

29 October 2018

SEPTEMBER 2018 QUARTERLY REPORT

Acquisition accelerates Growth

Highlights

- **Negotiation of Planet Gas USA acquisition with multiple royalties in USA**
- **Origin drilling deep well on PL 101**
- **HPR royalty areas anticipated to benefit from increased development and exploration spending in stronger oil and gas price market**

ACTIVITY AND PORTFOLIO REVIEW

The strong oil price and higher gas prices continue to benefit cash inflows generated from royalties, and there is generally increasing industry investment in exploration and development projects.

We provide updates on recent activity reported in the market on projects that HPR has a royalty interest over to provide context to the shareholders in this announcement. Importantly the royalty model involves no direct expenditure to the Company for exploration and drilling costs, while still providing royalty income and prospective upside.

Please refer to the company's portfolio table on the final page of the Activities Report for details of the areas where High Peak has royalties.

USA – Acquisition

HPR continues to receive revenue from existing multiple royalties in the USA.

During the quarter the Company worked on negotiations to secure the acquisition of additional USA royalties.

This was announced subsequent to quarter end on 15 October, when High Peak announced the signing of a Sale and Purchase Agreement to acquire all the shares of Planet Gas USA Inc. ("Planet Gas").

Planet Gas has a 3% royalty on over 2000 wells in the USA, with the latest monthly income of USD\$30,000 (AUD: \$42,000).

The Sale and Purchase completion is subject to conditions including:

- Planet Gas shareholder approval
- Payment of \$1
- Macquarie Bank assignment of USD \$15 million (AUD\$ 21,400,000) finance facility, that is current drawn USD 2,750,000 million (AUD \$3,900,000).

In addition to the royalty acquisition, the assigned Macquarie Bank financing facility will enable HPR to consider additional acquisitions.

The project is over US based leases operated by Empire Energy Group (ASX:EEG) who is also funded by Macquarie Bank Limited.

Relevantly with regard to the leases that Planet Gas has a royalty over, the Operator, Empire Energy Group Limited (ASX:EEG) recently announced

“Empire Energy Group Limited (“Empire” or the “Company”) is pleased to advise that it has completed the major recapitalisation exercise that it announced to the ASX on 6th August 2018 by reaching financial close of its new 3 year senior secured credit facility (“the New Credit Facility”) with Macquarie Bank Limited (“Macquarie”). The opening balance of the New Credit Facility had previously been expected to be US\$26.5m. However, due to additional cash repayments that Empire has been able to make over recent months due to strong commodity prices and the efficient operation of its cash flow positive US assets, the opening cash balance of the New Credit Facility will be US\$26.06m.

“KANSAS DEVELOPMENT PROGRAM

“Under the terms of the New Credit Facility, Macquarie has agreed to defer US\$440,000 of fixed amortisation payments to allow Empire to carry out a low cost, low risk, high return development program on its producing oil assets in Kansas. Empire has high graded a number of existing wells that are strong candidates for either 1) polymer jobs which increases production from existing formations or 2) recompletion jobs which create production from new formations. The cost of polymer jobs is US\$55,000 to US\$70,000 per well and the cost of recompletions is US\$20,000 to US\$30,000 per well. The Company anticipates that the development program will increase production, cash flow and reserves. Initial results are expected in December 2018”

Related Capital Raising Activity

In conjunction with the USA acquisition which was negotiated during the quarter, subsequent to the end of Quarter the company successfully completed a placement as announced 17 October 2018.

The placement ensures the adequate funding to completion of the Planet Gas acquisition and to ready the company for further prospective acquisitions using the assigned Macquarie Bank Facility.

Under the capital raising the Company received commitments for \$1,250,000 in subscriptions for new capital at an issue price of \$0.05 per share totalling an issue of 25,000,000.

\$1,105,000 of these proceeds have already been received with the remaining \$145,000 committed by Directors subject to shareholder approval at the upcoming Annual General Meeting on 29 November 2018.

Queensland

Origin announced it had commenced drilling the South Burunga-2 deep gas well in April. This well will test the deep gas potential below the shallow Coal Seam Methane (CSM) in PL 101. The Peat Gas Field is in PL 101, and HPR receives royalty payments on the 2.25% royalty on the production licence area. Any gas discovery in the deep zones can be quickly connected to the East Coast Gas market using existing infrastructure.

“The Burunga South 2 Exploration well was spudded on 21 April 2018. This is a deep conventional well targeting non-CSG prospects below the Peat field” (source: Origin).

Importantly, this well will test the geological trend that extends beneath the adjacent areas PL 510 (formerly PL 171) and ATP 574P operated by Shell, where gas has been discovered in previous wells.

HPR has a 2.5% royalty over these licence areas, which have identified CSM potential.

Shell announced additional development in the general area where HPR has royalties, but it is not yet clear if any of these wells will be drilled in the relevant permits.

Northern Territory (NT)

HPR has a 1% royalty over much of the Amadeus Basin in the NT.

Santos announced their intention to drill the large Dukas prospect in early 2019. This is a significant test of the sub-salt “play” which Santos estimate to contain over 2 tcf of hydrocarbons and 400 bcf of helium.

The pipeline that will connect the NT to the Eastern Coast gas market is due for completion in the next quarter.

Western Australia (WA)

Quadrant and Carnarvon Petroleum announced large discoveries in WA-435-P and WA-436-P, in particular the Dorado oil discovery.

HPR does not have a royalty on this area but does have a 0.2% royalty on the nearby Quadrant operated permit WA-482-P where Karoon announced 2,795 million bbls Unrisked Prospective Resource estimates.

Victoria

Longtom production may re-start once the Orbost gas plant upgrade is completed in early 2019. HPR notes that Seven Group Holdings announced on 3 May 2018 that: “Longtom 3 and Longtom 4 wells are ready for production following electrical rectification in the Longtom system – we have 20 PJ available for re-start subject to availability of third party gas transport and processing. Longtom 5 is “drill ready” with potential first gas 12-18 months after the re-



start of the field, with 80 PJ in total uncontracted gas coning into a tight East Coast gas market”.

RECENT ANNOUNCEMENTS

Summary of announcements during the period to release of this report:

Date	Announcement
28/09/2018	2018 Annual Report to Shareholders
15/10/2018	Transformational Acquisition of Royalties & Finance Facility
17/10/2018	\$1.25m Capital Raising
24/10/2018	Appendix 3B
24/10/2018	Cleansing Statement
26/10/2018	Notice of 2018 Annual General Meeting

For enquiries please contact:

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Jarrold White

CHIEF FINANCIAL OFFICER | Company Secretary



ABOUT HIGH PEAK ROYALTIES LIMITED

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 510 (formerly 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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

High Peak Royalties Limited

ABN

79 118 065 704

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from royalties	58	58
1.2 Payments for		
(a) exploration & evaluation	(15)	(15)
(b) development	-	-
(c) production	-	-
(d) staff costs	(78)	(78)
(e) administration and corporate costs	(92)	(92)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(127)	(127)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,178	1,178
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(127)	(127)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	Cash and cash equivalents at end of period	1,054	1,054

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,054	1,178
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,054	1,178

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

64

-

Payments at item 6.1 includes Board fee payments to Directors for their services during the quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

N/A

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	55
9.5 Administration and corporate costs	120
9.6 Other (loan repayments and interest related to purchase of Planet Gas USA, Inc.)	580
9.7 Total estimated cash outflows	755

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A	N/A	N/A	N/A
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A	N/A	N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

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(Company Secretary)

Date: 29 October 2018

Print name: Jarrod Travers White

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.