



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

Interim Financial Report

For the Half Year Ended 31 March 2019

Pilot Energy Limited

A.B.N. 86 115 229 984

Contents

For the Half Year Ended 31 March 2019

	Page
Interim Financial Statements	
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9
Directors' Declaration	13
Independent Auditor's Review Report	14

Pilot Energy Limited

A.B.N. 86 115 229 984

Corporate Directory

Directors

Mr Wilson Xue
Mr Michael Lonergan
Mr Walker Li

Secretary

Ms 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

Postal Address

Suite 1302, Tower A, The Zenith
821-843 Pacific Highway
CHATSWOOD NSW 2067

Auditors

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

Bankers

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

Share Registry

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

ASX Code

Shares: PGY

Legal Form of Entity

Public Company

Country of Incorporation and Domicile

Australia

Pilot Energy Limited

A.B.N. 86 115 229 984

Directors' Report For the Half Year Ended 31 March 2019

The directors present their report together with the financial statements of Pilot Energy Limited ("the Company") and of the group, being the Company and its subsidiaries, for the half year ended 31 March 2019 and the auditor's report thereon.

1. General information

Information on directors

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

Non-Executive

Mr Wilson Xue	Chairman of the Board	Appointed 2 December 2016
	Non-Executive Director	Appointed 27 June 2016
Mr Michael Lonergan	Non-Executive Director	Appointed 8 December 2017
Mr Walker Li	Non-Executive Director	Appointed 20 September 2018

Executive

Mr Benson Wong	Chief Financial Officer & Executive Director	Appointed 28 April 2016 Resigned 7 February 2019
Dr Xingjin Wang	Executive Director & Chief Technical Officer	Appointed 9 August 2017 Resigned 7 February 2019

Chief Executive Officer

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

Company Secretary

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

2. Operating results and review of operations for the half year

Review of operations

Pilot Energy Limited is listed on the Australian Securities Exchange (ASX: PGY) and has 79,470,642 shares on issue. The Group is primarily involved in the evaluation, acquisition, exploration and development of conventional oil and gas resources.

Significant events during the period

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

Financial Position

For the half year ended 31 March 2019, the Group generated a loss of \$346,971 (2018: Loss \$604,951) and had a net working capital deficit of \$356,261 (2018: Surplus \$55,556).

The Group had a net cash outflow of \$504,265 (2018: Inflow \$253,632)

Pilot Energy Limited

A.B.N. 86 115 229 984

Directors' Report For the Half Year Ended 31 March 2019

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

Review of operations (continued)

Competent Person Statement

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

Dividends

The directors recommend that no dividend be provided for the half year ended 31 March 2019.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Pilot Energy Limited support, and have adhered to, the principles of good corporate governance. The Group's corporate governance statement is contained within the 30 September 2018 Annual Report and can be viewed on the Company's website.

Events subsequent to reporting date

As per the announcement issued to the ASX on the 29th of April 2019, the company issued a convertible note to West Energy Pty Ltd with a face value of \$300,000 at an interest rate of 3%. As at the date of issue of this report, the funds have been received in full.

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

Lead Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 March 2019 has been received and can be found on page 4 of the financial report.

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



Mr Wilson Xue
Chairman

Dated at Sydney, New South Wales this 13th day of June 2019



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

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 March 2019 there have been no contraventions of:

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

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 13th day of June 2019

Pilot Energy Limited

A.B.N. 86 115 229 984

Consolidated Statement of Profit or Loss and Other Comprehensive Income**For the Half Year Ended 31 March 2019**

	31 March 2019	31 March 2018
	\$	\$
Revenue from continuing operations	321,543	40,003
R&D tax refund	-	74,603
Administrative expenses	(39,781)	(127,447)
Employee benefit expenses	(83,415)	(215,541)
Professional fees	(100,037)	(216,171)
Finance costs	-	(1)
Other expenses	(16,105)	(39,669)
Exploration & Evaluation costs expensed	(429,134)	(121,636)
Loss before income tax	(346,929)	(605,859)
Income tax expense	-	-
Loss from continuing operations	(346,929)	(605,859)
Loss for the half year	(346,929)	(605,859)
Other comprehensive income		
Foreign currency translation difference	(42)	908
Total comprehensive loss for the period	(346,971)	(604,951)
Loss attributable to owners of the Company	(346,971)	(604,951)
Total comprehensive loss attributable to the owners of the Company	(346,971)	(604,951)
Loss per share (cents per share)		
Basic and diluted from continuing operations	(0.44)	(0.95)
Basic and Diluted (cents per share)	(0.44)	(0.95)

The accompanying notes form part of these consolidated financial statements.

Pilot Energy Limited

A.B.N. 86 115 229 984

**Consolidated Statement of Financial Position
As at 31 March 2019**

	Note	Consolidated	
		31 March 2019	30 September 2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		97,478	601,549
Trade and other receivables		307	20,740
TOTAL CURRENT ASSETS		97,785	622,289
NON-CURRENT ASSETS			
Trade and other receivables		29,092	85,758
TOTAL NON-CURRENT ASSETS		29,092	85,758
TOTAL ASSETS		126,877	708,047
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		38,183	129,371
Unearned revenue		-	320,000
Other Liabilities	4	411,620	704,964
Employee benefits		4,243	10,734
TOTAL CURRENT LIABILITIES		454,046	1,165,069
TOTAL LIABILITIES		454,046	1,165,069
NET DEFICIENCY		(327,169)	(457,022)
EQUITY			
Issued capital	5	44,149,754	43,672,930
Reserves		215,725	215,725
Retained earnings		(44,692,648)	(44,345,677)
Total equity attributable to equity holders of the Company		(327,169)	(457,022)

The accompanying notes form part of these consolidated financial statements.

