



NZ TARANAKI ACQUISITION FROM ORIGIN ENERGY LTD OPERATED BY MOSMAN OIL AND GAS LTD (AIM: MSMN)

Sydney, 9 October 2015: High Peak Royalties Ltd (ASX: 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 Energy Ltd (“Origin”) for total consideration of NZ\$10m. 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.

The assets will be renamed the South Taranaki Energy Project (“STEP”). They have historically produced ~ 25 PJ of gas and 1.94MMbbls oil. The asset became available for sale as a result of Origin selling assets and focusing on its LNG export project in Queensland.

Picture 1: Rimu Production Station (part of the STEP acquisition assets)



COMMERCIAL DEAL FOR HPR

Simon Fyfe HPR CEO said, “This acquisition provides a pathway for HPR to create an excellent, long term royalty interest derived from the production assets. HPR’s acquisition is part of a very attractive asset package available from Origin, and involves partnering with Mosman to secure valuable infrastructure assets, reserves, long term production, cash flow and exploration upside.

This acquisition structure is consistent with our royalty model. It is our intention to hold this non-operated interest in a stand-alone vehicle, separate to our royalty portfolio interests. Ultimately we will potentially recycle the investment and retain the royalty interest.

HPR are consistently reviewing opportunities and this acquisition has advanced because it allows the company to leverage its balance sheet, fits with the priority investment focus of the portfolio (production and cash flow), and it is an optimum deal size for the company at present.

The investment draws on our board’s expertise (oil and gas operational, legal and structuring experience) and demonstrates that HPR has an ability to move quickly and close on attractive investment opportunities.

CURRENT STEP PRODUCTION

Current production is approximately 150-300b/d, 2.6mmcf/d of gas and some LPG (~603 boepd and generating ~\$8m revenue p.a. 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. Subject to the successful implementation of those initiatives, we would expect the project to be cash flow positive in the near term and pay back the investment in approximately 18 months.

RESOURCES

Below are the 2P + 2C resources of the STEP project which are not inclusive of any prospective resources:

Table 1: STEP resources*

Category	Oil	Gas
2P reserves	1.4mmbbl	1.9bcf
2C resources	4.1mmbbl oil/ condensate	13.7bcf

* The above resources have been estimated by Origin Energy Limited and published by MSMN in their announcement of 3 September 2015. Origin has not disclosed these resources separately due to the relative size of the STEP project

to its overall wider portfolio. The Company has been provided information to verify the resource but is not in a position to verify these estimates independently from Origin data. We have no reason to doubt the validity of the information and due diligence to date has shown nothing that would detract from this estimate. Prospective resources have been excluded as they are not material without further capital investment. Numbers disclosed are prepared to be consistent with the Society of Petroleum Engineers definitions as disclosed in the Mosman announcement.

The oil sale price from production from the STEP is linked to Brent oil pricing, and gas is sold in the domestic market priced in NZ\$. If the oil price increases, then revenues will be higher and focus will be on increasing oil production

UPSIDE

The upside for shareholders on the interest in STEP is the development of the Manutahi field, where only about 3% of the 30-40 mmbbl OOIP has been recovered. The oil is heavy (17° API) and sand control is an issue, which Mosman believes can be further optimised by implementing the horizontal well re-development envisaged by Origin, and successfully demonstrated by Origin's pilot plant installed in 2013.

Historic plans for the development of the field called for 10 producers and 10 injectors increasing production to 2,000b/d and with a project life of over 25 years. The operator is phasing the development of the upside over a 12- to 24-month period after the first year of operation, and taking a conservative approach by looking to recycle cash flows into development.

DEAL TERMS AND STRUCTURE

The acquisition is subject to a sale and purchase agreement between Mosman and Origin. The total consideration for the STEP acquisition is NZ\$10 million. A 5% deposit had already been paid to Origin by Mosman. Mosman announced to AIM (6th October, 2015) that Origin has confirmed that the pre conditions have been met. Completion is anticipated to occur following various NZ Government approvals (and other regulatory approvals that are normal for the transfer of petroleum permits of this kind, including a change of operatorship to Mosman).

Settlement is required in two tranches of 70% and 30% and HPR's portion of the acquisition price will be NZ\$2.1m (~A\$1.9m) expected in December 2015, and NZ\$0.9m (~ A\$0.8m) expected in June 2016. HPR is budgeting capital expenditure of ~ NZ\$0.78m (~A\$0.7m) during the first 12 months. STEP is expected to become cash flow positive within the first year for its owners.

HPR has capacity to fund our portion of the acquisition within the current balance sheet. As at June 30, 2015, HPR reported cash balance of ~A\$2.4m, along other liquid assets of ~\$2.1m providing ~A\$4.5m of available capital.

Mosman's share of the acquisition price will be funded by a NZ\$4m sale of a 2% royalty over Mosman's ownership portion to Ridge Royalty of Canada, and a recent £1.5m (~NZ\$3.5) raising in London. This external validation is evidence of strong market support for STEP.

If the oil price falls below, and remains below, US\$40/bbl for a period of 15 consecutive business days at any time between the date of execution of the agreement and the settlement, there is provision in the contract for parties to meet and discuss such an event.

The acquisition is now only subject to normal NZ government approvals.

