346		11,392	103,071		

Notes in relation to the table of directors' remuneration

(1) Xingjin Wang appointed 10 August 2017. $36,633 was paid before being appointed as Director.

14. Remuneration Report – Audited (continued)

(f) Key Management Personnel Remuneration (continued)

Name		Short-term employee benefit: Salary and fees (A)	Short-term employee benefit: Short term incentive bonus (B)	Short-term employee benefit: Non-monetary benefits (C)	Post-employment benefits: Termination Payments*	Share based payments: Rights (D)	Share based payments: Options (D)	Total	Fixed Remuneration %	Performance based remuneration %
Former directors										
Gavin Harper(2)	2017	30,000	-	1,095	57,000	-	-	88,095	90%	10%
	2016	55,833	-	4,594	-	-	12,144	72,571	94%	17%
Iain Smith(3)	2017	165,000	45,333	5,458	164,601	-	9,401	389,793	98%	2%
	2016	180,000	81,000	4,594	-	-	12,144	277,738	69%	34%
Sub-total former directors' remuneration	2017	195,000	45,333	6,553	221,601	-	9,401	477,888		
	2016	235,833	81,000	9,188	-	-	24,288	350,309		
Total key management remuneration	2017	448,356	45,333	20,130	240,765	-	71,335	825,919		
	2016	317,003	81,000	12,351	7,346	-	35,680	453,380		

Notes in relation to the table of directors' remuneration

(2) Gavin Harper retired 2 December 2016

(3) Iain Smith resigned 10 August 2017

* $49,734 of these termination payments to Mr Iain Smith were paid after 30 September 2017.

14. Remuneration Report – Audited (continued)

(f) Key Management Personnel Remuneration

Notes in relation to the table of directors' remuneration (continued)

(A) During the reporting period, certain key management persons were paid for commercial, arms-length consulting services. The total quantum of these transactions as disclosed in note 24 of the notes to the consolidated financial statements was:

- Gavin Harper $ - (2016: $9,800)
- Xingjin Wang $ - (2016: $19,500)

(B) The remuneration of Iain Smith is based on a fixed salary that is low, relative to Managing Director remuneration for Pilot Energy's peer companies. An STI bonus equivalent to up to 50% of the fixed salary is payable, at the board's discretion, upon achieving various performance objectives. These performance objectives are established on an annual basis. Of the $90,000 available to Iain Smith as an STI bonus for the reporting period, he received $45,333, as determined by the board (excluding Iain Smith);

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

(g) Other KMP disclosures

KMP performance rights holdings

	Held at 1 October 2016	Forfeited on resignation	Capital Consolidation (50:1)	Held at 30 September 2017	Vested during the year	Vested and exercisable at 30 September 2017	Unvested
Executive directors							
Iain Smith (2)	15,000,000	15,000,000	-	-	-	-	-
Non-executive directors							
Gavin Harper (1)	15,000,000	15,000,000	-	-	-	-	-

(1) Mr Gavin Harper retired as Chairman on 2 December 2017
(2) Mr Iain Smith resigned as director on 9 August 2017

14. Remuneration Report – Audited (continued)

(g) Other KMP disclosures (continued)

KMP option holdings

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

	Held at 1 October 2016	Held on appointment	Options cancelled	Options expired	Consolidation	Held on Resignation	Held at 30 September 2017	Vested during the year	Vested and Exercisable at 30 September 2017	Unvested
Executive directors										
Iain Smith[1]	20,000,000	-	-	(10,000,000)	(9,800,000)	(200,000)	-	-	200,000	-
Benson Wong	20,000,000	-	-	-	(19,600,000)	-	400,000	-	200,000	200,000
Xingjin Wang	-	20,000,000	-	-	(19,600,000)	-	400,000		200,000	200,000
Non-executive directors										
Gavin Harper[2]	20,000,000		-	-	(19,600,000)	(400,000)	-	-	400,000	-
Wilson Xue	20,000,000		-	-	(19,600,000)	-	400,000	-	200,000	200,000

[1] Mr Iain Smith resigned as director on 9 August 2017
[2] Mr Gavin Harper retired as director and chairman on 2 December 2016

Directors' Report
30 September 2017

14. Remuneration Report – Audited (continued)

(g) Other KMP disclosures (continued)

