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Australian Securities Exchange

High Peak Royalties 2014 December Quarterly Activities Report

High Peak Royalties Limited (ASX: HPR) has royalties covering 23 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 made its first acquisition of royalties in the United States when it entered into a binding agreement to acquire royalty interests in Harrison, Midland and Willacy Counties in Texas from The Dillon Fund.
- The first cargo of LNG has been loaded from BG Group's LNG Project on Curtis Island. The project will expand with the start-up of the second train in the third quarter of 2015. High Peak Royalties has a 2.5% overriding royalty over two permits that are 100% owned by the QCLNG Joint Venture.
- The Peat Gas Field over which High Peak Royalties has a 2.13% overriding royalty interest recommenced production on 17 November 2014, a month earlier than previously advised. In addition, a deep conventional test well is planned during 2015.
- The Tintaburra Oil Field over which High Peak Royalties has a 3.6/4.0% Net Profit Royalty Interest had two well deepenings which were successful and highlight the Field's potential.
- The Longtom Gas Field over which High Peak Royalties has a 0.3% overriding royalty interest has been acquired by Seven Group Holdings.

Acquisition of Royalty Interests in Texas

High Peak Royalties entered into a binding agreement on 24 December 2014 with the Dillon Fund for the purchase of royalty interests in Harrison, Midland and Willacy Counties, Texas. The Dillon Fund is a non-profit foundation based in New York.

The royalties (both overriding royalty interests and non-participating royalty interests) are less than 1% (0.2% to 0.4%) in 43 active wells spread across three different basins. The term of the overriding royalty interests will be dependent on the term of the underlying leases (typically held by production) whilst the term of the non-participating royalty interests are normally perpetual.

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.

Purchase consideration is US\$350,000 to be funded from existing cash reserves. The transaction is due to close by 31 January 2015.

The Harrison County (East Texas Basin) wells are operated by Sabine Oil and Gas (OTCQB: SOGC).

Sabine recently merged with Forest Oil and its largest shareholder is First Reserve, the energy focused private equity firm.

The Midland County (Permian Basin) wells are operated by Pioneer Natural Resources (NYSE: PXD).

The Willacy County (Texas Gulf Coast Basin) wells are operated by Wagner Oil Company. Wagner is a private oil and gas acquisition, exploration and development company based in Fort Worth that operates primarily in Texas and Louisiana.

This acquisition is important as it marks the first acquisition of royalties by High Peak Royalties in the United States. Having a Director based in Dallas (Howard McLaughlin) makes High Peak Royalties well positioned to review and assess opportunities in this very active market for oil and gas royalties. High Peak Royalties has incorporated a US subsidiary for the acquisition of these royalty interests.

The recent correction in energy prices has provided a market dislocation that will create more opportunities. High Peak Royalties intends to actively pursue additional royalties in the United States.

High Peak Royalties was attracted to this asset because the royalty income is primarily from natural gas production. US Natural Gas provides important portfolio diversification as it is non-correlated to the domestic gas price on the East Coast of Australia.

Amadeus Basin

EP156 and EP(A)155 operated by Mosman Oil and Gas (AIM: MSMN)

2.0% Overriding Royalty Interest

Relevant points from recent announcements by Mosman Oil and Gas in relation to EP156 are set out below:

- Exploration which commenced in October 2014 achieved excellent results with hand held geophysical programme (gamma ray),
- Revealed presence of source, seal and reservoir targets, some productive elsewhere in the basin. (Source- Mosman Oil and Gas Presentation London- 5 November 2014)

Bowen Basin

Peat Gas Field (PL 101) operated by Origin Energy (ASX: ORG) on behalf of APLNG

2.13% Overriding Royalty Interest

High Peak Royalties has been advised by APLNG that Peat field production recommenced on 17 November 2014. This is nearly a month earlier than previously advised.

