



High Peak Royalties Limited

ABN: 79 118 065 704

**Half-Year Financial Report
31 December 2016**

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 (resigned 30 November 2016)
Howard McLaughlin (resigned 30 November 2016)

Chief Executive Officer

Simon Fyfe (resigned 30 June 2016)

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

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

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 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 2016.

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 (resigned 30 November 2016)
Howard McLaughlin	Non-executive Director (resigned 30 November 2016)

Chief Financial Officer

Mr Jarrod White

Company Secretary

Mr Jarrod White

REVIEW OF OPERATIONS

Principal Activities

The Company has royalties over 23 oil and gas projects in Australia and USA. It is the operator of four 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 2016 amounted to \$192,709 (2015: \$1,256,501).

Performance throughout the Period

Revenue from non-operated royalty income throughout the half-year ended 31 December 2016 decreased to \$14,100 (2015: \$36,057) which was largely due to lower realised oil prices.

The company ended the half year with a cash balance of \$491,682 (June 2016: \$1,058,403).

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/ 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 and VIC/P54)	0.30	Seven Group Holdings
WA-314-P	0.10	Karoo Gas
WA-315-P	0.10	ConocoPhillips
EP(A)111, EP115, EP(A)120 and EP(A) 124	1.00	Central Petroleum
EP112, EP115NM and EP125	1.00	Santos
WA-482-P	0.20	Quadrant Energy
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
United States (East Texas)	1.00	Silver Tusk and New Century Operating
Weeks Petroleum Royalty (Gippsland Basin) indirect interest via 10.68% shareholding in Royalco Resources (ASX: RCO)	0.0025	ExxonMobil

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

High Peak holds four 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

Royalco Resources Limited – Spill Motion Successful

As at 31 December 2016, High Peak Royalties Limited owned 21.36% of Royalco Resources Limited (RCO). On 24 November 2016, Royalco Resources Limited held its 2016 AGM following a first 'strike' against Board remuneration in the 2015 AGM and remuneration report. At the 2016 AGM, RCO recorded a second 'strike' against their 2016 remuneration report and a spill resolution was put to shareholders and carried.

As a result, RCO convened an extraordinary general meeting (Spill Meeting) on 22 February 2017 and subsequent to that meeting there have been Board changes which will hopefully address the long standing inefficiencies and required cost reductions at an RCO level that HPR has continued to advocate since becoming a substantial shareholder.

HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT CONTINUED

It is noted that RCO was subject to a takeover bid by Fitzroy River Corporation Limited (ASX.FZR) at a price of \$0.20 which HPR publicly announced it would not accept. This takeover was subsequently finalised. Refer to events subsequent to balance date.

Dillon Fund acquisition

During the half year to 31 December 2016, the Company acquired a further interest in the Dillon Fund royalties for \$314,638. The royalties are currently producing and in an area of other investment by High Peak further consolidating the revenue streams.

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.

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the period end, the Company made the following sales, providing a profit and improving the cash position.

These transactions were:

1. On 6 March 2017, the sale of 5,630,776 shares in Royalco Resources Limited (ASX.RCO) was finalised in return for proceeds of \$1,140,232 which was at a price higher than the acquisition price, also represented a premium to the current Fitzroy River Corporation Limited (ASX.FZR) takeover offer for RCO;
2. Sale of the 1.3% royalty interest over PEL 512 which was acquired by the company in 2013 for \$80,394. The company has sold this asset for \$100,000 representing a profit of 24% above the book value.

Total cash inflows from these transactions represents over \$1.24m in additional cash to the company.

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.

Signed in accordance with a resolution of directors.

