

High Peak Royalties Limited

ABN 79 118 065 704

Interim Report - 31 December 2023

High Peak Royalties Limited
Directors' report
31 December 2023

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 (referred to hereafter as 'High Peak', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

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:

| | |
|----------------|------------------------|
| James Knowles | Executive Chairman |
| David Croll | Non-Executive Director |
| Anthony Wooles | Non-Executive Director |

Principal activities

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

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 HY23 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.

High Peak's Macquarie Bank Facility through wholly owned subsidiary Planet Gas USA Inc. provides a potential source of funding for further growth and acquisitions of scale.

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$92,312 (31 December 2022: profit of \$83,446).

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

| Permit / Location | Royalty Interest (%) | Operated By |
|---|----------------------|--|
| PL 171 and ATP 574P | 2.50 | Queensland Gas/BG Group/ Shell |
| ATP 299P | 3.6/4.0 | Santos |
| Petroleum Leases: PL29, PL38, PL39, PL52, PL57, PL95, PL169, PL170, PL293, PL294, PL295 and PL298 | | |
| 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-90-R / WA-91-R (formerly WA-315-P) Poseidon Field | 0.10 | Santos |
| EP(A)111, EP(A)120 and EP(A) 124 | 1.00 | Central Petroleum |
| EP112, EP115NM and EP125 | 1.00 | Santos |
| EP115 | 1.00 | Frontier Oil and Gas |
| WA-482-P | 0.20 | Santos |
| 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 |
| ML 04/244 and ML 04/249 Admiral Bay, Canning Basin | 1.5% GOR 1.5% NSR | Metalicity Ltd |
| Royalty over Hydrogen Sales including Catalysts | 1% | Scimtek Hydrogen Pty Ltd |

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| Licence/Location | Ownership % | Approximate Area in km² |
|-------------------------|--------------------|---|
| GEL 571 South Australia | 100 | 871 |
| GEL 572 South Australia | 100 | 827 |
| GEL 573 South Australia | 100 | 519 |
| GEL 574 South Australia | 100 | 550 |

Significant changes in the state of affairs

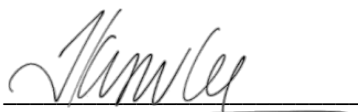
There were no significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



James Knowles
Executive Chairman

15 March 2024

RSM Australia Partners

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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 2023, 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.

A handwritten signature in blue ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink that reads "C J Hume".

C J HUME
Partner

Sydney Australia

Dated: 15 March 2024

High Peak Royalties Limited

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31 December 2023

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General information

The financial statements cover High Peak Royalties Limited as a Consolidated Entity consisting of High Peak Royalties Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is High Peak Royalties Limited's functional and presentation currency.

High Peak Royalties Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

24-26 Kent Street
Millers Point NSW 2000

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2024.

High Peak Royalties Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

| | Note | Consolidated | |
|---|------|------------------|------------------|
| | | 31 December 2023 | 31 December 2022 |
| | | \$ | \$ |
| Revenue | 4 | 523,567 | 580,061 |
| Interest revenue calculated using the effective interest method | | 1,761 | 673 |
| Expenses | | | |
| Professional expenses | 5 | (232,082) | (133,268) |
| Employee benefits expense | | (80,000) | (63,659) |
| Amortisation expense | | (136,330) | (160,722) |
| Impairment of assets | | (3,202) | - |
| Share based payments expense | | (5,850) | - |
| Other expenses | | (59,679) | (72,486) |
| Finance costs | | (90,012) | (67,050) |
| Foreign exchange loss | | (10,485) | (103) |
| Profit/(loss) before income tax expense | | (92,312) | 83,446 |
| Income tax expense | | - | - |
| Profit/(loss) after income tax expense for the half-year attributable to the owners of High Peak Royalties Limited | | (92,312) | 83,446 |
| Other comprehensive income/(loss) | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | (34,872) | 20,747 |
| Other comprehensive income/(loss) for the half-year, net of tax | | (34,872) | 20,747 |
| Total comprehensive income/(loss) for the half-year attributable to the owners of High Peak Royalties Limited | | <u>(127,184)</u> | <u>104,193</u> |
| | | Cents | Cents |
| Basic earnings/(loss) per share | 13 | (0.04) | 0.04 |
| Diluted earnings per share | 13 | (0.04) | 0.04 |

