



High Peak Royalties Limited

ABN: 79 118 065 704

**Half-Year Financial Report
31 December 2015**

HIGH PEAK ROYALTIES LIMITED

CORPORATE DIRECTORY

High Peak Royalties Limited

ABN: 79 118 065 704

Chairman

Anthony Wooles (Non-Executive Chairman)
Geoffrey King (Non-Executive Deputy Chairman)

Directors

Anthony Wooles
Geoffrey King
Andrew Carroll
Nigel Hartley
Howard McLaughlin
John Theobald

Chief Executive Officer

Simon Fyfe (appointed 2nd September 2015)
Steven Larkins (resigned 1st September 2015)

Chief Financial Officer

Mr Jarrod White

Company Secretary

Mr Jarrod White

Registered Office

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

Securities Quoted

Australian Securities Exchange Ltd (ASX)

Codes:

- ASX: HPR (shares)
- ASX: HPRO (options expiring 15 April 2017)

Share Registry

Computershare Investor Services
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA AUSTRALIA, 6000

Website

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

Auditors

Stantons International Audit and Consulting Pty Ltd
LEVEL 2, 1 Walker Avenue
WEST PERTH WA 6005, AUSTRALIA

Bankers

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

National Australia Bank
345 George Street
SYDNEY NSW 2000, AUSTRALIA

Lawyers

Herbert Smith Freehills
QV.1 Building
250 St Georges Terrace
PERTH WA 6000, 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.
- High Peak Energy NZ Limited

HIGH PEAK ROYALTIES LIMITED

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HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT CONTINUED

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 2015.

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:

Anthony Wooles	Non-Executive Chairman
Geoffrey King	Deputy Chairman, Non-executive Director
Andrew Carroll	Non-executive Director
Nigel Hartley	Non-executive Director
Howard McLaughlin	Non-executive Director
John Theobald	Non-executive Director

Chief Executive Officer

Mr Simon Fyfe was appointed as Chief Executive Officer on 2 September 2015.

Chief Financial Officer

Mr Jarrod White

Company Secretary

Mr Jarrod White

OPERATING AND FINANCIAL REVIEW

Principal Activities

The Company has royalties over 23 oil and gas projects in Australia and USA. It is the operator of five geothermal permit interests. Two royalty areas are in production and are generating income for the Company.

Results from Operations

The net loss after providing for income tax for the half year ended 31 December 2015 amounted to \$1,256,501 (2014: \$774,108). It is noted that the current period loss is inclusive of an impairment charge as a result of writing off two of Company's royalty assets (Seychelles and EP-118) of \$366,642 as at 31 December 2015.

Performance throughout the Period

Revenue from non-operated royalty income throughout the half-year ended 31 December 2015 decreased to \$36,057 (2014: \$116,815) which was partly due to both lower realised oil prices and the prior period including a one off gain on the sale of the Company's subsidiary, Oilco Pty Ltd. The decrease Revenue was supplemented by investment income of \$54,865 and an unrealised gain on financial assets of \$53,473.

The Company reported an operating loss of \$1,256,501 (2014: \$774,108) which included \$335,213, of non-recurring costs and \$415,984 of non-cash items.

This reconciled to a net residual operating loss of \$505,303 and the company is continuing to review its ongoing committed operating expenditures.

The company ended the half year with a cash balance of \$1,696,965.

HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT CONTINUED

REVIEW OF OPERATIONS CONTINUED

Royalties

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

Operated – Exploration Licences

Permit / Location	Royalty Interest (%)	Operated By
PL 171 and ATP 574P	2.50	Queensland Gas / BG Group
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 and VIC/P54)	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
PEL512	1.30	Discovery Energy
WA-482-P	0.20	Apache Corporation
WA-EP468	2.00	Paltar Petroleum
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
Weeks Petroleum Royalty (Gippsland Basin) indirect interest via 19.99% shareholding in Royalco Resources (ASX: RCO)	0.005	ExxonMobil

100% Owned Geothermal Permits (SA GELs 571, 572, 573 and 574)

High Peak holds five geothermal energy licences covering 11,247 km² in South Australia.