KMP shareholdings

	Held at 1 October 2016	Held on Appointment or (resignation)	Acquired / Purchases	Consolidation	Held at 30 September 2017
Executive directors					
Iain Smith	60,074,839	(1,201,497)	-	(58,873,342)	-
Benson Wong	185,187,000	-	-	(181,483,260)	3,703,740
Xingjin Wang		25,946,000	-	(25,427,080)	518,920
Non-executive directors					
Gavin Harper	79,060,114	(79,060,114)	-	-	-
Wilson Xue	370,380,000	-	-	(362,972,400)	7,407,600

Loans to key management personnel

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

	2017	2016
	$	$
Beginning of year	-	52,300
Interest charged	-	2,808
Less repaid	-	(55,108)
Loans advanced	-	-
End of year	-	-

The purpose of the loan in the prior year was to enable KMP to acquire ordinary shares in the Company.

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

THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.

Directors' Report
30 September 2017

15. Lead Auditor's Independence Declaration

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

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

16. Corporate Governance Statement

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

BENSON WONG
Managing Director

Dated at Sydney, New South Wales this 20th day of December 2017.

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Pilot Energy Limited for the year ended 30 September 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 20 December 2017

Pilot Energy Limited

A.B.N 86 115 229 984

Consolidated Statement of Profit or Loss and Comprehensive Income

For The Year Ended 30 September 2017

	Note	2017 $	2016 $
Revenue from continuing operations	5	**5,963**	7,027
R & D tax refund	4	**805,455**	-
Other Income		**-**	11,981
Administrative expenses		**(256,554)**	(173,201)
Personnel expenses		**(813,761)**	(659,061)
Professional fees		**(543,926)**	(338,341)
Exploration expenses		**(535,550)**	(2,026,236)
Finance expenses		**(1,533)**	(2,037)
Other expenses		**(28,102)**	(45,320)
Loss before income tax		**(1,368,008)**	(3,225,188)
Income tax expense	7	**-**	-
Loss from continuing operations		**(1,368,008)**	(3,225,188)
Profit/(loss) from discontinued operations		**-**	1,360,875
Loss for the year		**(1,368,008)**	(1,864,313)
Other comprehensive income			
Foreign currency translation difference of foreign operations		**-**	48,222
Other comprehensive income for the year, net of tax		**-**	48,222
Total comprehensive loss for the year		**(1,368,008)**	(1,816,091)
(Loss) / earnings per share (cents per share)	15		
From Continuing Operations			
Basic and diluted		**(2.29)**	(7.98)
From Discontinued Operations			
Basic		**-**	3.37
Diluted		**-**	2.97

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 30 September 2017

	Note	2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**635,623**	1,335,196
Trade and other receivables	10	**51,641**	16,102
Other assets		**-**	39,898
TOTAL CURRENT ASSETS		**687,264**	1,391,196
NON-CURRENT ASSETS			
Trade and other receivables	10	**97,258**	66,666
Property, plant and equipment		**-**	721
TOTAL NON-CURRENT ASSETS		**97,258**	67,387
TOTAL ASSETS		**784,522**	1,458,583
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**57,093**	176,763
Employee benefits	12	**21,673**	19,461
Other liabilities		**-**	8,131
TOTAL CURRENT LIABILITIES		**78,766**	204,355
NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		**78,766**	204,355
NET ASSETS		**705,756**	1,254,228
EQUITY			
Issued capital	13	**43,672,930**	42,952,930
Reserves	14	**(604,953)**	(228,422)
Accumulated losses		**(42,362,221)**	(41,470,280)
Total equity attributable to equity holders of the Company		**705,756**	1,254,228
TOTAL EQUITY		**705,756**	1,254,228

The accompanying notes form part of these financial statements.

Pilot Energy Limited

A.B.N 86 115 229 984

Consolidated Statement of Changes in Equity

For the Year Ended 30 September 2017

2017

	Ordinary Shares $	Retained Earnings $	Foreign Currency Translation Reserve $	Share-based Payments Reserve $	Total $
Balance at 1 October 2016	**42,952,930**	**(41,470,280)**	**(820,678)**	**592,256**	**1,254,228**
Profit attributable to members of the parent entity	**-**	**(1,368,008)**	**-**	**-**	**(1,368,008)**
Transactions with owners in their capacity as owners					
Shares issued during the year	**720,000**	**-**	**-**	**-**	**720,000**
Transfers to accumulated losses on lapse of options	**-**	**476,067**	**-**	**(476,067)**	**-**
Share based payment transactions	-	-	-	**99,536**	**99,536**
Balance at 30 September 2017	**43,672,930**	**(42,362,221)**	**(820,678)**	**215,725**	**705,756**

