



20 April 2015

Australian Securities Exchange

## High Peak Royalties 2015 March Quarterly Activities Report

---

High Peak Royalties Limited (ASX: HPR) is Australia's leading oil and gas royalty company, with exposure to royalties covering 24 producing areas and high potential exploration areas in Australia, the United States and the Seychelles.

Highlights noted in this Quarterly Activities Report include the following:-

- High Peak Royalties acquired a strategic 19.99% shareholding in ASX-listed royalty company Royalco Resources (Royalco) during the Quarter. Royalco provides an exposure to the Weeks Petroleum Royalty over the world class Bass Strait fields operated by ExxonMobil.
- High Peak Royalties settled the acquisition of the Texas royalty interests during the Quarter and will generate cash-flow from the start of calendar 2015.
- The Levitt-1 exploration well is to be drilled by Apache during May 2015. The well is targeting an unrisks gross prospective resource best estimate of 220mmbls. High Peak Royalties has a 0.2% overriding royalty interest over the entire 13,539 square kilometre permit.
- Seven Group Holdings are assessing development options for the Longtom Gas Field for 2015 which may include the drilling of Longtom 5. Capex of \$190M is forecast in 2015 for the full investment case. High Peak Royalties has a 0.3% overriding royalty interest over the Longtom Gas Field.

### Acquisition of Strategic Stake in Royalco Resources (ASX: RCO)

---

High Peak Royalties acquired a strategic 19.99% shareholding in ASX-listed royalty company Royalco Resources (Royalco) during the Quarter.

Royalco holds a collection of royalty interests across Australia and overseas with its key royalty interest being a 1% interest in the Weeks Petroleum Royalty (which is a 2.5% overriding royalty covering all production from the world class Bass Strait fields in the Gippsland Basin jointly owned by ExxonMobil (NYSE: XOM) and BHP Billiton (ASX: BHP)).

During the quarter and subsequent to the acquisition of the shares, Royalco declared a dividend of \$0.05 cents per share (fully franked). High Peak Royalties consequently received a dividend payment of \$52,700.00.

Subsequent to the end of the Quarter, AGL Energy (ASX: AGL) announced that it had entered into a Gas Supply Agreement with subsidiaries of ExxonMobil and BHP Billiton to purchase up to 198 petajoules of conventional natural gas from Bass Strait over three years from January 2018. The transaction underlines the important role that Bass Strait will play in the future in supplying gas to the East Coast of Australia especially in the context of competing demand from the LNG plants in Queensland. (AGL Energy ASX Release 9 April 2015 - AGL secures gas supply until 2020 with Bass Strait agreement)).

## New Opportunities

---

High Peak Royalties continues to hold the view that the dramatic correction in the oil price is creating numerous opportunities. A beachhead has now been established by the company in the United States with the incorporation of a subsidiary in Texas (HPR USA Inc) which was used to acquire the royalties recently purchased from The Dillon Fund.



Producers in the United States (Dune Energy Inc, BPZ Resources and Quicksilver Resources Inc) have already started to seek bankruptcy protection as banks rein in lending. Samson Resources Corp has a US\$2.25B bond issue due in 2020 trading at 20 cents on the dollar.

Shell's recent move on BG Group, the second largest Oil and Gas transaction ever (after the Exxon and Mobil combination in 1998), amounts to an oil major calling the bottom of the market. In another sign of a bottom, Macquarie Capital (ASX: MQG) and Brookfield Asset Management (NYSE: BAM) were recently announced as the managers of a consortium of private equity funds that purchased Apache Corp's (NYSE: APA) remaining Australian assets for US\$2.1B.

High Peak Royalties has experienced a marked increase in the number of royalty opportunities for consideration. We attribute this to the new market environment (both equity and debt) and a higher profile for the company amongst potential sellers / financing prospects.

Since relisting in May 2014, High Peak Royalties has reviewed over 50 potential transactions (existing royalties, royalty financings and corporate opportunities) with an aggregate deal value exceeding \$290M. Desk top due diligence was undertaken on 29 opportunities (aggregate deal value ~\$190M). High Peak Royalties has progressed to non-binding bid documentation on 8 assets and closed on 2 acquisitions (Texas oil and gas royalties acquired from The Dillon Fund and the 19.99% equity stake in Royalco Resources).