Relevant points from a recent announcement by Origin Energy in relation to the Peat Gas Field are noted below:-

- A deep conventional test well is planned for the Peat Gas Field during 2015,
- Step-out appraisal drilling complete,
- CSG pilots on the flanks of the gas field are to be accelerated into 2016. (Source- Origin- Australia Pacific LNG Site Tour Presentation- 30 October 2014)

Cooper / Eromanga Basin

*Tintaburra Oil Field (ATP 299P and Petroleum Leases PL29, PL38, PL39, PL52, PL57, PL95, PL169, PL170, PL293, PL294, PL295 and PL298) operated by Santos (60%)(ASX: STO) with Drillsearch Energy (40%)(ASX: DLS)
3.6/4.0% Net Profit Revenue Interest*

Pertinent points from a recent announcement by Drillsearch Energy in relation to the Tintaburra Oil Field are set out below:-

- The Tintaburra Joint Venture completed two well deepenings in October 2014,
- Ipunda North-5 and Ipunda North-7 were successfully deepened through the Murta formation where they intersected pay,
- Both wells have been cased and suspended as future Murta producers. (Drillsearch Energy October Drilling Report- 6 November 2014)

PEL 512 operated by Discovery Energy (OTCQB: DENR)

1.3% Overriding Royalty Interest

Discovery Energy are applying for a modification to suspend PEL512 for an additional six months as the significant decline in the oil price has impaired the company's ability to complete a major capital raising transaction or procure a joint venture partner. (Source- Discovery Energy Quarterly Report for the period ending 30 November 2014).

Gippsland Basin

Longtom Gas Field (VIC/L29 and VIC/P54) operated by Seven Group Holdings (ASX: SVW)

0.3% Overriding Royalty Interest

Nexus Energy has become a subsidiary of Seven Group Holdings (ASX: SVW). The Longtom Gas Field project will benefit from the involvement of a company of the stature and financial resources of Seven Group Holdings (market capitalisation of \$1.6B) which is establishing a third operating arm in the oil and gas sector.

Officer Basin

EP468 operated by Paltar Petroleum

2.0% Overriding Royalty Interest

Paltar Petroleum reached agreement with Nation Energy (OTCQB: NEGY) on 28 November 2014 for an effective back door listing. Nation Energy proposes to acquire exploration acreage and development permits in Australia from Paltar Petroleum including EP468. The timetable for completion of the transaction is 15 April 2015.

Seychelles

Seychelles Exploration Blocks (PEC-5B/1, PEC-5B/2 and PEC-5B/3) operated by Ophir Energy (LSE: 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:

- WHL Energy received an interim PreSTM data set for the Junon 3D seismic survey in mid-November and has commenced interpretation,
- The initial interpretation indicates that potentially large structures are present at Junon East, Junon Central (approximately 20km²) and Junon South (higher risk),

- Scale of structures similar to that previously mapped on the earlier 2D seismic data,
- Additional possible new leads have also been mapped in the central graben area (though more modest size),
- The final PreSTM processed volume is expected at the beginning of 2015. (Source- WHL Energy Reports Initial Interpretation of Seychelles 3D Seismic Survey- ASX Release on 9 December 2014)

**(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 2.5% Overriding Royalty Interest

BG Group announced on 9 December 2014 that it had agreed to sell its wholly owned QCLNG Pipeline Pty Ltd subsidiary to APA Group (ASX: APA) for US\$5 billion.

The deal is expected to be completed in the first half of 2015 and is conditional on the start of commercial LNG deliveries from the QCLNG export facility at Gladstone and on partner consent.

BG Group commenced loading the first cargo of LNG from its Queensland Curtis LNG facility on 28 December 2014. The project will expand further with the start-up of the second train in the third quarter of 2015.

High Peak Royalties understands that the Northern Gas Field (where PL 171 and ATP 574P are located) will provide additional production to assist in meeting the demand from the second train.

Geothermal Permits

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

High Peak Royalties is currently in discussion with the Department for Manufacturing, Innovation, Trade, Resources and Energy, South Australia with respect to work commitments and renewals of the geothermal permits.

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 December 2014

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
GEL559	Torrens Energy (SA) Pty Ltd	100%	Mulgaria

Number disposed during the quarter
Nil

Number acquired during the quarter
Nil

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About High Peak Royalties

High Peak Royalties is Australia's leading oil and gas royalty company, with royalties covering 23 producing areas and high potential exploration areas 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:-

Permit / Location	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

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