



High Peak Royalties Limited

ABN: 79 118 065 704

**Half-Year Financial Report
31 December 2020**

HIGH PEAK ROYALTIES LIMITED

CORPORATE DIRECTORY

High Peak Royalties Limited

ABN: 79 118 065 704

Chairman

Andrew Carroll (Non-Executive Chairman)
Geoffrey King (Non-Executive Deputy Chairman)

Directors

Andrew Carroll (Non-Executive Director)
Geoffrey King (Non-Executive Director)
Anthony Wooles (Non-Executive Director)

Chief Financial Officer

Jarrold White

Joint Company Secretaries

Jarrold White
Philip Leighfield

Registered Office

C/- Traverse Accountants Pty Ltd
Suite 305, Level 3,
35 Lime Street
SYDNEY NSW 2000, AUSTRALIA

Principal Place of Business

C/- Traverse Accountants Pty Ltd
Suite 305, Level 3
35 Lime Street
SYDNEY NSW 2000, AUSTRALIA

Securities Quoted

Australian Securities Exchange Ltd (ASX)
Code: HPR

Share Registry

Computershare Investor Services
Level 11
172 St Georges Terrace
PERTH WA AUSTRALIA, 6000

Website

<http://www.highpeak.com.au>

Auditors

RSM Australia Partners
Level 13, 60 Castlereagh Street
Sydney NSW 2000

Bankers

Westpac Banking Corporation
109 St Georges Terrace
PERTH WA 6000, AUSTRALIA

National Australia Bank
345 George Street
SYDNEY NSW 2000, AUSTRALIA

Macquarie Bank Limited
1 Martin Place
SYDNEY NSW 2000, AUSTRALIA

High Peak Royalties Limited Group Structure

High Peak Royalties Limited (ACN 118 065 704) has the following subsidiaries:

- Phoenix Oil and Gas Limited
- Oil and Gas Royalties Pty Ltd
- Torrens Energy (SA) Pty Ltd
- HPR USA Inc.
- Planet Gas USA Inc.

HIGH PEAK ROYALTIES LIMITED

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The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of High Peak Royalties Limited (HPR) (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

DIRECTORS

The following persons were directors of High Peak Royalties Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andrew Carroll	Non-Executive Chairman
Geoffrey King	Deputy Chairman, Non-executive Director
Anthony Wooles	Non-Executive Director

Chief Financial Officer

Jarrold White

Joint Company Secretary

Jarrold White

Philip Leighfield

REVIEW OF OPERATIONS

Principal Activities

The Company continually seeks and reviews growth opportunities including the acquisition of additional royalties.

The Macquarie Bank Facility provides a potential source of funding for further growth.

The Company has royalties over 20 oil and gas permits in Australia, over 2,000 wells in the USA and is the operator of four geothermal permit interests. In the HY21 period, 8 royalties were generating income for the Company with some royalties on exploration permits expected to provide income in due course (subject to discovery and development) with the potential for additional revenue from development resulting in increased production on existing areas.

Review of Operations

The net loss for the consolidated entity after providing for income tax for the half year ended 31 December 2020 amounted to \$304,880 (2019: \$42,610).

Revenue from non-operated royalty income throughout the half-year ended 31 December 2020 decreased to \$183,824 (2019: \$293,930) which was largely in part due to an unfavourable movement in the US exchange rate, combined with not receiving royalties in the December quarter from our Queensland tenement as a result of an adjustment to prior periods royalties calculation.

The company ended the half year with a cash balance of \$1,026,254 (June 2020: \$1,843,070).



REVIEW OF OPERATIONS CONTINUED

Royalties

High Peak continued to manage the diverse portfolio of royalty interests which includes the following:

Permit or Project Name / 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-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	Santos
EP156 and EP(A)155	2.00	Mosman Oil and Gas
Planet Gas USA Inc. Royalties	3.00	Mai Oil, 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
TXO Production	0.025 to 0.05	Dorado Oil Company

Licence/Location	Ownership %	Approximate Area in km ²
GEL 571 South Australia	100	1,845.23
GEL 572 South Australia	100	1,764.20
GEL 573 South Australia	100	1,180.49
GEL 574 South Australia	100	1,139.26

HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT CONTINUED

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes to the state of affairs of the consolidated entity during the financial half-year.

EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant events subsequent to balance date.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within these financial statements on page 5.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of directors.

On behalf of the directors:



Andrew Carroll
Non-executive Chairman
16 March 2021

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

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F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of High Peak Royalties Limited for the half year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS



G N SHERWOOD
Partner

Sydney Australia
Dated: 16 March 2021

HIGH PEAK ROYALTIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED			
	Notes	Half-year ended 31 December 2020 \$	Half-year ended 31 December 2019 \$
Revenue from continuing operations			
Revenue	2	183,824	293,930
Other Income	2	11,164	218,463
Expenses			
Employee and director expenses		(104,999)	(123,083)
Due diligence and professional service expenses		(198,767)	(113,130)
Occupancy expenses		(11,100)	(11,100)
Finance costs		(71,062)	(113,116)
Exploration expenses		-	(42,783)
Amortisation expense		(98,392)	(107,380)
Marketing expenses		(8,250)	(10,750)
Other expenses		(6,200)	(33,661)
Loss on foreign exchange		(1,098)	-
Loss before income tax expense		(304,880)	(42,610)
Income tax expense		-	-
Loss after income tax expense for the period		(304,880)	(42,610)
Other comprehensive income			
- Foreign currency translation		7,088	(170,744)
Total other comprehensive income/(loss) for the period		7,088	(170,744)
Total comprehensive loss for the period		(297,792)	(213,354)
Loss attributable to:			
Members of High Peak Royalties Limited		(297,792)	(213,354)
Basic and diluted loss per share (cents per share)		(0.16)	(0.11)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

HIGH PEAK ROYALTIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		CONSOLIDATED	
	Notes	As at 31 December 2020 \$	As at 30 June 2020 \$
Assets			
Current Assets			
Cash and cash equivalents		1,026,254	1,843,070
Trade and other receivables		143,549	114,190
Total Current Assets		1,169,803	1,957,260
Non-Current Assets			
Trade and other receivables		149,392	148,404
Financial assets		463	350
Exploration and evaluation expenditure	3	-	-
Intangible assets	4	10,913,552	11,002,027
Total Non-Current Assets		11,063,407	11,150,781
Total Assets		12,233,210	13,108,041
Liabilities			
Current Liabilities			
Trade and other payables		175,412	150,092
Borrowings	5	1,947,546	364,272
Total Current Liabilities		2,122,958	514,364
Non-Current Liabilities			
Provisions		200,000	200,000
Borrowings	5	-	2,185,633
Total Non-Current Liabilities		200,000	2,385,633
Total Liabilities		2,322,958	2,899,997
Net Assets		9,910,252	10,208,044
Equity			
Issued capital	6	27,726,590	27,726,590
Reserves		6,935	(153)
Accumulated losses		(17,823,273)	(17,518,393)
Total Equity		9,910,252	10,208,044

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

HIGH PEAK ROYALTIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2019		27,726,590	(16,384,991)	163,948	11,505,547
Loss after income tax expense for the period		-	(42,610)	-	(42,610)
Total comprehensive loss for the period		-	(42,610)	-	(42,610)
Other comprehensive loss for the period		-	-	(170,744)	(170,744)
Balance at 31 December 2019	6	27,726,590	(16,427,601)	(6,796)	11,292,193
Balance at 1 July 2020		27,726,590	(17,518,393)	(153)	10,208,044
Loss after income tax expense for the period		-	(304,880)	-	(304,880)
Total comprehensive loss for the period		-	(304,880)	-	(304,880)
Other comprehensive income for the period		-	-	7,088	7,088
Balance at 31 December 2020	6	27,726,590	(17,823,273)	6,935	9,910,252

The above statement of changes in equity should be read in conjunction with the accompanying notes.

