

15 October 2018

Transformational Acquisition of Oil and Gas Royalties and Macquarie Bank Financing Facility

Highlights:

- **Agreement signed to acquire all the shares of Planet Gas USA Inc. that has a diverse portfolio of oil and gas royalties;**
- **Revenue from these royalties is currently circa US\$30,000 per month (AUD \$42,000) or US\$360,000 on an annualised basis (AUD \$500,000);**
- **Funding of the acquisition from current cash reserves;**
- **Macquarie Bank have indicated they are willing to assign the current facility of US\$15 million (AUD \$21 million);**
- **Macquarie Bank facility demonstrates bankable quality of these royalties and positions High Peak for future growth.**

Transformational Acquisition

High Peak Royalties Limited ("**High Peak**" or "**Company**") is pleased to advise that it has executed a share purchase and sale agreement with Planet Gas Limited (ASX:PGS, "**Planet Gas**") to acquire a portfolio of USA oil and gas royalties from PGS via the purchase of all shares of PGS subsidiary Planet Gas USA Inc. ("**Acquisition**").

The acquisition has been made for a nominal sum of \$1.00 and includes US \$2.75 million debt (AUD \$3.87 million) currently owed to Macquarie Bank Limited ("**MBL**").

The Acquisition is subject to various conditions precedent, notably Planet Gas shareholder approval and finalising approvals and documents with MBL.

Financial Enhancement

The Acquisition provides High Peak with increased revenues from royalties based on USA oil and gas production and prices. Based on current monthly revenues (August, September) this is annualised at more than US\$350,000 (AUD \$500,000) per annum.

Additionally the acquisition comes with more than US\$19 million in prior tax losses which may be used by High Peak to maximise tax efficiency of this acquisition, other US based assets of High Peak, and potential future acquisitions.

The Macquarie Bank Facility enhances capital management for the existing balance sheet and any future activities.

Details of Royalties

The Acquisition includes 3% royalties on over 2000 producing wells in Kansas, Pennsylvania and the State of New York. The properties are expected to be producing oil and gas for more than 20 years.

In addition, High Peak believes there is future revenue potential in the Utica shale play, which may be developed when the current moratorium in New York State is lifted:

- 3% royalty revenue stream on oil and gas produced from USA based leases
- Mainly from wells operated by Empire Energy Group (ASX:EEG)

Details of Finance Facility

The key terms of the Macquarie Bank facility to be assigned to HPR are:

- US \$15 million (AUD: \$21 million)
- Fees and Interest rate:
 - Interest charged: Libor plus 5.5% on amount owed
 - No other facility fees
- Standard parent company guarantees
- Term: three years (from completion)
- Proposed Principal repayments
 - US\$750,000 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.

Strengthening Oil and Gas Prices Supportive of Organic Growth and Expansion

The recent strength in the oil price is generally expected to result in the greater drilling and workover activity, increased production and royalty revenues. USA gas prices have been below international levels, and this may change with an increase in LNG export terminals (as it did in Australia).

Importantly, the Acquisition adds assets to the embedded organic growth already in the High Peak portfolio. Exploration activity has resumed on permits in Australia such as the deep well being drilled by Origin in PL101 in Queensland (HPR 2.25% royalty) and the Santos' Dukas well in the Amadeus Basin in (HPR 2.25% royalty) in the NT, scheduled for early in 2019. Shell continues to develop CSM for domestic gas markets and LNG exports in the areas adjacent to the permits where HPR has a 2.5% royalty, and we look forward to our royalty areas being developed in due course. Longtom in the Bass Strait, Victoria, (HPR 0.3% royalty) is scheduled to come back onstream in 2019.

The Macquarie Bank facility provides funding flexibility enabling High Peak to pursue additional value attractive acquisition opportunities.



Capital Raising

The Board of High Peak has elected to undertake a capital raising to strengthen the Company's balance sheet. Hartleys Limited has been engaged as lead broker to the capital raising.

Board Focus and Consolidation

In conjunction with the acquisition, the Board has reviewed its operational requirements as it moves to a period of increased activity. To assist in the increased financial and operational requirements of the Company, Jarrod White has resigned as a Director of the Company and the role of Chief Financial Officer has been formally reinstated. This decision will provide the Company with further resourcing and strengthens the Corporate Governance separation of Board and executive roles.

The Board thanks Mr White for his contributions as a Director and for his continued involvement and support as High Peak positions itself for this next phase.

Andrew Carroll, Chairman, said:

"This is a big step in further growing the Company. This acquisition provides strong revenue and earnings ahead of the potential for significantly larger revenues from other assets in the portfolio. It also demonstrates High Peaks technical ability to identify unique opportunities that can be value accretive to shareholders".

"The Macquarie Bank facility empowers us to consider acquisition of additional revenue generating additional assets".

"Owning royalties is a proven and highly valued business model and High Peak has enormous potential in the portfolio. I appreciate the patient shareholders support while enduring the low oil prices and look forward to growth in scale and revenue with stronger prices, and more activity in this phase of the commodity cycle."

For enquiries please contact:

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Jarrod White

Chief Financial Officer | Company Secretary



ABOUT HIGH PEAK ROYALTIES LIMITED

HPR is the only ASX listed company with a broad portfolio of oil and gas royalties, and revenue from multiple royalties. Details on website highpeak.com.au

The company's existing 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)	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
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