On behalf of the Directors:



Anthony Wooles
Non-executive Chairman
10 March 2017

RSM Australia Partners

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GPO Box 5138 Sydney NSW 2001

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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 2016, 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: 10 March 2017

HIGH PEAK ROYALTIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED			
	Notes	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
Revenue from continuing operations			
Revenue	2	14,100	36,057
Investment income		55,238	54,865
Other Income		4,393	15,629
Expenses			
Employee and director expenses		(133,323)	(341,473)
Due diligence and professional service expenses		(70,072)	(233,586)
Occupancy expenses		(13,963)	(19,200)
Finance costs		(2,260)	(2,816)
Exploration and evaluation expenditure		-	(2,092)
Depreciation expense		-	(8,452)
Amortisation expense		-	(40,890)
Impairment		428	(366,642)
Costs associated with potential acquisition of STEP interest		-	(240,307)
Other expenses		(46,394)	(107,594)
Loss before tax		(192,709)	(1,256,501)
Income tax expense		-	-
Loss for the period from continuing operations		(192,709)	(1,256,501)
Other comprehensive income			
- 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		(192,709)	(1,203,028)
Basic and diluted loss per share (cents per share)	9	(0.12)	(0.72)

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 2016

		CONSOLIDATED	
	Notes	As at 31 December 2016 \$	As at 30 June 2016 \$
Assets			
Current Assets			
Cash and cash equivalents		491,682	1,058,403
Trade and other receivables		41,270	37,614
Other financial assets		2,927	2,926
Total Current Assets		535,879	1,098,943
Non-Current Assets			
Trade and other receivables		138,127	150,263
Available-for-sale financial assets	3	2,252,310	2,209,510
Intangible assets	4	8,858,034	8,543,396
Total Non-Current Assets		11,248,471	10,903,169
Total Assets		11,784,350	12,002,112
Liabilities			
Current Liabilities			
Trade and other payables		53,422	114,292
Total Current Liabilities		53,422	114,292
Non-Current Liabilities			
Provision		200,000	200,000
Total Non-Current Liabilities		200,000	200,000
Total Liabilities		253,422	314,292
Net Assets		11,530,928	11,687,820
Equity			
Issued capital	5	26,661,705	26,661,705
Reserves		-	-
Accumulated losses		(15,130,777)	(14,973,885)
Total Equity		11,530,928	11,687,820

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 2016

	Note	Share Capital Ordinary \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2015		26,661,705	(10,359,488)	21,080	16,323,297
Loss for the half 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
Balance at 31 December 2015	5	26,661,705	(11,615,989)	74,553	15,120,269
Balance at 1 July 2016		26,661,705	(14,973,885)	-	11,687,820
Correction of prior period error		-	35,817	-	35,817
Loss for the half year		-	(192,709)	-	(192,709)
Total Comprehensive Loss		-	(192,709)	-	(192,709)
Balance at 31 December 2016	5	26,661,705	(15,130,777)	-	11,530,928

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 2016

	Notes	CONSOLIDATED	
		Half Year Ended 31 December 2016	Half Year Ended 31 December 2015
		\$	\$
Cash flows from operating activities			
Receipts from royalty rights		10,372	79,033
Payments to suppliers and employees		(284,717)	(665,397)
Interest received		2,798	13,473
Dividends received		55,238	54,865
Interest and finance costs		(2,260)	(2,816)
Exploration expenses		-	(2,092)
Bonds refunded		10,866	-
Net cash (used in) operating activities		(207,703)	(522,934)
Cash flows from investing activities			
Payments for royalty rights		(314,637)	-
Payments for available for sale financial assets		(43,228)	(105,813)
Costs associated with potential STEP interest		-	(150,307)
Net cash (used in) investing activities		(357,865)	(256,120)
Net (decrease) in cash and cash equivalents		(565,568)	(779,054)
Cash and cash equivalents at the beginning of the financial period		1,058,403	2,476,870
Foreign exchange adjustment		(1,153)	(851)
Cash and cash equivalents at end of the period		491,682	1,696,965

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 2016

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 2016 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. These financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 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 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 indicator of impairment exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer to Note 4 for details regarding the key inputs for the value-in-use calculations.

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).

Provision for Rehabilitation

The Directors have estimated the costs to rehabilitate the 21 Geothermal wells that have been drilled to date at \$200,000. The actual amount of rehabilitation is often negotiated with the relevant Mines and Energy Departments of the States that the Group operated in (to date only South Australia). The range of the estimate is between \$200,000 and \$1,150,000 based on internal and external sources and the Directors believe the actual estimate to be at the lower end of that range. The rehabilitation of the geothermal permits is currently under review by the Company.

