



High Peak Royalties Limited

ABN: 79 118 065 704

**Half-Year Financial Report
31 December 2018**

HIGH PEAK ROYALTIES LIMITED

CORPORATE DIRECTORY

High Peak Royalties Limited

ABN: 79 118 065 704

Chairman

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

Directors

Andrew Carroll (Non-Executive Director)
Geoffrey King (Non-Executive Director)
Anthony Wooles (Non-Executive Director)
Jarrod White (Executive Director) (resigned 15 October 2018)

Chief Financial Officer

Jarrod White

Joint Company Secretaries

Jarrod White
Philip Leighfield

Registered Office

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

Principal Place of Business

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

Securities Quoted

Australian Securities Exchange Ltd (ASX)
Code: HPR

Share Registry

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

Website

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

Auditors

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

Bankers

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

National Australia Bank
345 George Street
SYDNEY NSW 2000, AUSTRALIA

Macquarie Bank Limited
1 Martin Place
SYDNEY NSW 2000, AUSTRALIA

High Peak Royalties Limited Group Structure

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

- Phoenix Oil and Gas Limited
- Oil and Gas Royalties Pty Ltd
- Torrens Energy (SA) Pty Ltd
- HPR USA Inc.
- Planet Gas USA Inc. (acquired 07 December 2018)

HIGH PEAK ROYALTIES LIMITED

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HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT

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 2018.

DIRECTORS

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

Andrew Carroll	Non-Executive Chairman
Geoffrey King	Deputy Chairman, Non-executive Director
Anthony Wooles	Non-Executive Chairman, Non-Executive Director
Jarrold White	Executive Director (resigned 15 October 2018)

Chief Financial Officer

Jarrold White

Joint Company Secretary

Jarrold White
Philip Leighfield

REVIEW OF OPERATIONS

Principal Activities

The Company continually seeks and reviews growth opportunities including the acquisition of additional royalties. In December 2018, the Company completed the acquisition of Planet Gas USA for \$1 and assumed the associated debt with Macquarie Bank. A capital raise was successfully completed to strengthen the balance sheet.

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

The Company has royalties over 20 oil and gas permits in Australia over 2,000 wells in the USA and is the operator of four geothermal permit interests. In the HY19 period 7 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.

Results from Operations

The net loss after providing for income tax for the half year ended 31 December 2018 amounted to \$177,123 (2017: \$233,900).

Performance throughout the Period

Revenue from non-operated royalty income throughout the half-year ended 31 December 2018 increased to \$294,007 (2017: \$105,829) which was due to the acquisition of Planet Gas USA, Inc and the associated royalties held within that company.

The company ended the half year with a cash balance of \$1,654,984 (June 2018: \$1,178,186).

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:

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	3.60/4.00	Santos
Peat Gas Field (PL101)	2.13	Origin Energy
Surprise Oil Field (PL6)	1.00	Central Petroleum
Longtom Gas Field (VIC/L29)	0.30	Seven Group Holdings
WA-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	Santos
EP156 and 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
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 in South Australia.

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

HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT CONTINUED

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Acquisition of Planet Gas USA, Inc.

On 07 December 2018, High Peak Royalties Limited wholly acquired Planet Gas USA, Inc. for the nominal cost of \$1 and the assumption of US\$2.75 million in debt. The royalties held by Planet Gas USA, Inc. include 3% royalties on approximately 2,400 producing wells in Kansas, Pennsylvania and New York State. The reserves provide the basis for bank lending, and the wells are estimated to produce for more than 20 years.

Under the terms of the acquisition, High Peak assumed the beneficial title to the royalty from 1 October 2018 meaning that the full production and royalty income for the quarter to 31 December 2018 will be recognised to High Peak's benefit from that point.

EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant events subsequent to balance date.

AUDITORS INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of directors.

On behalf of the Directors:



Andrew Carroll
Non-executive Chairman
15 March 2019

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 2018, 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



GNS

G N SHERWOOD
Partner

Sydney Australia
Dated: 15 March 2019

HIGH PEAK ROYALTIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

		CONSOLIDATED	
	Notes	Half-year ended 31 December 2018	Half-year ended 31 December 2017
		\$	\$
Revenue from continuing operations			
Revenue	2	294,007	105,829
Other Income	2	7,662	13,354
Gain on foreign exchange		7,162	-
Expenses			
Employee and director expenses		(146,767)	(171,784)
Due diligence and professional service expenses		(36,994)	(84,515)
Occupancy expenses		(11,100)	(11,100)
Finance costs		(121,396)	(1,667)
Exploration expenses		(15,055)	-
Amortisation expense		(65,509)	(19,827)
Impairment of financial assets		(58,435)	(32,144)
Marketing expenses		(10,359)	-
Other expenses		(20,339)	(32,046)
Loss before tax		(177,123)	(233,900)
Income tax expense		-	-
Loss for the period		(177,123)	(233,900)
Other comprehensive income			
- Loss on revaluation of financial assets at fair value through OCI		(158,933)	-
- Foreign currency translation		9,863	-
Total other comprehensive income for the period		(149,070)	-
Loss attributable to:			
Members of High Peak Royalties Limited		(326,193)	(233,900)
Basic and diluted loss per share (cents per share)		(0.19)	(0.14)