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

High Peak Royalties Limited
Statement of financial position
As at 31 December 2023

| | | Consolidated | |
|--------------------------------------|-------------|-----------------------------|---------------------|
| | Note | 31 December 2023 | 30 June 2023 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,133,958 | 1,384,479 |
| Trade and other receivables | | 127,996 | 171,550 |
| Other | | 101,640 | 204,877 |
| Total current assets | | <u>1,363,594</u> | <u>1,760,906</u> |
| Non-current assets | | | |
| Other financial assets | | 463 | 463 |
| Intangibles | 6 | 8,946,786 | 9,138,866 |
| Other | | 152,786 | 150,897 |
| Total non-current assets | | <u>9,100,035</u> | <u>9,290,226</u> |
| Total assets | | <u>10,463,629</u> | <u>11,051,132</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 69,339 | 66,900 |
| Borrowings | 7 | 1,096,491 | 377,074 |
| Other liabilities | | 21,972 | 17,800 |
| Total current liabilities | | <u>1,187,802</u> | <u>461,774</u> |
| Non-current liabilities | | | |
| Borrowings | 7 | - | 1,131,222 |
| Total non-current liabilities | | <u>-</u> | <u>1,131,222</u> |
| Total liabilities | | <u>1,187,802</u> | <u>1,592,996</u> |
| Net assets | | <u>9,275,827</u> | <u>9,458,136</u> |
| Equity | | | |
| Issued capital | 8 | 28,407,943 | 28,468,918 |
| Reserves | | 41,478 | 70,500 |
| Accumulated losses | | (19,173,594) | (19,081,282) |
| Total equity | | <u>9,275,827</u> | <u>9,458,136</u> |

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

High Peak Royalties Limited
Statement of changes in equity
For the half-year ended 31 December 2023

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------------|------------------------------|--|----------------------------------|
| Balance at 1 July 2022 | 28,468,918 | 35,601 | (19,574,202) | 8,930,317 |
| Profit after income tax expense for the half-year | - | - | 83,446 | 83,446 |
| Other comprehensive income for the half-year, net of tax | - | 20,747 | - | 20,747 |
| Total comprehensive income for the half-year | - | 20,747 | 83,446 | 104,193 |
| Balance at 31 December 2022 | <u>28,468,918</u> | <u>56,348</u> | <u>(19,490,756)</u> | <u>9,034,510</u> |
| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2023 | 28,468,918 | 70,500 | (19,081,282) | 9,458,136 |
| Loss after income tax expense for the half-year | - | - | (92,312) | (92,312) |
| Other comprehensive loss for the half-year, net of tax | - | (34,872) | - | (34,872) |
| Total comprehensive loss for the half-year | - | (34,872) | (92,312) | (127,184) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share-based payments (note 14) | - | 5,850 | - | 5,850 |
| Share buy-back | (60,975) | - | - | (60,975) |
| Balance at 31 December 2023 | <u>28,407,943</u> | <u>41,478</u> | <u>(19,173,594)</u> | <u>9,275,827</u> |

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

High Peak Royalties Limited
Statement of cash flows
For the half-year ended 31 December 2023

| | Note | Consolidated | |
|---|------|---------------------------|---------------------------|
| | | 31 December 2023 \$ | 31 December 2022 \$ |
| Cash flows from operating activities | | | |
| Receipts from royalty rights (inclusive of GST) | | 648,704 | 561,769 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(296,909)</u> | <u>(267,656)</u> |
| | | 351,795 | 294,113 |
| Interest received | | - | 518 |
| Interest and other finance costs paid | | <u>(90,154)</u> | <u>(114,690)</u> |
| Net cash from operating activities | 12 | <u>261,641</u> | <u>179,941</u> |
| Net cash from investing activities | | | |
| | | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Payments for share buy-backs | | (60,975) | - |
| Repayment of borrowings | | <u>(440,702)</u> | <u>(373,580)</u> |
| Net cash used in financing activities | | <u>(501,677)</u> | <u>(373,580)</u> |
| Net decrease in cash and cash equivalents | | (240,036) | (193,639) |
| Cash and cash equivalents at the beginning of the financial half-year | | 1,384,479 | 1,105,422 |
| Effects of exchange rate changes on cash and cash equivalents | | <u>(10,485)</u> | <u>(2,679)</u> |
| Cash and cash equivalents at the end of the financial half-year | | <u><u>1,133,958</u></u> | <u><u>909,104</u></u> |

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

High Peak Royalties Limited
Notes to the financial statements
31 December 2023

Note 1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Spare accounting policy for Interim Report

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment

The Group 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.