2016

	Ordinary Shares $	Retained Earnings $	Foreign Currency Translation Reserve $	Share-based Payments Reserve $	Total $
Balance at 1 October 2015	39,685,932	(39,646,135)	(868,900)	551,160	(277,943)
Profit attributable to members of the parent entity	-	(1,864,313)	-	-	(1,864,313)
Total other comprehensive income for the year	-	-	48,222	-	48,222
Transactions with owners in their capacity as owners					
Share based payment transactions	-	-	-	81,264	81,264
Shares issued during the year	3,640,020	-	-	-	3,640,020
Transaction costs	(373,022)	-	-	-	(373,022)
Transfers to accumulated losses on lapse of options	-	40,168	-	(40,168)	-
Balance at 30 September 2016	42,952,930	(41,470,280)	(820,678)	592,256	1,254,228

Pilot Energy Limited

A.B.N 86 115 229 984

Consolidated Statement of Cash Flows

For the Year Ended 30 September 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		**(1,653,947)**	(1,031,326)
Payments for exploration, evaluation and development		**(535,550)**	(2,194,884)
Interest received		**5,963**	7,027
Interest paid		**(992)**	(2,037)
Net cash from discontinued operations		**-**	462,786
R&D Tax Incentive		**805,455**	-
Net cash provided by/(used in) operating activities	25	**(1,379,071)**	(2,758,434)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for security deposits		**(30,592)**	-
Net cash provided by/(used in) investing activities		**(30,592)**	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares and options		**720,000**	3,600,020
Capital raising costs		**-**	(393,242)
Repayment of borrowings		**(8,130)**	(26,202)
Proceeds from borrowings		**-**	25,850
Net cash provided by/(used in) financing activities		**711,870**	3,206,426
Net increase/(decrease) in cash and cash equivalents held		**(697,793)**	447,992
Cash and cash equivalents at beginning of year		**1,335,196**	901,639
Effect of exchange rate fluctuations on cash held		**(1,780)**	(14,435)
Cash and cash equivalents at end of financial year	9	**635,623**	1,335,196

The accompanying notes form part of these financial statements.

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

The financial report was authorised for issue by the Directors on 20 December 2017.

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.

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. All controlled entities have a June financial year end.

Subsidiaries

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.

Associates

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 as 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.

2 Summary of Significant Accounting Policies (continued)

(b) Exploration & evaluation expenditure

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- researching and analysing existing exploration data
- conducting geological studies, exploratory drilling and sampling
- examining and testing extraction and treatment methods; and/or
- compiling pre-feasibility and feasibility studies.

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential. It is the policy of the Group to expense all exploration and evaluation expenditure as it is incurred.

This treatment is compliant with AASB 6 Exploration for Evaluation of Minerals Resources, which permits a choice of accounting policy.

(c) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

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

(e) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

2 Summary of Significant Accounting Policies (continued)

(e) Employee Benefits

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

(f) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(g) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

2 Summary of Significant Accounting Policies (continued)

(h) New Accounting Standards and Interpretations

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8 : Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

As the Group does not currently have an income stream, the adoption of AASB 15 will not impact the Group's financial statements.

2 Summary of Significant Accounting Policies (continued)

(h) New Accounting Standards and Interpretations (continued)

– AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10 : Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 : Business Combinations to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;

- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

3 Critical Accounting Estimates and Judgements

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

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

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

Going Concern

The directors have prepared the financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The group has no debt obligations. The Group has a working capital surplus of $608,498 and net cash outflows for the 30 September 2017 financial year of $699,793 (2016: inflow $447,992). The Group incurred a loss for the year of $1,368,008 and has net operating cash outflows for the year of $1,379,071.

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

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

Capital market raising such as:

- Private placement
- Entitlements issue
- Share purchase plan

Borrowings from related or third parties.

Farming out assets to recoup past costs and reduce expenditure obligations.

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. The directors are therefore of the opinion that the use of going concern basis is appropriate in the circumstances.

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.