HIGH PEAK ROYALTIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR
ENDED 31 DECEMBER 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 \$14,100 (December 2015: \$36,057) arose from royalties paid by the operators of the Surprise West, Longtom, ATP 299 and the Dillon Fund. These contributed \$NIL, \$NIL, \$NIL and \$14,100 respectively to revenue in 2016 (2015: \$223, \$NIL, \$18,331 and \$17,503).

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.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2016

3. OTHER FINANCIAL ASSETS (CONTINUED)

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 2016 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	2,252,310	-	-

4. INTANGIBLE ASSETS

	31 December 2016	30 June 2016
	\$	\$
Royalty rights	13,178,086	12,863,448
Accumulated amortisation	(1,177,534)	(1,177,534)
Accumulated impairment	(3,142,518)	(3,142,518)
	8,858,034	8,543,396
Movements in Carrying Amounts		
Opening balance	8,543,396	11,872,271
Additions	314,638	-
Less		
Amortisation	-	(186,357)
Impairment	-	(3,142,518)
Closing balance	8,858,034	8,543,396

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. For other assets where projected cash flows are more difficult to measure due to their stage of development, value-in-use is based on observable inputs and market transactions or recent activity.

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: \$68 AUD (2016) then 5 year forward curve
- Gas Price: \$3.5 AUD

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.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2016

4. INTANGIBLE ASSETS (CONTINUED)

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:

Permit / 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 and VIC/P54)	0.30	Seven Group Holdings
WA-314-P	0.10	Karoo Gas
WA-315-P	0.10	ConocoPhillips
EP(A)111, EP115, EP(A)120 and EP(A) 124	1.00	Central Petroleum
EP112, EP115NM and EP125	1.00	Santos
WA-482-P	0.20	Quadrant Energy
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
United States (East Texas)	1.00	Silver Tusk and New Century Operating
Weeks Petroleum Royalty (Gippsland Basin) indirect interest via 10.68% shareholding in Royalco Resources (ASX: RCO)	0.0025	ExxonMobil

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.

HIGH PEAK ROYALTIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR
ENDED 31 DECEMBER 2016

5. ISSUED SHARE CAPITAL

Fully paid ordinary share capital

	31 December 2016		30 June 2016	
	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	166,800,792	26,661,705	166,800,792	26,661,705

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.

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or assets at 31 December 2016.

7. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest and voting power held	
		31 December 2016	30 June 2016
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%

8. SUBSEQUENT EVENTS

Subsequent to the period end, the Company made the following sales, providing a profit and improving the cash position.

These transactions were:

1. On 6 March 2017, the sale of 5,630,776 shares in Royalco Resources Limited (ASX.RCO) was finalised in return for proceeds of \$1,140,232 which was at a price higher than the acquisition price, also represented a premium to the current Fitzroy River Corporation Limited (ASX.FZR) takeover offer for RCO;
2. Sale of the 1.3% royalty interest over PEL 512 which was acquired by the company in 2013 for \$80,394. The company has sold this asset for \$100,000 representing a profit of 24% above the book value.

Total cash inflows from these transactions represents over \$1.24m in additional cash to the company.

There were no significant events subsequent to balance date.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2016

9. EARNINGS PER SHARE

	Half Year ended 31 December 2016	Half Year ended 31 December 2015
	Cents	Cents
From continuing operations		
Basic earnings per share (loss)	(0.12)	(0.72)
Diluted earnings per share (loss)	(0.12)	(0.72)

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	12,862,012

The loss used to calculate earnings per share was \$192,709 (2015: \$1,256,501).

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 15 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
10 March 2017

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 2016, 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 2016 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 2016 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

A handwritten signature in blue ink, appearing to read "G N Sherwood", with the initials "GNS" written to the right of the signature.

G N Sherwood
Partner

Sydney Australia
Dated: 10 March 2017