



07 December 2018

HPR CLOSES ACQUISITION OF PLANET GAS USA, INC

- **Revenue accretive to HPR by more than US\$350,000 per annum (more than AUD \$500,000 per annum);**
- **Acquisition includes assignment of US \$15m (AUD \$21.15m) Macquarie Bank facility;**
- **Positions HPR as the leading royalty company in the sector by Revenue, scale and further expansion;**
- **Initiation of relationship with Macquarie Bank establishes High Peak as a bankable Royalty Company;**

High Peak Royalties Limited (ASX: HPR) (Company) has completed the acquisition of Planet Gas USA Inc. today. The acquisition was given formal approval by shareholders of Planet Gas Limited (ASX:PGS) on 6 December 2018.

Through the acquisition of Planet Gas USA Inc., the Company has acquired a royalty of 3% over the producing wells as well as a US\$15 million (AU\$21 million) Macquarie Bank facility, for a nominal cost of \$1. The total cost includes the assumption of US\$2.75 million (AU\$3.87 million) in debt currently owed to Macquarie Bank Limited.

Significant Transaction

This transaction is considered to be a significant transformation for the Company as it will provide increased revenue from royalties, as well as the Macquarie Bank debt facility which has a strategic value to High Peak moving forward.

The royalties held by Planet Gas USA Inc include 3% royalties on approximately 2,400 producing wells in Kansas, Pennsylvania and New York State. The reserves provide the basis for bank lending, and the wells are estimated to produce for more than 20 years.

The royalty revenue includes gas producing properties that will benefit from the 41% increase in USA gas prices in November 2018. US Natural gas price is now US\$4.36/mmbtu (AU\$6/mmbtu), compared with the acquisition metrics of US\$3/mmbtu (AU\$4.14/mmbtu). Gas prices usually increase during the North American winter season. The production is also expected to increase following the workovers announced by the Operator, Empire Energy Group Limited (ASX:EEG), with results of that work program due to be announced by EEG in December 2018

Importantly under the terms of the acquisition High Peak assumed the beneficial title to the royalty from 1 October 2018 meaning that the full production and royalty income for the quarter will be recognised to High Peak's benefit from that point.

The remaining available facility available through Macquarie Bank Limited position High Peak to be 'acquisition ready'.



Paydown of Macquarie Bank Loan

At the date of acquisition of Planet Gas USA, Inc a total balance of US\$2.75m was drawn of the total loan.

Under the terms of the transaction High Peak was required to settle US\$750k of that loan within 30 days of the transaction.

Half of that payment has been made this day (US\$375k) reducing the net outstanding loan balance due to Macquarie Bank at close of business today to US\$2.375m.

The next US\$375k payment is due within 30 days at which point the drawn facility will total US\$2m.

High Peak has used available funds from the recent placement to make these payments.

Key transaction details

Details of the Royalty:

- 3% royalty revenue stream on oil and gas produced from USA based leases;
- Monthly royalty revenue is over US\$30,000 as at October 2018 (AUD \$42,000).

Loan Facility:

As noted the acquisition is in return for the assumption of debts owed to MBL under an existing facility.

The key terms of the Macquarie Bank facility are:

- Total US \$15,000,000 (AUD: \$21,150,000) facility
- Facility Fees:
 - Interest charged: Libor plus 5.5%
- No other facility fees
- Standard parent company guarantees
- Term: three years (from completion)
- Principal repayments
 - US\$375,000 **payment made today**
 - US\$375,000 within 30 days of assignment of the facility;
 - US\$250,000 on first anniversary;
 - US\$250,000 on second anniversary;
 - US\$1,500,000 on third anniversary.
- Facility currently drawn to US **\$2.375 million**

Andrew Carroll, the Chairman of HPR, said of the transaction "is a transformation opportunity for High Peak and is representative of the recent support and traction that the Company has made. Completion in 2018 positions the Company to take advantage of the strategic value of the Macquarie Bank Limited facility in 2019 and be acquisition ready to focus on further opportunities that will deliver further value to shareholders. Importantly the transaction positions HPR as the leading royalty company in the sector by Revenue, scale and further expansion and proves the business to be a bankable model".



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About High Peak Royalties:

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.

The company's portfolio includes:

Permit / Location	Royalty Interest (%)	Operated By
PL 171 and ATP 574P	2.50	Queensland Gas/BG Group/ Shell
ATP 299P Petroleum Leases: PL29, PL38, PL39, PL52, PL57, PL95, PL169, PL170, PL293, PL294, PL295 and PL298	3.6/4.0	Santos
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
WA-482-P	0.20	Quadrant Energy
EP156 and EP(A)155	2.00	Mosman Oil and Gas
Planet Gas USA Inc. Royalties	3.00	Empire Energy
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
United States (East Texas)	1.00	Silver Tusk and New Century Operating
Weeks Petroleum Royalty (Gippsland Basin) indirect interest via 10.68% shareholding in Royalco Resources (ASX: RCO)	0.0025	ExxonMobil