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Announcement to ASX

28 October, 2015

CLOSING OF SETTLEMENT AGREEMENT WITH ROYALE ENERGY

Pilot Energy Ltd (ASX: PGY) is pleased to announce that, further to the Company's announcement of 28 September 2015, the closing process has been completed in relation to the Deed of Settlement and Mutual Release with Royale Energy Inc.

The parties have released each other from all current and future claims relating to their dispute, and Pilot Energy has received the US\$150,000 initial payment.

A further US\$350,000 may be payable to Pilot Energy 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.

Enquiries

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