At 30 June 2015 the Company fully impaired its geothermal assets.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

NZ TARANAKI ACQUISITION FROM ORIGIN ENERGY LTD OPERATED BY MOSMAN OIL AND GAS LTD "STEP"

On the 9th of October 2015 HPR entered into a Participation Agreement with Mosman Oil and Gas Limited (AIM:MSMN) for HPR to acquire a 30% and Mosman to acquire 70% of onshore New Zealand ("NZ") producing oil and gas assets from Origin for total consideration of NZ\$10m. Subsequent to this date, the parties had worked towards satisfying pre-conditions necessary for completion, and during this time there was a sharp increase in volatility in oil markets. As a result on the 2nd of February 2016 it was announced that the STEP project would no longer be proceeding.

All significant changes in the state of affairs of the Company during the year are discussed in detail above under the Operating and Financial Review section.

HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT CONTINUED

EVENTS SUBSEQUENT TO BALANCE DATE

SOUTH TARANAKI ENERGY PROJECT "STEP" TRANSACTION NOT PROCEEDING

As announced to the market on the 2nd of February 2016, HPR would no longer be proceeding with the STEP Acquisition (initially announced on the 9th of October 2015) and therefore the Rimu, Kauri and Manutahi Sale and Purchase Agreement ("SPA") with Origin Energy Ltd ("Origin") and the associated Participation Agreement with MSMN had been terminated.

The SPA with Origin contained a review event to allow for a renegotiation of the transaction which was triggered due to the fall in oil prices during the month of December 2015 subsequent to when the transaction was announced. Despite attempted negotiations with Origin there was not able to be a change of purchase price, nor transaction conditions to take account of the potential impact from changed market circumstances. During this time MSMN and HPR were working towards but had not yet received the required NZ Government approvals for foreign investment and transfer of production licenses which were also necessary pre-conditions to be able to complete the STEP Acquisition.

It follows that \$240,307 worth of costs associated to STEP were written off during the period. It should be noted a portion of these costs were paid subsequent to 31 December 2015, however all costs associated to the project for have been accounted for in this period.

There were no other significant events subsequent to balance date.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the half year ended 31 December 2015 has been received and can be found on page 5 of the Report.

Signed in accordance with a resolution of the Board of Directors made pursuant to s306 (3)(a) of Corporations Act 2001.

On behalf of the Directors:



Anthony Wooles
Non-executive Chairman
11 March 2016

11 March 2016

Board of Directors
High Peak Royalties Limited
c/- Traverse Accountants Pty Limited
Suite 305, Level 3,
55 Lime Street
Sydney NSW 2000

Dear Sirs

RE: HIGH PEAK ROYALTIES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of High Peak Royalties Limited.

As Audit Director for the review of the financial statements of High Peak Royalties Limited for the period ended 31 December 2015, 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.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Samir R Tirodkar
Director

HIGH PEAK ROYALTIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED			
	Notes	Half-year ended 31 December 2015 \$	Half-year ended 31 December 2014 \$
Revenue from continuing operations			
Revenue	2	36,057	116,815
Investment income		54,865	-
Expenses			
Employee and director expenses		(341,473)	(271,363)
Due diligence and professional service expenses		(233,586)	(287,333)
Occupancy expenses		(19,200)	(9,900)
Finance costs		(2,816)	(516)
Exploration and evaluation expenditure		(2,092)	(1,478)
Depreciation expense		(8,452)	(1,056)
Amortisation expense		(40,890)	(143,718)
Impairment	4	(366,642)	-
Costs associated with potential acquisition of STEP interest		(240,307)	-
Transaction costs		-	(191,914)
Other expenses		(107,594)	(76,197)
Other Income		15,629	92,552
Loss before tax		(1,256,501)	(774,108)
Income Tax Expense		-	-
Loss for the period from continuing operations		(1,256,501)	(774,108)
Other Comprehensive Income			
- Items that will not be reclassified subsequently to profit or loss		-	-
- Items that may be reclassified subsequently to profit or loss		53,473	-
Total other comprehensive income for the period		53,473	-
Loss attributable to:			
Members of High Peak Royalties Limited		(1,203,028)	(774,108)
Basic and diluted loss per share (cents per share)	11	(0.72)	(0.46)

