



30 October 2015

High Peak Royalties September Quarterly Activities Report

The board of High Peak Royalties Limited (HPR) is pleased to update shareholders with developments in the September quarter, 2015.

HPR has focused its attention on the development of investment opportunities in royalties offering near term cash flow characteristics.

During the quarter a positive material development in the 'production' part of the portfolio included the acquisition of the interest in the STEP project in New Zealand (announced October 9). The highlights include:

- HPR has entered into a Participation Agreement with Mosman Oil and Gas (AIM: MSMN) for HPR to acquire 30% and Mosman to acquire 70% of onshore NZ producing oil and gas assets from Origin for total consideration of NZ\$10 million.
- HPR will pay NZ\$2.1 million upon completion scheduled for December 2015, and NZ\$ 0.9 million six months after completion, as well as its share of joint venture costs.
- HPR will place the assets in a separate subsidiary with a view to ultimately recycling the investment and retaining a royalty interest.
- Assets will be renamed the South Taranaki Energy Project ("STEP") and have historically produced ~ 25 PJ of gas and 1.94MMbbls oil.
- Current production is approximately 150-300b/d, 2.6mmcf/d of gas and some LPG (~603 boepd) and generating ~\$8m revenue p.a.
- 2P resources of 1.4mmbbl of oil and 19.bcf of gas.
- 2C resources of 4.1mmbbl oil, 13.7 bcf of gas.
- The plant and all facilities have recently been re-furbished by ORG and are in excellent condition.

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The Upside

- Mosman has already identified 12 quick, low-cost de-bottlenecking exercises, as well as potential production increasing measures such as working over shut-in wells and improving solids settling time. This is expected to increase production significantly at a cost of approximately NZ\$2.6m.
- The transaction is positive for the company with the average price paid per bbl of 2P being ~NZ\$5.8/bbl.
- Production costs are in the lower quartile and there is significant scope for further cost reductions.

Prospective resources comes from exploration prospects (over which 3D has been acquired) and enhanced the oil recovery projects that were effectively abandoned by ORG which can be quickly picked up by HPR and Mosman.

Royalties are ongoing economic interests in the production or future production from a property and, depending on their terms and the laws applicable to the royalty and the project, in general share the following characteristics:

- They are not subject to cash calls to fund exploration, development, capital or closure costs and so are lower risk in this respect than an operating interest.
- They provide exposure to the upside of commodity price, reserve and production increases, or exploration success.
- They do not involve operational or development management so a large and diversified portfolio can be assembled without the need for significant corporate overheads.

Additionally, during the Quarter other items of significance included:

- **September 3 - HPR appointed a new CEO, Simon Fyfe**

Mr. Fyfe observed that current market conditions potentially could provide HPR's royalty model an advantage, "what we are seeing is that the volatility in oil prices is generating investment opportunities as oil companies review their portfolios. Equity markets are difficult, so this gives HPR an edge as we are actively looking to provide investment capital in exchange for royalties over superior production/ near production opportunities."

- **September 22 - HPR served 249D, Royalco Resources Ltd RCO - a company in which HPR is the largest shareholder.**

At the end of the quarter, HPR reported a 19.9% holding in Royalco, and is seeking for RCO shareholders to vote on the appointment of nominated independent directors on November 12 at the AGM. If elected, the new board will seek to effect change in RCO through improved corporate governance, strategic focus and the reduction of management overheads, for the benefit of all RCO shareholders.

Always of interest to shareholders are movements on the register. As announced to the ASX on April 20, 21,315,722 shares were released from an escrow they were under since April 17, 2014. Since that time the Directors of HPR have acquired a further 4,381,540 HPR shares, and we have welcomed new substantial shareholders, who together have effectively absorbed those shares. We'd like to thank all shareholders for their on-going support of the company.

The annual report for the financial year ending June 30, 2015 was released during the quarter and shareholders will be advised about the AGM shortly.

Simon Fyfe
CEO

Dated October 30, 2015

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