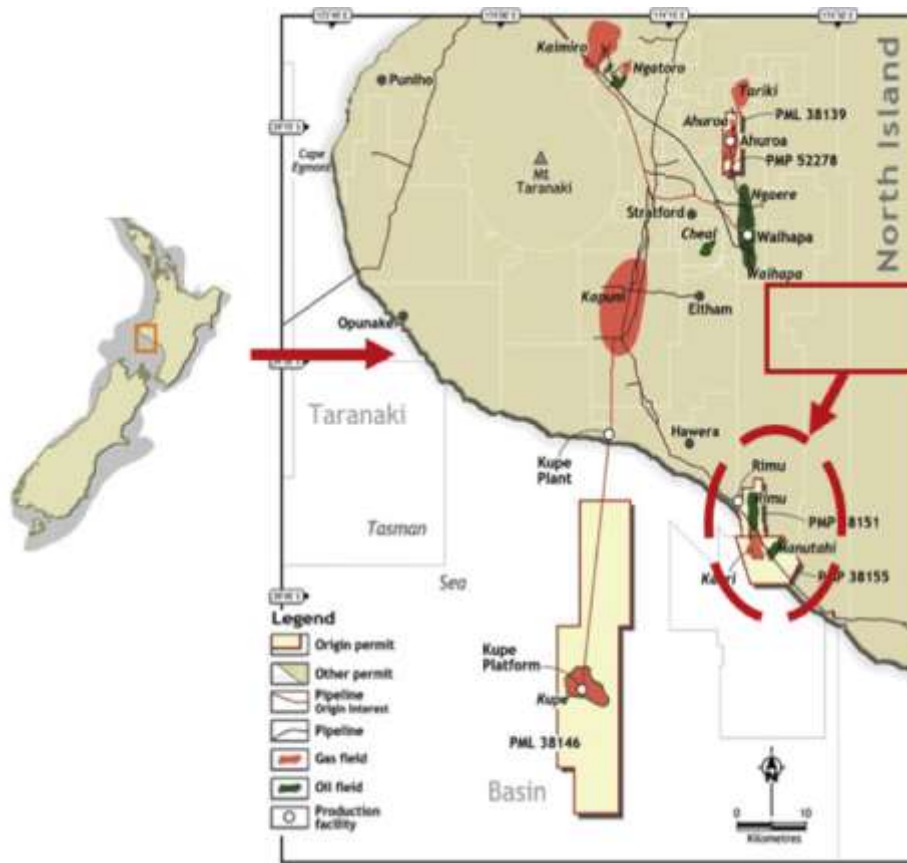
THE SCOPE OF STEP

The CEO of HPR, Simon Fyfe, visited STEP which is spread over several sites amongst coastal dairy farms and is nearby to Mt Taranaki. Readers of this announcement can get a sense of the facilities and fields by viewing this short video, which includes a flyover carried out by an unmanned drone. (The video was prepared by Mosman):

<http://brrmedia.co.uk/event/embed/140237/width/620/header/false>

The STEP discovery occurred in 1999, and was purchased by Origin from Swift Energy in 2008. STEP includes 3 producing fields within two petroleum mining permits, PMP 38151 (Rimu) (18.42 sq. km and PMP 38155 (Kauri and Manutahi) (35.24 sq. km) as shown in Figure 1 below:

Figure 1: STEP Location



The Rimu Production Station has oil, gas and LPG processing, storage and loading, and power generation, supplying plant requirements and revenue from sales of electricity.

The facility has the capacity to handle:

- 24TJ/day gas;
- 95 tonnes/day LPG processing capacity;
- 680 tonnes LPG storage capacity; and
- 8,250bbls/day oil/condensate.



The facilities include:

- 3 oil storage and loading facilities;
- Gas processing and export pipelines;
- 2 x 640 kW gas-fired generators and export connection to the grid;
- LPG (butane and propane) storage bullets and loading facilities;
- 33km gathering pipelines; and
- 13 multi-well pads with 39 wells.

To maintain certification of the plant the operator must, every four years, shut down, clean and free the equipment of gas to allow detailed internal inspections. This was completed in February 2015 by Origin at a cost of NZ\$3m. As a result, the facilities were successfully recertified and are operational.

For more information please contact Simon Fyfe, CEO on 02 8296 0011 or Jarrod White, Company Secretary on 02 8296 0000.

ABOUT HIGH PEAK ROYALTIES LTD

High Peak Royalties Ltd (ASX:"HPR") is building a portfolio of diversified high value resource royalties around the world. In the current climate, High Peak is looking to partner with capable operators to secure royalties over high value producing assets and leverage our capital and structuring expertise.

ABOUT MOSMAN OIL AND GAS LTD

Mosman (AIM: MSMN) is an Australian and New Zealand focused oil exploration and development company with a strategy to build a sustainable mid-tier oil and gas business by acquisition and organic growth. Currently, prior to the STEP acquisition being completed, Mosman has an interest in ten permits or accepted permit applications.

ADDITIONAL INFORMATION

The Directors of HPR have ensured that all appropriate related party considerations have been complied with in accordance with the Company's corporate governance policies by excluding Mr Andy Carroll and Mr Jarrod White from involvement in this transaction. Mr A Carroll is a director and shareholder of Mosman and HPR, but does not control either company. Mr J White is Company Secretary of both Mosman and HPR and has no decision making authority in either of his roles.