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## **HIGH PEAK ROYALTIES LIMITED (ASX:HPR) Leveraged to Resurgent Oil and Gas Industry Activity**

*20th November 2018*

### **COMPANY REPORT - KEY POINTS**

- High Peak Royalty is a small but growing energy royalty owner that has recently completed an acquisition that will increase revenue and cash flow. It is exposed to movements in oil & gas prices. It is positively geared to re-activation of exploration and development activity in key permits. These are no-cost options on successful drilling outcomes and would drive the value and share price higher.
- Key points:
  - Owns a diverse portfolio of energy royalty interests in Australia and the USA and offers a direct exposure to revenue trends, from higher production or higher prices.
  - Re-invigoration of exploration & appraisal by independent operators, and planned re-opening of shut-in fields.
  - An acquisition and rising energy prices provide a material step-up in revenue in FY2019.
  - Sufficient funds and cash flow to repay debt and invest in new ventures, and access to a \$15M loan which could be used for acquisitions.
- Exploration and development activity in HPR royalty acreage provides catalysts and value upside, specifically:
  - Development by Shell of its QGC Qld coal seam gas acreage to feed its LNG export

- plant on Curtis Island.
  - Testing of Origin Energy's large Burunga South gas discovery below the Peat field in eastern Qld.
  - Drilling by Santos on the Dukas prospect in the Northern Territory in 1Q 2019, could unlock large resources in a vast region where HPR has royalties.
  - Re-activation of exploration activity offshore Victoria and in WA's Carnarvon Basin.
- Our core valuation of current royalty income is 6.5 cps on a DCF basis, with risked NAV to 21 cps driven by expected value capture from significant activity in Qld coal-seam gas, WA oil exploration and drilling in NT's Amadeus basin in 1Q 2019. Quantification of the Burunga South-2 gas appraisal in Qld provides additional value

**We rate High Peak Royalties Limited as a BUY.**

## BREAKAWAY COMMENTS

HPR has revenue and cash flow momentum due to a recent acquisition and commodity price recovery, as well as a very large exploration & development option. There is little recognition in the market for the transformation underway. HPR's value is underpinned by DCF of current royalty revenues but the development /exploration /appraisal upside is discounted to nil.

[Click here to view report on High Peak Royalties Limited.](#)

## COMPANY INFORMATION

<b>ASX Code:</b>	HPR
<b>Share Price (19/11/18):</b>	A\$0.065
<b>MCAP:</b>	A\$12m
<b>Cash &amp; RCO Investment (*) (*est. post capital raising):</b>	A\$2m
<b>Total Debt:</b>	A\$4m
<b>EV:</b>	A\$14m



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