In particular, we have been very active in the gold royalty space having done desk top due diligence on 7 opportunities (aggregate deal value~ \$39M) and progressed to non-binding bid documentation on 3 assets.

Other commodity exposures have included oil and gas (Brent, WTI, Nat Gas (US and Aust), gold, copper, iron ore, mineral sands, tungsten, silver, nickel, electricity (geothermal and wind) and uranium.

## **Carnarvon Basin**

---

### ***WA-482-P operated by Apache Corp 0.2% Overriding Royalty Interest***

Key points from a recent announcement by Karoon Gas (ASX: KAR) in relation to a project in the Carnarvon Basin where High Peak Royalties has a royalty interest are set out below:

- The Levitt-1 exploration well is scheduled to spud during May 2015;
- Apache has contracted the Diamond Offshore semi-submersible drilling rig, “Ocean America” to drill Levitt-1
- The Levitt-1 exploration well is targeting an unrisked gross prospective resource best estimate of 220mmbbls
- The permit contains a multi-billion barrel prospective oil resource in six prospects which covers a third of the permit area (Karoon Gas ASX Release 24 March 2015- Exploration Permit WA-482-P Update / Rig Contract Signed for Levitt-1 Exploration Well).

## **Cooper / Eromanga Basin**

---

### ***PEL 512 operated by Discovery Energy (OTCQB: DENR) 1.3% Overriding Royalty Interest***

During the quarter, Discovery Energy received confirmation from the South Australian Minister for Mineral Resources and Energy that the Company’s application for a further six-month suspension of the work commitment relating to PEL 512 had been approved. The company’s Year 2 work commitment of a 100 kilometre 3D seismic survey has been extended to 25 October 2015. ( Discovery Energy Form 8-K-17 February 2015).

## **Gippsland Basin**

---

### ***Longtom Gas Field (VIC/L29 and VIC/P54) operated by Seven Group Holdings (ASX: SVW) 0.3% Overriding Royalty Interest***

Seven Group Holdings (ASX: SVW) are assessing development options for the Longtom Gas Field for 2015 which may include the drilling of Longtom 5. Capex of \$190M is forecast in 2015 for the full investment case. Seven Group Holdings are also reviewing the optimum timing for drilling Gemfish in VIC/P54. (Seven Group Holdings First Half Financial Year 2015 Results Presentation- 25 February 2015).

## Seychelles

---

### *Seychelles Exploration Blocks (PEC-5B/1, PEC-5B/2 and PEC-5B/3) operated by Ophir Energy (LON: OPHR) 0.04% Overriding Royalty Interest\**

Key points from a recent announcement by WHL Energy (ASX: WHN) in relation to a project in the Seychelles where High Peak Royalties has a royalty interest are set out below:-

- Detailed interpretation of the Junon PreSTM 3D data by WHL Energy has firmed up key prospects in the Junon area which were initially identified by the previous regional 2D seismic survey and enabled a revision to Prospective Resources for these prospects.
- Four key structures have been high-graded within the Junon 3D area, being the Junon South East, Junon Central, Junon South and Junon West prospects.
- Junon Central and Junon South East are both “highly material opportunities with best estimate Prospective Resources in excess of 200 MMbbl, along with follow-up potential at Junon South.”
- The Joint Venture is currently undertaking PreSDM processing of the Junon 3D seismic set to provide optimum data quality and the PreSDM data is expected to be received in May 2015. (WHL Energy ASX Release 5 March 2015 - Seismic review confirms large scale Seychelles Prospective Resources potential).

\*(the royalty interest is only in respect of WHL Energy’s 25% equity position, that is, High Peak Royalties is entitled to a 0.15% overriding royalty interest over WHL Energy’s 25% equity position in the permits).

## Surat Basin

---

### *PL 171 and ATP 574P operated by QGC / BG Group Plc (LON: BG) 2.5% Overriding Royalty Interest*

BG Group announced in its Full Year 2014 Results Presentation on 3 February 2015 that the current expectation is that Train 2 for QCLNG will start up in the September Quarter 2015. Allowing six months to ramp up to full capacity will mean that QCLNG should be producing around 8 million tonnes of LNG by mid-2016.

It was noted that the Woleebee Creek Central Processing Plant in the Northern Gas Field would be commissioned ahead of the Train 2 start up and that this remained on track.