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 2018

		CONSOLIDATED	
	Notes	As at 31 December 2018 \$	As at 30 June 2018 \$
Assets			
Current Assets			
Cash and cash equivalents		1,654,984	1,178,186
Trade and other receivables		188,511	74,265
Financial assets at fair value through profit or loss		2,927	2,927
Total Current Assets		1,846,422	1,255,378
Non-Current Assets			
Trade and other receivables		144,448	143,878
Financial assets at fair value through OCI	3	1,032,310	1,249,078
Exploration and evaluation expenditure	4	-	-
Intangible assets	5	12,621,227	8,694,323
Total Non-Current Assets		13,797,985	10,087,280
Total Assets		15,644,407	11,342,658
Liabilities			
Current Liabilities			
Trade and other payables		181,126	102,500
Borrowings	6	354,208	-
Total Current Liabilities		535,334	102,500
Non-Current Liabilities			
Provisions		200,000	200,000
Borrowings	6	3,010,768	-
Total Non-Current Liabilities		3,210,768	200,000
Total Liabilities		3,746,102	302,500
Net Assets		11,898,305	11,040,158
Equity			
Issued capital	7	27,726,589	26,542,249
Reserves		9,863	158,933
Accumulated losses		(15,838,147)	(15,661,024)
Total Equity		11,898,305	11,040,158

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 2018

	Note	Share Capital Ordinary \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2017		26,661,705	(15,297,539)	108,625	11,472,791
Loss for the half year		-	(233,900)	-	(233,900)
Total Comprehensive Loss		-	(233,900)	-	(233,900)
Buy-back of shares		(48,647)	-	-	(48,647)
Buy-back of shares transaction costs		(5,000)	-	-	(5,000)
Other comprehensive income		-	-	(108,625)	(108,625)
		(53,647)	-	(108,625)	(162,272)
Balance at 31 December 2017	7	26,608,058	(15,531,439)	-	11,076,619
Balance at 1 July 2018		26,542,249	(15,661,024)	158,933	11,040,158
Loss for the half year		-	(177,123)	-	(177,123)
Total Comprehensive Loss		-	(177,123)	-	(177,123)
Shares issued (net of costs)		1,184,340	-	-	1,184,340
Other comprehensive income		-	-	(149,070)	(149,070)
Balance at 31 December 2018	7	27,726,589	(15,838,147)	9,863	11,898,305

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 2018

	CONSOLIDATED	
	Half Year Ended 31 December 2018	Half Year Ended 31 December 2017
	\$	\$
Cash flows from operating activities		
Receipts from royalty rights	195,970	75,123
Payments to suppliers and employees	(234,921)	(295,300)
Interest received	7,092	11,542
Interest and finance costs	(89,292)	(1,667)
Exploration expenses	(15,055)	-
Net cash used in operating activities	(136,206)	(210,302)
Cash flows from investing activities		
Payments for royalty rights	(48,021)	-
Payments for available for sale financial assets	(600)	-
Net cash used in investing activities	(48,621)	-
Cash flows from financing activities		
Proceeds from issue of shares	1,184,340	-
Repayment of borrowings	(521,449)	-
Payments for share buy-back	-	(53,647)
Net cash provided by/(used in) investing activities	662,891	(53,647)
Net increase/(decrease) in cash and cash equivalents	478,064	(263,949)
Cash at the beginning of the financial period	1,178,186	1,523,065
Effect of exchange rate changes on cash	(1,266)	(3,466)
Cash at end of the period	1,654,984	1,255,650

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 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These condensed general purpose financial statements represent those of High Peak Royalties Limited (“High Peak”) for the interim half-year reporting period ended 31 December 2018 and its controlled entities (the “consolidated group” or “group”) and have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The separate financial statements of the parent entity, High Peak Royalties Limited, have not been presented within this financial report pursuant to the Corporations Act 2001.

These condensed general purpose financial statements do not include all the notes of the type normally included in annual financial statements. These financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

The financial statements were authorised for issue in accordance with a resolution of directors on 15 March 2019.