Share-based payments

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

Notes to the Financial Statements

For the Year Ended 30 September 2017

4 Research and Development Expenditure

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

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

	2017 $	2016 $
R&D Tax Incentive		
2016 Grant	**96,609**	-
2017 Grant	**708,846**	-
Total R&D Incentive	**805,455**	**-**

5 Revenue and Other Income

Accounting Policy

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

Revenue from continuing operations

	2017 $	2016 $
Finance income		
- other interest received	**5,963**	7,027
Total Revenue	**5,963**	7,027

6 Net Finance Costs

Accounting Policy

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

The result for the year was derived after charging / (crediting) the following items:

	2017 $	2016 $
Finance Costs		
Financial liabilities measured at amortised cost:		
- Interest paid	**1,533**	**2,037**
Total finance costs	**1,533**	**2,037**

7 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 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:

	2017 $	2016 $
Current tax benefit		
Current period	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Total income tax benefit	-	-

(b) Reconciliation of effective tax rate:

	2017 $	2016 $
Loss for the period	(1,368,008)	(1,864,313)
Applicable Group domestic income tax rate	27.50%	28.50%
Profit / (Loss) excluding income tax	(1,368,008)	(1,864,313)
Add:		
Tax effect of:		
- Income tax using the Group's domestic tax rate of 27.5% (2016: 28.5%)	(376,202)	(531,329)
- Tax rate differential for overseas subsidiaries	-	88,457
- Non-assessable non-exempt expenses	-	(476,447)
- non-deductible expenses	577	87,699
- Tax losses carried forward and other timing differences not brought to account	375,625	831,620
Income tax expense	-	-

Notes to the Financial Statements

For the Year Ended 30 September 2017

7 Income Tax Expense (continued)

(b) Reconciliation of effective tax rate (continued)

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits up to $8,523,988 (2016: $8,465,780) 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
ii) the conditions for the deductibility imposed by tax legalisation 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 and liabilities:

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

	2017 $	2016 $
Deferred tax liabilities (DTLs)		
Prepaid expenditure	**-**	**14,992**
Set-off against DTAs	**-**	**(14,992)**
	-	**-**
Deferred tax assets (DTAs)		
Share issue costs	**52,791**	**161,285**
Exploration expenditure	**85,837**	**96,761**
Carry forward tax losses	**8,373,507**	**8,214,205**
Other	**11,853**	**8,521**
Set-off against DTLs	**-**	**(14,992)**
DTAs not brought to account	**8,523,988**	**8,465,780**

There were no unregistered deferred tax liabilities.

The Group does not recognise deferred tax.

Notes to the Financial Statements

For the Year Ended 30 September 2017

8 Operating Segments

Information about reportable segments

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

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

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

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

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

Information provided to the Board of Directors is consistent with info presented in the Consolidated Profit & Loss and Consolidated Balance Sheet on pages 31 and 32 respectively.

9 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.

	2017	2016
	$	$
Cash at bank and in hand	**635,623**	1,335,196
	635,623	1,335,196

10 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.

	2017	2016
	$	$
Current		
GST receivable	**51,641**	16,102
Total current trade and other receivables	**51,641**	**16,102**

10 Trade and Other Receivables (continued)

Non-Current		
Deposits	**97,258**	66,666
Total non-current trade and other receivables	**97,258**	66,666

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.

11 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.

	2017 $	2016 $
Current		
Trade payables	**28,218**	117,198
GST payable	**2,278**	-
PAYG withholding	**5,097**	4,693
Accrued expense	**21,500**	54,872
	57,093	176,763

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

12 Employee Benefits

	2017 $	2016 $
Current liabilities		
Provision for employee benefits	**21,673**	19,461
	21,673	19,461

13 Issued Capital

Accounting Policy

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

	2017 $	2016 $
Ordinary shares	**42,952,930**	39,685,932
Issue of fully paid ordinary shares at 0.2 cents each in consideration for acquisition of EP437	**-**	40,000
Placement of fully paid ordinary shares at 0.2 cents each	**-**	800,000
Placement of fully paid ordinary shares at 0.3 cents each	**-**	2,800,020
Placement of fully paid ordinary shares at 0.3 cents each	**720,000**	-
Capital raising costs	**-**	(373,022)
Total	**43,672,930**	42,952,930

(a) Ordinary shares

	2017 No.	2016 No.
At the beginning of the reporting period	**2,938,816,834**	1,585,476,834
Shares issued during the year		
Issue of fully paid ordinary shares at 0.2 cents each in consideration for acquisition of EP437	**-**	20,000,000
Placement of fully paid ordinary shares at 0.2 cents each	**-**	400,000,000
Placement of fully paid ordinary shares at 0.3 cents each	**-**	933,340,000
Share Consolidation (50:1)	**(2,880,040,320)**	-
Placement of fully paid ordinary shares at 0.3 cents each	**4,800,000**	-
At the end of the reporting period	**63,576,514**	2,938,816,834

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.