HIGH PEAK ROYALTIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

		CONSOLIDATED	
	Notes	Half Year Ended 31 December 2020	Half Year Ended 31 December 2019
		\$	\$
Cash flows from operating activities			
Receipts from royalty rights		188,234	279,204
Payments to suppliers and employees		(275,887)	(303,100)
Interest received		174	802
Interest and finance costs		(122,937)	(113,116)
Exploration expenses		-	(38,750)
Net cash used in operating activities		(210,416)	(174,960)
Cash flows from investing activities			
Payments for royalty rights		(249,411)	-
Payments for available for sale financial assets		(111)	-
Net cash used in investing activities		(249,522)	-
Cash flows from financing activities			
Repayment of borrowings	5	(336,473)	(353,988)
Net cash used in investing activities		(336,473)	(353,988)
Net decrease in cash and cash equivalents		(796,411)	(528,948)
Cash at the beginning of the financial period		1,843,070	1,045,908
Effect of exchange rate changes on cash		(20,405)	(691)
Cash at end of the period		1,026,254	516,269

The above statement of cash flows should be read in conjunction with the accompanying notes.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These condensed general purpose financial statements represent those of High Peak Royalties Limited (“High Peak”) for the interim half-year reporting period ended 31 December 2020 and its controlled entities (the “consolidated group” or “group”) and have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The separate financial statements of the parent entity, High Peak Royalties Limited, have not been presented within this financial report pursuant to the *Corporations Act 2001*.

These condensed general purpose financial statements do not include all the notes of the type normally included in annual financial statements. These financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution of directors on 16 March 2021.

(b) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some, or all, of the facility will be drawn down. There were no establishment fees charged to the consolidated entity on assumption of the facility.

(c) Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

Key Estimates

Impairment

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Recoverability of exploration and evaluation costs

The consolidated entity assesses the recoverability of the carrying value of capitalised exploration and evaluation costs at each reporting date (or at closer intervals should the need arise). In completing this assessment, regard is had to the consolidated entity’s intentions with regard to proposed future exploration and development plans for individual exploration areas, to the success or otherwise of activities undertaken in individual areas in recent times, to the likely success of future planned exploration activities, and to any potential plans for divestment of individual areas. Any required adjustments to the carrying value of capitalised exploration are completed based on the results of this assessment.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets – royalty rights

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. There is significant judgement required on the part of the Management and the Board in determining whether there are any impairment indicators with regards to royalty rights. To this extent they have considered the high level financial indices, the exploration activities of the underlying assets, the current market conditions, the political climate in the jurisdiction in which the assets exists, as well as numerous other factors when considering asset impairments. Management and the Board have determined that there were no impairment indicators for any of the individual underlying assets, and consequently it has not been necessary to fair value any of the intangible assets using a value-in-use model.

Provision for Site Rehabilitation and Contingent Liabilities

The consolidated entity has an existing well stock of 21 wells for which it may be liable for rehabilitation costs. Whilst the consolidated entity has provided for an estimate of \$200,000 for these costs in its financial statements, it can be difficult to reliably estimate these future costs, and there may be a possibility that the actual costs are greater than the amount that has been provided.

High Peak has continued to estimate the cost to rehabilitate the 21 wells at \$200,000 and consequently, the provision has remained unchanged from the prior year. The actual amount of the ultimate cost of rehabilitation is often negotiated with the relevant Regulatory Authority of the State in which the Company operated (to date only South Australia). The original range of the estimate disclosed in the Prospectus when the company listed in 2014 was between \$200,000 and \$1,150,000 which was based on internal and external sources.

Management and the Board are of the opinion the costs to rehabilitate the wells will not exceed \$200,000. Given the potential range of the expected costs, management have disclosed the additional potential liability of \$950,000 as a contingent liability in Note 7 of the financial statements. It is important to note that in the event the liability exceeds the amount provided for, the effect on the profit and loss will initially be nil due the fact that the cost to restore the site will initially be capitalised into the cost of the asset and then re-assessed for potential impairment.

(d) New and revised accounting requirements applicable to the current half- year reporting period

There were no new or revised Accounting Standards and Interpretations in the current half-year reporting period.