Rehabilitation provision

The company had historically provided for an estimate of \$200,000 for these costs in its financial statements. Having reconsidered the position, the management team have concluded the obligation is not wholly within the control of the company and is contingent on a future event being the final inspection when the permit is relinquished. In addition, it is questionable whether the potential obligation can be measured with sufficient reliability. It is quite possible that no outflow of resources will be required to fulfill and obligations around the site rehabilitation. To this extent, the provision is no longer recognised. 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 at that time. It is important to note that in the event that a liability exists, 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.

Recoverability of exploration and evaluation costs (Key Judgement)

The Company 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 Company'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. Management have exercised their judgement in determining that the exploration assets on the balance sheet remain impaired.

Intangible Assets – royalty interests in exploration permits (Key Judgement)

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The portfolio in relation to its royalty interests is largely related to the exploration activities of the licenced operator. The assets are therefore treated in a similar way to exploration assets as contemplated in AASB 6 Exploration for and Evaluation of Mineral Resources. 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 remaining unimpaired individual underlying assets, and consequently it has not been necessary to fair value any of the other intangible assets using a value-in-use model.

High Peak Royalties Limited
Notes to the financial statements
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Note 3. Operating segments

Identification of reportable operating segments

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.

Operating segment information

| Consolidated - 31 December 2023 | Australia \$ | USA \$ | Total \$ |
|--|------------------|----------------|-------------------|
| Revenue | | | |
| Sales to external customers | 198,404 | 325,163 | 523,567 |
| Other revenue | 1,761 | - | 1,761 |
| Total revenue | <u>200,165</u> | <u>325,163</u> | <u>525,328</u> |
| EBITDA | (182,591) | 319,823 | 137,232 |
| Depreciation and amortisation | (22,471) | (113,859) | (136,330) |
| Impairment of assets | (3,202) | - | (3,202) |
| Finance costs | (1,555) | (88,457) | (90,012) |
| Profit/(loss) before income tax expense | <u>(209,819)</u> | <u>117,507</u> | <u>(92,312)</u> |
| Income tax expense | | | - |
| Loss after income tax expense | | | <u>(92,312)</u> |
| Assets | | | |
| Segment assets | 7,044,124 | 3,419,505 | 10,463,629 |
| Total assets | | | <u>10,463,629</u> |
| Liabilities | | | |
| Segment liabilities | 85,901 | 1,101,901 | 1,187,802 |
| Total liabilities | | | <u>1,187,802</u> |

High Peak Royalties Limited
Notes to the financial statements
31 December 2023

Note 3. Operating segments (continued)

| Consolidated - 31 December 2022 | Australia \$ | USA \$ | Total \$ |
|--|------------------|----------------|----------------|
| Revenue | | | |
| Sales to external customers | 115,832 | 464,902 | 580,734 |
| Total revenue | <u>115,832</u> | <u>464,902</u> | <u>580,734</u> |
| EBITDA | (353,400) | 663,122 | 309,722 |
| Depreciation and amortisation | (49,058) | (110,836) | (159,894) |
| Finance costs | - | (66,382) | (66,382) |
| Profit/(loss) before income tax expense | <u>(402,458)</u> | <u>485,904</u> | <u>83,446</u> |
| Income tax expense | | | - |
| Profit after income tax expense | | | <u>83,446</u> |

Note 4. Revenue

| | Consolidated | |
|---------|-----------------------------|-----------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Royalty | <u>523,567</u> | <u>580,061</u> |

Note 5. Professional expenses

| | Consolidated | |
|---------------------------|-----------------------------|-----------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Accounting and audit fees | 104,493 | 48,923 |
| Other corporate fees | 77,816 | 39,950 |
| Consulting fees | 49,773 | 44,395 |
| | <u>232,082</u> | <u>133,268</u> |