13 Issued Capital (continued)

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's debts. Throughout the year, the Company has complied with these covenants.

14 Reserves

(a) Reserves

	2017 $	2016 $
Translation Reserve	**(820,678)**	(820,678)
Share-based Payments Reserve	**215,725**	592,256
Total	**(604,953)**	(228,422)

(b) Share-based Payments Reserve

Equity-settled share option programme

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

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

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

Notes to the Financial Statements

For the Year Ended 30 September 2017

14 Reserves (continued)

(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:

	2017 $	2016 $
(a) Expensed in personnel expenses (director remuneration)		
Options issued to directors	**80,735**	59,968
(b) Expensed in professional fees		
Options issued to advisors	**18,801**	5,696
(c) Expensed in exploration expenditure		
Options issued pursuant to acquisition of EP437	**-**	15,600
Shares issued pursuant to acquisition of EP437	**-**	40,000
	-	55,600
Total	**99,536**	121,264

No new options have been issued during the year.

Notes to the Financial Statements
For the Year Ended 30 September 2017

14 Reserves (continued)

(b) Share-based Payments Reserve

Options

At 30 September 2017, 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	Consolidation (50:1)	Balance at the end of the year	Vested and exercisable at the end of the year
26 September 2013	6 December 2013	31 October 2016	12.00	12,500,000	-	(12,500,000)	-	-	-
08 October 2014	17 October 2014	30 September 2017	3.00	10,000,000	-	(10,000,000)	-	-	-
06 August 2015	7 August 2015	30 June 2019	0.20	25,000,000	-	-	(24,500,000)	500,000	500,000
17 November 2015	18 November 2015	30 June 2019	0.20	20,000,000	-	-	(19,600,000)	400,000	400,000
23 June 2016	23 June 2017	31 December 2019	0.40	70,000,000	-	(10,000,000)	(58,800,000)	1,200,000	1,200,000
23 June 2016	23 June 2018	31 December 2019	0.40	70,000,000	-	-	(68,600,000)	1,400,000	-
				207,500,000	-	**(32,500,000)**	**(171,500,000)**	**3,500,000**	**2,100,000**

During the year ended 30 September 2017, 32,500,000 options expired, and no options were modified (2016: 3,333,334 options expired, 80,000,00 options modified).

Notes to the Financial Statements

For the Year Ended 30 September 2017

14 Reserves (continued)

(b) Share-based Payments Reserve

Options (continued)

At 30 September 2016, a summary of the Company options issued and not exercised are as follows: Options are settled by the physical delivery of shares:

Grant Date	Vesting Date	Expiry Date	Exercise price (cents)	Balance at the start of the year	Granted during the year	Forfeited or exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
26 September 2013	27 September 2013	30 September 2016	12.00	3,333,334	-	(3,333,334)	-	-
26 September 2013	6 December 2013	31 October 2016	12.00	12,500,000	-	-	12,500,000	12,500,000
08 October 2014	17 October 2014	30 September 2017	3.00	10,000,000	-	-	10,000,000	10,000,000
06 August 2015	7 August 2015	30 June 2019	0.20	105,000,000	-	(80,000,000)	25,000,000	25,000,000
17 November 2015	18 November 2015	30 June 2019	2.00	-	20,000,000	-	20,000,000	20,000,000
23 June 2016	23 June 2017	31 December 2019	0.40	-	70,000,000	-	70,000,000	-
23 June 2016	23 June 2018	31 December 2019	0.40	-	70,000,000	-	70,000,000	-
				130,833,334	160,000,000	(83,333,334)	207,500,000	67,500,000

During the year ended 30 September 2016, 3,333,334 options expired, and 80,000,000 options were modified. At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 2.84 years. The weighted average exercise price of outstanding shares at the end of the reporting period was 1.2 cents.