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 2015

		CONSOLIDATED	
	Notes	As at 31 December 2015 \$	As at 30 June 2015 \$
Assets			
Current Assets			
Cash and cash equivalents		1,696,965	2,476,870
Trade and other receivables		64,685	109,323
Available-for-sale financial assets	3	2,322,913	2,163,626
Total Current Assets		4,084,563	4,749,819
Non-Current Assets			
Trade and other receivables		148,867	146,711
Intangible assets	4	11,464,739	11,872,271
Property, plant and equipment	5	-	8,452
Total Non-Current Assets		11,613,606	12,027,434
Total Assets		15,698,169	16,777,253
Liabilities			
Current Liabilities			
Trade and other payables		377,900	253,956
Total Current Liabilities		377,900	253,956
Non-Current Liabilities			
Provision		200,000	200,000
Total Non-Current Liabilities		200,000	200,000
Total Liabilities		577,900	453,956
Net Assets		15,120,269	16,323,297
Equity			
Issued capital	6	26,661,705	26,661,705
Reserves	7	74,553	21,080
Accumulated losses		(11,615,989)	(10,359,488)
Total Equity		15,120,269	16,323,297

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 2015

	Share Capital Ordinary \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2014	26,661,705	(6,786,675)	-	19,875,030
Loss for the Year	-	(774,108)	-	(774,108)
Other comprehensive income	-	-	-	-
Total Comprehensive Loss	-	(774,108)	-	(774,108)
Shares issued during the year	-	-	-	-
Share based payments	-	-	-	-
Balance at 31 December 2014	26,661,705	(7,560,783)	-	19,100,922
Balance at 1 July 2015	26,661,705	(10,359,488)	21,080	16,323,297
Loss for the Year	-	(1,256,501)	-	(1,256,501)
Other comprehensive income	-	-	53,473	53,473
Total Comprehensive Loss	-	(1,256,501)	53,473	1,203,028
Shares Issued during the year	-	-	-	-
Share based payments	-	-	-	-
Balance at 31 December 2015	26,661,705	(11,615,989)	74,553	15,120,269

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 2015

	Notes	CONSOLIDATED	
		Half Year Ended 31 December 2015	Half Year Ended 31 December 2014
		\$	\$
Cash flows from operating activities			
Receipts from royalty rights		79,033	112,443
Payments to suppliers and employees		(665,397)	(686,843)
Transaction costs		-	(191,914)
Interest received		13,473	67,218
Dividends received		54,865	-
Interest and finance costs		(2,816)	(516)
Exploration expenses		(2092)	-
Other		-	17,342
Net cash (used in) operating activities		(522,934)	(682,270)
Cash flows from investing activities			
Payments for royalty rights		-	(47,482)
Payments for intangibles		-	(36,900)
Payments for available for sale financial assets		(105,813)	-
Costs associated with potential STEP interest		(150,307)	-
Net cash (used in) investing activities		(256,120)	(84,382)
Cash flows from financing activities			
Repayment of borrowing facilities		-	(420,000)
Net cash flows from financing activities		-	(420,000)
Net (decrease) in cash and cash equivalents		(779,054)	(1,186,652)
Cash and cash equivalents at the beginning of the financial period		2,476,870	6,718,455
Foreign exchange adjustment		(851)	(17)
Cash and cash equivalents at end of the period		1,696,965	5,531,786

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 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements represent those of High Peak Royalties Limited ("High Peak") for the interim half-year reporting period ended 31 December 2015 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 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 2015 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.

(b) Critical accounting estimates and judgements

The directors evaluate estimates and judgements 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.

Amortisation

Amortisation is recognised using the units of production and straight line method. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible Assets

Refer to Note 4 on key estimates relating to amounts of carrying values of intangibles (royalty rights).

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

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are yet to be mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2015

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.

Information about major customers

Revenues arising from royalty receipts of \$36,057 (December 2014: \$105,841) arose from royalties paid by the operators of the Surprise West, Longtom, ATP 299 and the Dillon Fund. These contributed \$223 \$NIL, \$18,331 and \$17,503 respectively to revenue in 2015 (2014: \$5,045, \$57,184, \$43,612 and \$NIL)

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.