PL 171 and ATP 574P are located in the Northern Gas Field in the proximity of the Woleebee Creek Processing Plant. Subsequent to the Quarter, Royal Dutch Shell (LON: RDSB) announced an agreed takeover of the BG Group.

## Texas (East Texas, Permian and Texas Gulf Coast Basins)

---

### *Operated by Sabine Oil and Gas (OTC BB: FSTO), Pioneer Natural Resources (NYSE: PXD) and Wagner Oil Company 0.2% to 0.4% Royalty Interests (overriding and non-participating)*

High Peak Royalties settled the acquisition of the Texas royalty interests from The Dillon Fund on 5 February 2015.

Royalty income is primarily from natural gas production. The effective date of the conveyance and assignment of the royalties is 1 January 2015. Accordingly High Peak Royalties will generate cash-flow from the royalty interests from the start of calendar 2015.

## Geothermal Permits

---

### *100% Owned Geothermal Permits (SA GELs 571, 572, 573, 574 and 559, GELA 266 and NT GEPA 27824)*

High Peak Royalties received approval in February 2015 from the Department for Manufacturing, Innovation, Trade, Resources and Energy, South Australia with respect to a work program variation for GELs 571-574 removing the need to drill for the remainder of the licence term until 2017.

As previously advised the current intention is to vend the geothermal permits and to retain a royalty as was achieved with the wholly owned petroleum exploration permit interests in the NT.

## Schedule of Tenements

---

As at 31 March 2015

Ministry ID	Holder	Ownership	Project, Location
GEL571	Torrens Energy (SA) Pty Ltd	100%	Port Pirie
GEL572	Torrens Energy (SA) Pty Ltd	100%	Parachilna
GEL573	Torrens Energy (SA) Pty Ltd	100%	Adelaide
GEL574	Torrens Energy (SA) Pty Ltd	100%	Port Augusta
GEL 559	Torrens Energy (SA) Pty Ltd	100%	Mulgaria

Number disposed during the quarter  
Nil

Number acquired during the quarter  
Nil

For further information please contact:

**Steven Larkins**

Chief Executive Officer

Ph: +61 2 8296 0011

Email: [steven.larkins@highpeak.com.au](mailto:steven.larkins@highpeak.com.au)

## About High Peak Royalties

High Peak Royalties is Australia's leading oil and gas royalty company, with exposure to 24 royalties in Australia, the United States and the Seychelles. High Peak Royalties' portfolio covers production, development and exploration projects and features high quality project operators, including some of the world's leading oil and gas companies.

The company's portfolio includes:-

Royalty	Royalty Interest (%)	Operated By
PL 171 and ATP 574P	2.50	Queensland Gas / BG Group
ATP 299P	3.6/4.0	Santos
Petroleum Leases: PL29, PL38, PL39, PL52, PL57, PL95, PL169, PL170, PL293, PL294, PL295 and PL298		
Peat Gas Field (PL101)	2.13	Origin Energy
Surprise Oil Field (PL6)	1.00	Central Petroleum
Longtom Gas Field (VIC/L29 and VIC/P54)	0.30	Seven Group Holdings
WA-314-P	0.10	Karoon Gas
WA-315-P	0.10	ConocoPhillips
EP(A)111, EP115, EP(A)120 and EP(A) 124	1.00	Central Petroleum
EP112, EP115NM and EP125	1.00	Santos
PEL512	1.30	Discovery Energy
WA-482-P	0.20	Apache Corporation
Seychelles (PEC-5B/1, PEC-5B/2 and PEC-5B/3)	0.04	Ophir Energy
WA-EP468	2.00	Paltar Petroleum
EP156 and EP(A)155	2.00	Mosman Oil and Gas
United States (East Texas, Permian and Texas Gulf Coast Basins)	0.20 to 0.40	Sabine Oil and Gas, Pioneer Natural Resources and Wagner Oil Company
Weeks Petroleum Royalty (Gippsland Basin) indirect interest via 19.99% shareholding in Royalco Resources (ASX: RCO)	0.005	ExxonMobil

**HIGH PEAK ROYALTIES LIMITED** ABN 79 118 065 704

Perth Office Level 17 Exchange Plaza, 2 The Esplanade, Perth WA 6000, Australia | T +61 8 9268 4210

Sydney Office Suite 305, 35 Lime Street, Sydney NSW 2000, Australia | T +61 2 8296 0011