Notes to the Financial Statements

For the Year Ended 30 September 2017

14 Reserves (continued)

(b) Share-based Payments Reserve

Performance Rights

At 30 September 2017, a summary of the Group's performance rights issued and not exercised are as follows:

2017 Grant Date	End of performance period	Vesting year	Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
01 July 2014	30 June 2018	2015	10,000,000	-	-	(10,000,000)	-	-
01 July 2014	30 June 2018	2016	10,000,000	-	-	(10,000,000)	-	-
01 July 2014	30 June 2018	2017	10,000,000	-	-	(10,000,000)	-	-
			30,000,000	-	-	(30,000,000)	-	-

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

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

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

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

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

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

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

15 Loss per Share

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

As the Group is in a loss position, there is no diluted EPS calculated.

(a) Reconciliation of earnings to profit or loss from continuing operations

	2017	2016
	$	$
Loss from continuing operations	(1,368,008)	(3,225,188)
(b) Reconciliation of earnings to profit or loss from discontinuing operations		
Profit from discontinuing operations	-	1,360,875
(c) Earnings used to calculate overall earnings per share		
Earnings used to calculate overall loss per share	(1,368,008)	(1,864,313)

(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2017	2016
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	59,765,348	40,409,932

16 Capital and Other Commitments

(a) Exploration expenditure commitments

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

	2017	2016
	$	$
Not later than one year	2,010,000	1,320,580
Between one and five years	1,200,000	60,000
	3,210,000	1,380,580

(b) Contracted Commitments

	2017	2016
	$	$
Office rent		
Not later than one year	76,601	8,952
Between one and five years	86,325	-
	162,926	8,952

17 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.

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.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Notes to the Financial Statements

For the Year Ended 30 September 2017

17 Financial Risk Management (continued)

Liquidity Risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. 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. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**	**$**	**$**
Non-derivative financial liabilities						
Trade and other payables	**57,093**	176,763	**57,093**	176,763	**57,093**	176,763
Salary and superannuation accrual	**21,673**	15,615	**21,673**	15,615	**21,673**	15,615
Premium funding facility	**-**	8,131	**-**	8,345	**-**	8,345
Total	**78,766**	200,509	**78,766**	200,723	**78,766**	200,723

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

Notes to the Financial Statements

For the Year Ended 30 September 2017

17 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 .

On a geographical basis, the Group has significant credit risk exposures in Australia given the substantial operations in those regions.

The balances of receivables that remain within initial trade terms are considered to be of high credit quality.

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

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.

Notes to the Financial Statements

For the Year Ended 30 September 2017

17 Financial Risk Management (continued)

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.

(i) 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.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US Dollars.

To mitigate the Group's exposure to foreign currency risk, non-Australian Dollar cash flows are monitored, and a USD bank account is maintained.

Generally, the Group‘s risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

In order to monitor the effectiveness of this policy, the Board receives a monthly report showing the settlement date of transactions denominated in non-Australian Dollar currencies and expected cash reserves in that currency.

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

2017	**USD $**
Nominal amounts	
Financial assets	**86,636**
2016	
Nominal amounts	
Financial assets	204,868

Notes to the Financial Statements

For the Year Ended 30 September 2017

17 Financial Risk Management (continued)

Market Risk

(i) Foreign exchange risk (continued)

The following table illustrates the sensitivity of the net result for the year and equity in regards 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 2017 (30 September 2016: 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: 1.2745 AUD.

If the Australian Dollar had strengthened and weakened against the USD by 10% (30 September 2016: 10%) then this would have had the following impact:

	2017		**2016**	
	+10%	**-10%**	**+10%**	**-10%**
USD				
Net results	**(14,053)**	**26,050**	(18,625)	22,763

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Notes to the Financial Statements

For the Year Ended 30 September 2017

18 Fair Value Measurement

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

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

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

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

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

19 Key Management Personnel Remuneration

Accounting Policy

Short-term employee benefits

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

Other long-term employee benefits

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

Share-based payments

The policy relating to share-based payments is set out in note 14(b).