3. OTHER FINANCIAL ASSETS

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

Recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurements are categorised as follows:

	Fair Value Measurements at 31 December 2015 Using:		
	Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Observable Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
<u>Available-for-Sale Financial Assets</u>			
Shares in listed corporation	2,319,986	-	-
Investment in options of listed corporation	-	2,927	-

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2015

4. INTANGIBLE ASSETS

	31 December 2015	30 June 2015
	\$	\$
Royalty rights	12,863,448	12,863,448
Accumulated amortisation	(1,032,067)	(991,177)
Accumulated impairment	(366,642)	-
	11,464,739	11,872,271
Movements in Carrying Amounts		
Opening balance	11,872,271	10,780,924
Additions	-	448,764
Reclassification from Exploration Expenditure on sale of subsidiary	-	841,376
Less		
amortisation	(40,890)	(198,793)
impairment	(366,642)	-
Closing balance	11,464,739	11,872,271

The recoverable amount of each royalty interests above for the purposes of testing for impairment is determined based on value-in-use calculations. Value in-use is calculated based on the present value of cash flow projections over a 10 year period or expected life of project (whichever is longer) with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted to account for the time value of money and project variability.

The following key assumptions were used in the value-in-use calculations:

- Growth Rate: expected forward production curve of underlying assets as applicable
- Discount Rate: 10-11%
- Oil Price: \$62 AUD (2016) then 5 year forward curve
- Gas Price: \$4.5

Management has based the value-in-use calculations on budgets for each royalty interest. These budgets use production and volume related growth rates to project revenue that are linked to the underlying proven and probable resource estimates and reserves of the underlying assets. Costs are calculated taking into account historical gross margins as well as estimated weight average inflation rates over the period. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular royalty interest. Management has estimated the production start date for royalty interests that have not yet commenced producing.

Significant intangible assets

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

- Longtom (Vic L29, Phoenix 0.3% Gross Overriding Royalty (GOR))
- Peat (Qld PL 101, Phoenix 2.125% Overriding Royalty (ORR))
- Tintaburra (Qld ATP 299 and associated PLs, Phoenix 4.0% Net Profit Interest (NPI))
- United States (Dillon Fund) 0.20% to 0.40% Royalty Interests in Texas.
- QGC Operated CSM permits (Qld PL 171 and ATP 574, Phoenix 2.5% ORR)
- Amadeus (6 NT area royalties, Phoenix 1.0% ORR)
- Browse Basin (WA 314 and 315, Phoenix 0.10% ORR)
- Bass Strait Exploration (Vic P54, Phoenix 0.3% ORR)
- Officer Basin WA 468 (Phoenix 0.2% ORR)
- Northern Carnarvon WA-482-P (Phoenix 0.2% ORR)
- Eromanga PEL 512 (Phoenix 1.3% ORR)
- EP156 and EP(A)155 (Phoenix 2% ORR)

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2015

4. INTANGIBLE ASSETS (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. During the December 2015 review the Group has impaired the residual interest in the Seychelles (Phoenix 0.08% ORR) by \$107,242 and EP 118 by \$259,400.

Aside from above the Group has not found anything to indicate that any other royalty interests are impaired.

5. PROPERTY PLANT AND EQUIPMENT

	31 December 2015	30 June 2015
	\$	\$
Computer equipment, furniture and exploration equipment	81,696	81,696
Less: Accumulated depreciation	(81,696)	(73,244)
	<u>-</u>	<u>8,452</u>
Movements in Carrying Amounts		
Balance at beginning of year	8,452	9,633
Acquisition during the year	-	1,210
Depreciation	(8,452)	(2,391)
Balance at end of year	<u>-</u>	<u>8,452</u>

6. ISSUED SHARE CAPITAL

Fully paid ordinary share capital

	31 December 2015		30 June 2015	
	No. of shares	\$	No. of shares	\$
Ordinary shares				
At the beginning of the period	166,800,792	26,661,705	166,800,792	26,661,705
At the end of the financial period	<u>166,800,792</u>	<u>26,661,705</u>	<u>166,800,792</u>	<u>26,661,705</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands Ordinary shares.