Pilot Energy Limited

A.B.N. 86 115 229 984

Consolidated Statement of Changes in Equity For the Half Year Ended 31 March 2019

	Issued Capital \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Reserves \$	Total \$
Balance at 1 October 2018	43,672,930	(44,345,677)	-	215,725	(457,022)
Loss attributable to members of the parent entity	-	(346,971)	-	-	(346,971)
Transactions with owners in their capacity as owners					
Issue of shares during period	476,824	-	-	-	476,824
Balance at 31 March 2019	44,149,754	(44,692,648)	-	215,725	(327,169)
Balance at 1 October 2017	43,672,930	(42,362,221)	(820,678)	215,725	705,756
Loss attributable to members of the parent entity	-	(604,951)	-	-	(604,951)
Transactions with owners in their capacity as owners					
Expiration of unexercised options	-	-	-	-	-
Issue of options during period	-	-	-	-	-
Balance at 31 March 2018	43,672,930	(42,967,172)	(820,678)	215,725	100,805

The accompanying notes form part of these consolidated financial statements.

Pilot Energy Limited

A.B.N. 86 115 229 984

Interim Statement of Cash Flows For the Half Year Ended 31 March 2019

	Consolidated	
	31 March 2019	31 March 2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	-	720,000
Payments to suppliers and employees	(126,865)	(424,930)
Payments for exploration, evaluation and development	(378,943)	(116,043)
Interest received	1,543	3
Interest paid	-	(1)
Research & development tax refund	-	74,603
Net cash (used in)/provided by operating activities	(504,265)	253,632
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	-	-
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings	-	-
Net cash (used in)/provided by financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	(504,265)	253,632
Effect of exchange rate changes on cash and cash equivalents	194	-
Cash and cash equivalents at 1 October	601,549	635,623
Cash and cash equivalents at 31 March	97,478	889,255

Pilot Energy Limited

A.B.N. 86 115 229 984

Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2019

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

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

The financial report was authorised for issue by the Directors on 13th June 2019.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

This condensed interim financial report for the reporting period ending 31 March 2019 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*, and IAS 34: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Pilot Energy Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 September 2018, together with any public announcements made during the half year.

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

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

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

2 Summary of Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 September 2018. The following changes in accounting policy are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 September 2019.

Notes to the Consolidated Financial Statements

For the Half Year Ended 31 March 2019

2 Summary of Significant Accounting Policies (continued)

Going Concern

The directors have prepared the consolidated interim financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has no debt obligations. As at 31 March 2019 the group had cash and cash equivalents of \$97,478 and a negative working capital of \$356,261. During the period the Group had net operating cash outflows of \$504,265. The Group incurred a loss of \$346,971 for the half year ended 31 March 2019.

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

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

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

The Directors have reviewed the Groups' financial position, forecast cash flows and any events subsequent to the reporting date such as those disclosed in Note 8 of the Financial Statements, and reasonably expect that the Group will be able to raise additional funds to meet future costs and satisfy its business plans for at least the next 12 months. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

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

Judgement and Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2018.

Pilot Energy Limited

A.B.N. 86 115 229 984

Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2019

2 Summary of Significant Accounting Policies (continued)

Foreign Currencies

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss may arise. Any such differences are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

3 Operating Segments

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

4 Other Liabilities

	2019 \$	2018 \$
Other liabilities		
Accrued withheld invoices	411,620	228,140
Deposit for unissued shares	-	476,824
	<u>411,620</u>	<u>704,964</u>

5 Issued Capital

Ordinary Shares	Number of shares		Amount in \$	
	31 March 2019	30 September 2018	31 March 2019	30 September 2018
Balance, beginning of period	63,576,514	63,576,514	43,672,930	43,672,930
Issue of ordinary shares at 0.3 cents each	15,894,128	-	476,824	-
Balance, end of period	<u>79,470,642</u>	<u>63,576,514</u>	<u>44,149,754</u>	<u>43,672,930</u>

Options

During the reporting period no options expired (2018: no options expired).

At the date of this report, there are 3,500,000 options on issue in Pilot Energy Limited (2018: 3,500,000). The exercise price ranges from 10 cents to 20 cents, and the expiry dates range from June 2019 to December 2019.

6 Contingent Liabilities

In the opinion of the Directors, the listed company did not have any contingent liabilities at 31 March 2019 (31 March 2018: None)

Pilot Energy Limited

A.B.N. 86 115 229 984

Notes to the Consolidated Financial Statements For the Half Year Ended 31 March 2019

7 Related Parties

As a result of the announcement issued to the ASX on the 20th September 2018, the placement of 15,894,128 ordinary shares at \$0.03 per share to Walkerindo Nusantara Mandiri, PT was completed on the 2nd October 2018.

8 Events Occurring After the Reporting Date

As per the announcement issued to the ASX on the 29th of April 2019, the company issued a convertible note to West Energy Pty Ltd with a face value of \$300,000 at an interest rate of 3%. As at the date of issue of this report, the funds have been received in full.

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

Pilot Energy Limited

A.B.N. 86 115 229 984

Directors' Declaration

In the opinion of the Directors of Pilot Energy Limited:

1. The interim financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and the Corporations Regulation 2001; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 March 2019 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Mr Wilson Xue
Chairman



Dated at Sydney, New South Wales this 13th day of June 2019



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

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
PILOT ENERGY LIMITED**

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Pilot Energy Limited, which comprises the consolidated statement of financial position as at 31 March 2019, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Pilot Energy Limited's financial position as at 31 March 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pilot Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (i) giving a true and fair view of Pilot Energy Limited's financial position as at 31 March 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter- Material Uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liability's in the normal course of business. Our conclusion is not modified in respect of this matter.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro

Director

Sydney

Dated this 13th day of June 2019