Key management personnel remuneration included within employee expenses for the year is shown below:

	2017	2016
	$	$
Short-term employee benefits	**513,819**	477,153
Post-employment benefits	**240,765**	7,346
Share-based payments	**80,735**	59,968
	835,319	544,467

Notes to the Financial Statements

For the Year Ended 30 September 2017

20 Auditor's Remuneration

	2017 $	2016 $
BDO Australia		
Audit and other assurance services		
Audit and review of financial reports	31,492	32,024
Total remuneration for audit and other assurance services	31,492	32,024
Taxation services		
Tax compliance services	16,085	7,100
Tax advice on PRRT reporting	-	4,100
Advice on tax effect accounting	-	2,652
Total remuneration for taxation services	16,085	13,852
Other		
Independent Experts Report	17,850	-
Total remuneration of BDO Australia	**65,427**	45,876
BDO Overseas		
Taxation services		
Tax compliance services	-	3,550
Total remuneration of overseas BDO firms	**-**	3,550
Non-BDO audit firms		
Audit and other assurance services		
Audit and review of financial reports	-	8,564
Total remuneration for audit and other assurance services	-	8,564
Total remuneration of non-BDO audit firms	**-**	**8,564**
TOTAL AUDITORS' REMUNERATION	**65,427**	**57,990**

Notes to the Financial Statements

For the Year Ended 30 September 2017

22 Subsidiaries

The subsidiary's listed below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. Under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 there is no requirement for these subsidiaries to prepare or lodge a financial report and directors' report.

The subsidiaries subject to the deed are:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2017 %	2016 %
Rampart Energy (USA) Pty Ltd	Corporate	Australia	30 September	100	100
Rampart Alaska LLC	Dormant	USA	31 December	100	100
Spring River Resources	Dormant	USA	31 December	100	100

These companies represent a closed group for the purposes of the class order.

23 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 September 2017 (30 September 2016: None).

24 Related Parties

(a) The Group's main related parties are as follows:

Key management personnel can be found in Note 19.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) 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:

Related Party	Principal activity	2017	2016
Xingjin Wang (1)	Consulting	-	$19,500
Gavin Harper (2)	Consulting	-	$9,800

(1) The Group used the consulting services of Austar Gas Pty Ltd, a company associated with Xingjin Wang in relation to advice on certain exploration activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(2) The Group used the consulting services of New Energy Solutions Pty Ltd, a company associated with Gavin Harper in relation to advice on certain management activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

Orient Energy Pty Ltd paid Pilot Energy Limited $124,754 during the financial year under a sublease agreement for office premises. Dr Xingjin Wang and Mr Benson Wong are directors of this company.

25 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2017 $	2016 $
Profit for the year	**(1,368,008)**	(1,864,313)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	**721**	1,515
- Net profit in foreign exchange translation	**-**	12,705
- share options expensed	**99,536**	121,264
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(35,539)**	-
- (increase)/decrease in other assets	**41,678**	215,595
- (increase)/decrease in prepayments	**-**	(4,017)
- increase/(decrease) in trade and other payables	**(119,671)**	(1,260,645)
- increase/(decrease) in employee benefits	**2,212**	19,462
Cash flows from operations	**(1,379,071)**	(2,758,434)

26 Events Occurring After the Reporting Date

As announced on the 19 October 2017, the WA-507-P Joint Venture (Pilot Energy 80%) the directors have resolved to market for sale an unencumbered 100% interest in the permit. The sale will allow Pilot to focus on its Perth Basin interests. The highly prospective permit covers 1,622 km^2 of the Exmouth Plateau, near the Thebe, Scarborough and Jupiter gas fields.

As announce on the 11 December 2017, Mr Michael Lonergan has been appointed as Non-executive director of the Company. Mike is a Petroleum Geophysicist with over 30 years of domestic and international oil and gas experience. He has held senior technical and project management roles during his career, having worked for Delhi Petroleum, Oil Company of Australia, Origin Energy, Rohöl-Aufsuchungs Aktiengesellschaft, Mosaic Oil, AGL and Pangaea Resources.

Notes to the Financial Statements

For the Year Ended 30 September 2017

27 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.

	2017 $	2016 $
Statement of Financial Position		
Assets		
Current assets	**664,016**	1,391,196
Non-current assets	**68,866**	67,387
Total Assets	**732,882**	1,458,583
Liabilities		
Current liabilities	**27,126**	204,355
Total Liabilities	**27,126**	204,355
Equity		
Issued capital	**43,672,930**	42,952,930
Reserves	**215,725**	592,256
Retained earnings	**(43,182,899)**	(42,290,958)
Total Equity	**705,756**	1,254,228
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	**(1,368,008)**	(2,372,952)
Total comprehensive income	**(1,368,008)**	(2,372,952)

Guarantees

The parent entity has entered into a Deed of Cross-Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross-Guarantee and the entity subject to the deed are disclosed in note 22.