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.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2015

7. RESERVES

	31 December 2015	30 June 2015
	\$	\$
Asset revaluation reserve	74,553	21,080
	74,553	21,080

Changes in the fair value of investments classified as available-for-sale financial assets are taken to the available-for-sale investments revaluation reserve. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or assets at 31 December 2015.

9. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest and voting power held	
		31 December 2015	30 June 2015
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%
High Peak Energy NZ Limited	New Zealand	100%	N/A

Throughout the period the Company incorporated a special purpose vehicle (High Peak Energy NZ Limited) to be the participant in the STEP transaction on behalf of HPR. This entity due to the events as disclosed subsequent to balance date is now surplus to requirements and will most likely be deregistered during the current financial year. (Refer to Note 10.)

10. SUBSEQUENT EVENTS

Subsequent to balance date the Company had the following material events occur:

SOUTH TARANAKI ENERGY PROJECT "STEP" TRANSACTION NOT PROCEEDING

As announced to the market on the 2nd of February 2016, HPR would no longer be proceeding with the STEP Acquisition (initially announced on the 9th of October 2015) and therefore the Rimu, Kauri and Manutahi Sale and Purchase Agreement ("SPA") with Origin Energy Ltd ("Origin") and the associated Participation Agreement with MSMN had been terminated.

The SPA with Origin contained a review event to allow for a renegotiation of the transaction which was triggered due to the fall in oil prices during the month of December 2015 subsequent to when the transaction was announced. Despite attempted negotiations with Origin there was not able to be a change of purchase price, nor transaction conditions to take account of the potential impact from changed market circumstances. During this time MSMN and HPR were working towards but had not yet received the required NZ Government approvals for foreign investment and transfer of production licenses which were also necessary pre-conditions to be able to complete the STEP Acquisition.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2015

10. SUBSEQUENT EVENTS (CONTINUED)

It follows that \$240,307 worth of costs associated to STEP were written off during the period. It should be noted a portion of these costs were paid subsequent to 31 December 2015, however all costs associated to the project for have been accounted for in this period.

There were no other significant events subsequent to balance date.

11. EARNINGS PER SHARE

	Half Year ended 31 December 2015	Half Year ended 31 December 2014
	Cents	Cents
From continuing operations		
Basic earnings per share (loss)	(0.72)	(0.46)
Diluted earnings per share (loss)	(0.72)	(0.46)

Weighted average number of shares used in the calculation of diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

	No.	No.
Basic earnings per share	166,800,792	166,800,792
Diluted earnings per share	166,800,792	166,800,792

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of shares for the purposes of diluted earnings per share.

	No.	No.
Options	12,862,012	13,249,407

The loss used to calculate earnings per share was \$1,256,501 (2014: \$774,108).

HIGH PEAK ROYALTIES LIMITED

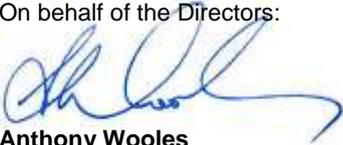
DIRECTORS' DECLARATION

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 thereto 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:



Anthony Wooles
Non-executive Chairman
11 March 2016

**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 condensed statement of financial position as at 31 December 2015, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, and condensed 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 for High Peak Royalties Limited (the consolidated entity). The consolidated entity comprises both High Peak Royalties Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of 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 (including the Australian Accounting Interpretations) 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 2015 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

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*, has been provided to the directors of High Peak Royalties Limited on 11 March 2016.

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 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter Regarding Carrying Values of Non-Current Assets

Without qualification to the review conclusion expressed above, attention is drawn to the following matters:

At 31 December 2015, the company had intangible assets of \$11,464,739. The carrying value of the intangible asset is dependent upon successful commercial exploitation of these assets and/or sale of these assets to generate sufficient funds at least equivalent to their carrying values. In the event that the underlying operator of the royalty assets is not successful in commercial exploitation of these assets, or does not continue to maintain the permits that royalty assets are held over, the realisable value of the Company's non-current assets may be significantly less than book values.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International


Samir Tirodkar
Director

West Perth, Western Australia
11 March 2016