Note 6. Intangibles

| | Consolidated | |
|--------------------------------|-----------------------------|---------------------|
| | 31 December 2023 | 30 June 2023 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Royalty rights- at cost | 17,545,055 | 17,762,547 |
| Less: Accumulated amortisation | (2,606,632) | (2,523,030) |
| Less: Impairment | (5,991,637) | (6,100,651) |
| | <u>8,946,786</u> | <u>9,138,866</u> |

High Peak Royalties Limited
Notes to the financial statements
31 December 2023

Note 6. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated | Royalty rights \$ | Total \$ |
|-----------------------------|----------------------|------------------|
| Balance at 1 July 2023 | 9,138,866 | 9,138,866 |
| Exchange differences | (55,750) | (55,750) |
| Amortisation expense | (136,330) | (136,330) |
| Balance at 31 December 2023 | <u>8,946,786</u> | <u>8,946,786</u> |

Significant intangible assets

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

| Permit / Location | Royalty Interest (%) | Operated By |
|---|----------------------|--|
| PL 171 and ATP 574P | 2.50 | Queensland Gas/BG Group/ Shell |
| ATP 299P | 3.6/4.0 | Santos |
| Petroleum Leases: PL29, PL38, PL39, PL52, PL57, PL95, PL169, PL170, PL293, PL294, PL295 and PL298 | | |
| 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-90-R / WA-91-R (formerly WA-315-P) Poseidon Field | 0.10 | Santos |
| EP(A)111, EP(A)120 and EP(A) 124 | 1.00 | Central Petroleum |
| EP112, EP115NM and EP125 | 1.00 | Santos |
| EP115 | 1.00 | Frontier Oil and Gas |
| WA-482-P | 0.20 | Santos |
| 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 |
| ML 04/244 and ML 04/249 Admiral Bay, Canning Basin | 1.5% GOR 1.5% NSR | Metalicity Ltd |
| Royalty over Hydrogen Sales including Catalysts | 1% | Scimtek Hydrogen Pty Ltd |

| Licence/Location | Ownership % | Approximate Area in km ² |
|-------------------------|-------------|-------------------------------------|
| GEL 571 South Australia | 100 | 871 |
| GEL 572 South Australia | 100 | 827 |
| GEL 573 South Australia | 100 | 519 |
| GEL 574 South Australia | 100 | 550 |

High Peak Royalties Limited
Notes to the financial statements
31 December 2023

Note 6. Intangibles (continued)

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.

Note 7. Borrowings

| | Consolidated | |
|--------------------------------|---------------------|---------------------|
| | 31 December | 30 June 2023 |
| | 2023 | 2023 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Bank loans | 1,096,491 | 377,074 |
| <i>Non-current liabilities</i> | | |
| Bank loans | - | 1,131,222 |
| | <u>1,096,491</u> | <u>1,508,296</u> |

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:

- Drawn Balance at Reporting Period - US\$1,250,000;
- Facility Limit US\$15,000,000 (AUD: \$21,150,000);
- Facility Fees:
- Interest charged: Libor plus 5.5%
- The facility expires on 7 December 2024, with principal repayments being required on the following basis:
 - 7 December 2023 - US\$250,000;
 - 7 December 2024 - US\$750,000;
- Remaining Term Unless Extended: 7 December 2024.

Note 8. Issued capital

| | Consolidated | | | |
|------------------------------|---------------------|---------------------|--------------------|---------------------|
| | 31 December | 30 June 2023 | 31 December | 30 June 2023 |
| | 2023 | 2023 | 2023 | 2023 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | 208,059,714 | 208,956,399 | 28,407,943 | 28,468,918 |

High Peak Royalties Limited
Notes to the financial statements
31 December 2023

Note 8. Issued capital (continued)

Movements in spare share capital

| Details | Date | Shares | Issue price | \$ |
|----------------|------------------|---------------------------|--------------------|--------------------------|
| Balance | 1 July 2023 | 208,956,399 | | 28,468,918 |
| Share buyback | 23 August 2023 | <u>(896,685)</u> | \$0.07 | <u>(60,975)</u> |
| Balance | 31 December 2023 | <u><u>208,059,714</u></u> | | <u><u>28,407,943</u></u> |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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.

Share buy-back

A share buy-back was completed during the period, which resulted in 896,685 shares being returned and cancelled by the Company.