(e) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

As disclosed in the half-year financial report, the Group incurred a loss after tax of \$304,880 (2019: loss of \$42,610) and had net cash outflows from operating and investing activities of \$210,416 and \$249,522 respectively for the half year ended 31 December 2020. As at that date the Group had net current liabilities of \$953,155.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- As described in Note 5, the Group has a US\$15m facility which is currently drawn down to the extent of \$1,947,546. The facility expires on 7 December 2021. The directors are confident that this funding will either be extended or alternative funding sourced either by way of equity or debt.
- As described in Note 4, the Group has intangible assets carried at a value of \$10,913,552 as at 31 December 2020, consisting of royalty rights over various oil and gas interests. Some of this portfolio could potentially be sold if the need arose for any reason.
- The Company has the ability to raise additional share capital pursuant to the Corporation Act.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2020

2. SEGMENT NOTE

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information.

The Group operates in one business and two geographical segments, being the acquisition of royalty and exploration interests in oil and gas assets predominately in Australia and the USA.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the performance of individual royalty rights held.

Whilst the Company has a number of Geothermal and Oil and Gas exploration permits these are inactive assets and are considered non-core to the operations of the entity. Throughout the year there was no material movement to expenditure or capital paid on these permits and the Group considers its operations to focus solely on the operation and exploitation of proceeds from royalty rights.

Segment information

31 December 2020

	Australia	USA	Consolidated
Revenue	\$	\$	\$
Revenue	37,455	157,533	194,988
Total segment revenue	37,455	157,533	194,988
Segment revenue			194,988
Total segment result	(261,236)	(43,644)	(304,880)
Net loss before tax			(304,880)
Segment assets	9,324,834	2,908,376	12,233,210
Segment liabilities	333,965	1,988,993	2,322,958

31 December 2019

	Australia	USA	Consolidated
Revenue	\$	\$	\$
Revenue	301,515	210,878	512,393
Total segment revenue	301,515	210,878	512,393
Segment revenue			512,393
Total segment result	(23,860)	(18,750)	(42,610)
Net loss before tax			(42,610)
Segment assets	11,138,360	2,996,412	14,134,772
Segment liabilities	291,872	2,550,707	2,842,579

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2020

3. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2020	30 June 2020
	\$	\$
At cost	2,310,699	2,310,699
Less impairment	(2,310,699)	(2,310,699)
	<u>-</u>	<u>-</u>
Balance at start of period	-	-
Balance at end of period	<u>-</u>	<u>-</u>

4. INTANGIBLE ASSETS

	31 December 2020	30 June 2020
	\$	\$
Royalty rights	17,260,068	17,010,657
Accumulated amortisation	(1,707,427)	(1,609,035)
Accumulated impairment	(4,454,791)	(4,454,791)
Foreign exchange movement on opening balance	(184,298)	55,196
	<u>10,913,552</u>	<u>11,002,027</u>
Movements in Carrying Amounts		
Opening balance	11,002,027	12,051,736
Additions	249,411	
Less		
Amortisation expense	(98,392)	(213,320)
Foreign exchange movement on opening balance	(239,494)	55,196
Impairment expense	-	(891,585)
Closing balance	<u>10,913,552</u>	<u>11,002,027</u>

Significant intangible assets

The Group holds the following royalties over oil and gas interests:

Permit or Project Name / 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-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

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2020

4. INTANGIBLE ASSETS (CONTINUED)

WA-482-P	0.20	Santos
EP156 and EP(A)155	2.00	Mosman Oil and Gas
Planet Gas USA Inc. Royalties	3.00	Mai Oil, 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
TXO Production	0.025 to 0.05	Dorado Oil Company

Licence/Location	Ownership %	Approximate Area in km ²
GEL 571 South Australia	100	1,845.23
GEL 572 South Australia	100	1,764.20
GEL 573 South Australia	100	1,180.49
GEL 574 South Australia	100	1,139.26

Amortisation of intangible assets

Amortisation is recognised under two methods:

1. The units of production method, which is calculated based on the annual production of a royalty interest and is apportioned over its total proven and probable reserves and;
2. The straight line basis method, which is calculated over the estimated field life of the asset.

Impairment of intangible assets

The Group reviews its intangible assets for impairment each reporting period.