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 September 2017 or 30 September 2016.

Contractual commitments

The parent entity did not have any commitments as at 30 September 2017 or 30 September 2016.

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 September 2017 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 Chief Executive Officer and Chief Finance Officer have 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, 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.

BENSON WONG
Managing Director

Dated at Sydney, New South Wales this 20th day of December 2017.

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Pilot Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pilot Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 September 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying 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 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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 informing our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Measurement of Share-Based Payments

Key audit matter	*How the matter was addressed in our audit*
Refer to note 14(b) for the Group's share-based payment arrangements. Due to the complex and judgmental estimates used in determining the fair value of the share-based payments in accordance with AASB 2: *Share-Based Payments*, we consider the Group's calculation of the share-based payment expense to be a key audit matter.	Our procedures included, but were not limited to: • Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Assessing the allocation of the share-based payment expense over management's expected vesting period; and • Assessing the adequacy of the related disclosures in notes 14 and 3 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 September 2017, 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 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* 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 preparing the financial report, the directors are responsible for assessing the ability of the group 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 has 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 the 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/ar1.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 pages 17 to 28 of the directors' report for the year ended 30 September 2017.

In our opinion, the Remuneration Report of Pilot Energy Limited, for the year ended 30 September 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 20 December 2017

Additional Information for Listed Public Companies
30 September 2017

The shareholder information set out below was applicable as at 27 November 2017.

Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	165	23,924	-
1,001 – 5,000	96	333,232	1
5,001 – 10,000	165	1,301,188	2
10,001 – 100,000	309	10,466,143	16
100,001 and over	65	51,452,027	81
Total	**829**	**63,576,514**	**100**

There were 370 holders of less than marketable parcel of ordinary shares.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholders	Number of Shares
GS Energy Pty Ltd	14,814,940
Billion Power Capital Investment Pty Ltd	7,407,600
Giant Rainbow Investments Limited	5,464,750
Sunpex International Pty Ltd	3,703,740

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.

Options

Grant Date	Number	Number of holders	Expiry date	Exercise price (cents)
7 August 2015	500,000	7	30 June 2019	0.2
17 November 2015	400,000	1	30 June 2019	0.2
23 June 2016	2,600,000	7	31 December 2019	0.4

There are 3,500,000 options issued to 15 holders under the Pilot Energy long-term option plan to take up ordinary shares.

Additional Information for Listed Public Companies

30 September 2017

Twenty Largest Shareholders

	Ordinary Shares	
Shareholders	**Number Held**	**% of issued shares**
GS Energy Pty Ltd	14,814,940	23.30
Billion Power Capital Investment Limited	7,407,600	11.65
Giant Rainbow Investments Limited	5,465,740	8.60
Sunpex International Pty Ltd <Wong Family A/C>	3,703,740	5.83
Pershing Australia Nominees Pty Ltd	1,980,000	3.11
HSBC Custody Nominees (Australia) Limited	1,822,5020	2.87
Rosetti Super Holdings Pty Ltd <Rosetti Super Fund>	1,325,400	2.08
Mr Mark Andrew Tkocz	1.000,000	1.57
Petra Cotes Pty Ltd <Macondo A/C>	869,000	1.37
Mr Brian Laurence Eibisch	849,379	1.34
Sergent Holdings Pty Ltd <Sergent Family S/F>	745,321	1.17
Mr Shadi Sayadi	625,557	0.98
Smart Investments Limited	533,334	0.84
Austar Nominees Pty Ltd <The Wang Family A/C>	518,920	0.82
Caracal Exploration Pty Ltd	400,000	0.63
Mr Peter Hadleigh Reid	400,000	0.63
Mr Tiong Sing Tang	400,000	0.63
Mr Graham Frederick Farrell	330,000	0.52
Dr Dennis Jonathan Kar Que Lum	311,001	0.49
AR Jason Pty Ltd <A R Jason Family A/C>	300,000	0.47

Permits Listing

Permit Location	Permit Numbers	Status	Percentage Interest %
South Perth Basin	EP 416	Granted	60
South Perth Basin	EP 480	Granted	60
North Perth Basin	EP 437	Granted	13.058
Offshore WA	WA 503-P	Granted	80
Offshore WA	WA 507-P	Granted	80
Offshore WA	WA 481-P	Granted	60