There is no current on-market share buy-back as at the date of this report.

Note 9. Contingent assets and liabilities

Contingent Assets

The Company has the right to all income from all royalties owned as detailed at note 6.

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 2023.

Contingent Liability

The Company has an existing well stock of 21 wells for which it may be liable for rehabilitation costs. The company had historically provided for an estimate of \$200,000 for these costs in its financial statements. Having reconsidered the position, the management team have concluded the obligation is not wholly within the control of the company and is contingent on a future event being the final inspection when the permit is relinquished. In addition, it is questionable whether the potential obligation can be measured with sufficient reliability. It is quite possible that no outflow of resources will be required to fulfill and obligations around the site rehabilitation. To this extent, the provision has been released to other income. 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 at that time. It is important to note that in the event that a liability exists, 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.

High Peak Royalties Limited
Notes to the financial statements
31 December 2023

Note 10. Related party transactions

Parent entity

High Peak Royalties Limited is the parent entity.

Transactions with related parties

There were no transactions with related parties during the current and previous financial half-year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 12. Reconciliation of profit/(loss) after income tax to net cash from operating activities

| | Consolidated | |
|--|-----------------------------|-----------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Profit/(loss) after income tax expense for the half-year | (92,312) | 83,446 |
| Adjustments for: | | |
| Amortisation | 136,330 | 160,722 |
| Impairment of non-current assets | 3,202 | - |
| Share-based payments | 5,850 | - |
| Foreign exchange differences | 55,171 | 11,321 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 138,048 | (69,452) |
| Increase/(decrease) in trade and other payables | 15,352 | (6,096) |
| Net cash from operating activities | <u>261,641</u> | <u>179,941</u> |

Note 13. Earnings per share

| | Consolidated | |
|---|-----------------------------|-----------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Profit/(loss) after income tax attributable to the owners of High Peak Royalties Limited | <u>(92,312)</u> | <u>83,446</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>208,319,410</u> | <u>208,956,399</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>208,319,410</u> | <u>208,956,399</u> |

High Peak Royalties Limited
Notes to the financial statements
31 December 2023

Note 13. Earnings per share (continued)

| | Cents | Cents |
|---------------------------------|--------|-------|
| Basic earnings/(loss) per share | (0.04) | 0.04 |
| Diluted earnings per share | (0.04) | 0.04 |

Note 14. Share-based payments

During the financial period, performance rights were issued to the Executive Chairman, as approved at the Annual General Meeting.

For the performance rights granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|-------------------------|--------------------------|
| 12/11/2023 | 16/11/2025 | \$0.05 | \$0.00 | 110.00% | 3.90% | \$0.040 |
| 12/11/2023 | 16/11/2025 | \$0.05 | \$0.00 | 110.00% | 3.90% | \$0.052 |
| 12/11/2023 | 16/11/2027 | \$0.05 | \$0.00 | 110.00% | 3.85% | \$0.045 |
| 12/11/2023 | 16/11/2028 | \$0.05 | \$0.00 | 110.00% | 3.85% | \$0.052 |

The vesting of the performance rights are conditional:

| | |
|-----------|---|
| Tranche 1 | The 5-day VWAP of the Company Share Price being above \$0.15 within two (2) years from 16 November 2023 |
| Tranche 2 | Completion of a successful commercial transaction: to be defined as a sale, spin off or meaningful transaction of the Company's existing non-core assets, or the creation of a royalty interest over any of the Company's existing assets |
| Tranche 3 | The 5-day VWAP of the Company Share Price being above \$0.20 within four (4) years from 16 November 2023 |
| Tranche 4 | Payment of an inaugural dividend, where that dividend is paid out of recurring earnings |

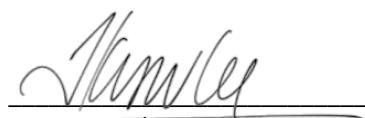
High Peak Royalties Limited
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



James Knowles
Executive Chairman

15 March 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of High Peak Royalties Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of High Peak Royalties Limited which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and 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.

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 2023 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

Directors' Responsibility for the Half-Year Financial Report

The directors of the High Peak Royalties Limited 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 for the Review of the Financial Report

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 2023 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*.

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.



C J HUME
Partner

RSM Australia Partners

Sydney, Australia
Dated: 15 March 2024