The Group has not found anything to indicate that any royalty interests are impaired for the current financial period.

5. BORROWINGS

	31 December 2020	30 June 2020
	\$	\$
Bank loan facility – current portion	1,947,546	364,272
Bank loan facility – non-current portion	-	2,185,633
	1,947,546	2,549,905
Movements in Carrying Amounts		
Opening balance	2,549,905	2,851,847
Additions ¹	-	-
Less		
Repayments	(336,473)	(363,372)
Impact of foreign exchange	(265,885)	61,430
Closing balance	1,947,546	2,549,905

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2020

5. BORROWINGS (CONTINUED)

¹ On 7 December 2018, the Company wholly acquired the assets of Planet Gas USA, Inc. The acquisition involved the assumption of Planet Gas USA, Inc's Macquarie Bank Loan facility which at the time of the acquisition was AU\$3,886,425 in drawn balance. The total loan facility has a ceiling of US\$15 million. Key terms of the facility are as follows:

- 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 on 7 December 2018)

6. ISSUED SHARE CAPITAL

Fully paid ordinary share capital

	31 December 2020		30 June 2020	
	No. of shares	\$	No. of shares	\$
Ordinary shares				
At the beginning of the period	188,956,399	27,726,590	188,956,399	27,726,590
Shares issued (net of costs)	-	-	-	-
At the end of the financial period	188,956,399	27,726,590	188,956,399	27,726,590

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Assets

The Company has the right to all income from all royalties owned as detailed at Note 5.

With respect to the contingent commitment to make payment on receipt of royalties from PL171 and ATP574, the Company also acknowledges its contingent right to the receipt of royalty income from these permits, and for that matter all other royalty interests owned.

There are no other contingent assets as at 31 December 2020.

Contingent Liability

The Company has an existing well stock of 21 wells for which it may be liable for rehabilitation costs. High Peak has continued to estimate the cost to rehabilitate the 21 wells at \$200,000 and consequently, the provision has remained unchanged from the prior year. The original range of the estimate disclosed in the Prospectus when the company listed in 2014 was between \$200,000 and \$1,150,000 which was based on internal and external sources.

Given the potential range of the expected costs, management have disclosed this additional potential liability of \$950,000 as a contingent liability. It is important to point that in the event the liability exceeds the amount provided

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2020

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

for, the effect on the profit and loss will initially be nil due the fact that the cost to restore the site will initially be capitalised into the cost of the asset and then re-assessed for potential impairment.

Pursuant to the originating agreement dated 5 December 2009, Phoenix Oil and Gas is obliged to pay, \$1,000,000 within 30 days of commercial production from PL 171. Under the same agreement, Phoenix Oil and Gas is also obliged to pay, \$1,000,000 within 30 days of commercial production from ATP 574P.

Commercial production in both instances is defined as when the first royalty payment is received from the operator of the permit as a result of gas sales from that permit.

At balance date commercial production is not foreseeable within the coming financial year.

There are no guarantees or commitments other than those mentioned in the financial report.

8. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2020 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest and voting power held	
		31 December 2020	30 June 2020
Torrens Energy (SA) Pty Ltd	Australia	100%	100%
Phoenix Oil and Gas Ltd	Australia	100%	100%
Oil & Gas Royalties Pty Ltd	Australia	100%	100%
HPR USA Inc.	United States of America	100%	100%
Planet Gas USA, Inc.	United States of America	100%	100%

9. SUBSEQUENT EVENTS

There were no significant events subsequent to balance date.

HIGH PEAK ROYALTIES LIMITED

DIRECTORS' DECLARATION

The Directors of High Peak Royalties Limited declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes as set out on pages 6 to 17 comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements.

Signed in accordance with a resolution of the directors made pursuant to s303 (5) (a) of the Corporations Act 2001.

On behalf of the Directors:



Andrew Carroll
Non-executive Chairman
16 March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
HIGH PEAK ROYALTIES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of High Peak Royalties Limited which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of High Peak Royalties Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of High Peak Royalties Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of High Peak Royalties Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS



G N Sherwood
Partner

Sydney, Australia
Dated: 16 March 2021