

Announcement to ASX

28 September, 2015

SETTLEMENT WITH ROYALE ENERGY

HIGHLIGHTS

- **All claims dismissed, with prejudice**
- **Pilot Energy to exit Alaska**
- **Up to US\$500,000 payable to Pilot Energy**

Pilot Energy Ltd (ASX: PGY) is pleased to announce that the Company has executed a Deed of Settlement and Mutual Release with Royale Energy Inc. in relation to the parties' dispute regarding the Western Block project, located North Slope Alaska.

Under the terms of the agreement the parties agree to release each other from all current and future claims relating to the dispute.

Pilot Energy will assign its 30% working interest in the Western Block leases to Royale Energy, in return for payment of up to US\$500,000. An initial payment of US\$150,000 will be paid upon closing of the agreement, with a further US\$350,000 payable upon the earliest of:

- (i) Full or partial divestment of Royale Energy's interest in the Western Block leases to a third party, or
- (ii) Drilling of a well on the Western Block lease, or
- (iii) 31 December 2016; provided that Royale has not divested its interest in the Western Block by that time and elects to continue to solely fund exploration of the Western Block leases.

Pilot Energy Chairman, **Gavin Harper commented** *"After a prolonged dispute we are pleased to have finally reached agreement with Operator Royale Energy. Having now resolved the final legacy issue from the failed Alaskan farmin, with all legal claims dismissed, Pilot Energy is well placed to create shareholder value from its four new West Australian exploration permits".*

Enquiries

Iain Smith, Managing Director, Tel: +61 412 638019, email: ismith@pilotenergy.com.au