(b) Borrowings

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

(c) Critical accounting estimates and judgements

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

Key Estimates

Impairment

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

Recoverability of exploration and evaluation costs

The 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.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets – royalty rights

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

Provision for Site Rehabilitation and Contingent Liabilities

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

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

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

Business Combinations

As stated in Note 5, High Peak Royalties Limited acquired all of the issued share capital of Planet Gas USA, Inc. for the nominal cost of \$1 and the assumption of US\$2.75 million in debt within Planet Gas. The royalties held by Planet Gas USA, Inc. include 3% royalties on approximately 2,400 producing wells in Kansas, Pennsylvania and New York State. There is a degree of judgement in determining whether the acquisition meets the definition of a business as contemplated in AASB 3, Business Combinations. Management have exercised their judgement in determining that the Planet Gas transaction is not a business combination as defined, but more akin to the acquisition of an asset, and consequently, it has been accounted for on this basis. Please see Note 5 for more information. This approach is similar to that adopted in the past.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

There has been no significant impact on the recognition and measurement of the consolidated entities financial instruments as they are carried at fair value through profit or loss. The change in impairment rules do not impact the consolidated entity.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The consolidated entity's main sources of income are interest and royalties, the adoption of AASB 15 has been determined to not have a significant impact on the consolidated entity's accounting policies or the amounts recognised in the financial statements. There is therefore no impact on opening retained profits as at 1 July 2018.

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.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2018

2. SEGMENT NOTE (CONTINUED)

Segment information

31 December 2018

	Australia	USA	Consolidated
Revenue	\$	\$	\$
Revenue	52,934	248,736	301,669
Total segment revenue	52,934	248,736	301,669
Segment revenue			301,669
Total segment result	(232,282)	55,159	(177,123)
Net loss before tax			(177,123)
Segment assets	12,188,681	3,455,726	15,644,407
Segment liabilities	335,573	3,410,529	3,746,102

31 December 2017

	Australia	USA	Consolidated
Revenue	\$	\$	\$
Revenue	57,542	61,641	119,183
Total segment revenue	57,542	61,641	119,183
Segment revenue			119,183
Total segment result	(272,754)	38,854	(233,900)
Net loss before tax			(233,900)
Segment assets	10,376,810	965,848	11,342,658
Segment liabilities	302,500	-	302,500

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 2018

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 Using:		
	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs
	\$ (Level 1)	\$ (Level 2)	\$ (Level 3)
<u>Financial Assets at fair value through profit or loss</u>			
31 December 2018			
Shares in listed corporations	1,032,310	-	-
Investment in options of a listed corporation	-	2,927	-
30 June 2018			
Shares in listed corporations	1,249,078	-	-
Investment in options of a listed corporation	-	2,927	-

There were no transfers between levels during the financial period.

4. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2018	30 June 2018
	\$	\$
At cost	2,310,699	2,310,699
Less impairment	(2,310,699)	(2,310,699)
	<u>-</u>	<u>-</u>
Balance at start of period	-	-
Balance at end of period	<u>-</u>	<u>-</u>

5. INTANGIBLE ASSETS

	31 December 2018	30 June 2018
	\$	\$
Royalty rights	17,090,105	13,097,692
Accumulated amortisation	(1,326,360)	(1,260,851)
Accumulated impairment	(3,142,518)	(3,142,518)
	<u>12,621,227</u>	<u>8,694,323</u>
Movements in Carrying Amounts		
Opening balance	8,694,323	8,543,396
Additions ¹	3,992,413	-
Less		
Amortisation expense	(65,509)	-
Disposals	-	(43,663)
Closing balance	<u>12,621,227</u>	<u>8,694,323</u>

¹ Included in additions are assets acquired on 7 December 2018, when the Company acquired the shares in Planet Gas USA, Inc. The acquisition is not considered a business combination in the form described in AASB 3 due to the passive nature of the royalty income. The acquisition involved the acquisition of the following assets and liabilities:

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2018

5. INTANGIBLE ASSETS (CONTINUED)

	7 December 2018
<i>Consideration transferred</i>	\$
Payment for equity of Planet Gas USA, Inc	1
Acquisition costs	94,764
	<u>94,765</u>
<i>Intangible assets</i>	
Net tangible liabilities assumed in Planet Gas USA, Inc (at acquisition)	(3,701,416)
Intangible assets acquired as fair value	3,606,651
Goodwill	<u>-</u>
<i>Net tangible assets and liabilities assumed at date of acquisition</i>	
Current assets	100,603
	<u>100,603</u>
Non-current liabilities	3,802,019
	<u>3,802,019</u>
Net tangible liabilities assumed	<u>(3,701,416)</u>

Where necessary, the recoverable amount of each royalty interest above for the purposes of testing for impairment was historically determined based on value-in-use calculations. Where measurable, the 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 12 months extrapolated using an estimated growth rate. The cash flows were discounted to account for the time value of money and project variability. For other assets where projected cash flows were more difficult to measure due to their stage of development, value-in-use was based on observable inputs and market transactions or recent activity. Management and the Board determined that there were no impairment indicators in the year under review and consequently no value-in-use modelling was done in this year.

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

- Growth Rate: expected forward production curve of underlying assets as applicable
- Discount Rate: 10%
- Oil Price: \$68/BBL USD (2018) then 5 year forward curve
- Gas Price: \$2.85gj USD

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

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2018

5. INTANGIBLE ASSETS (CONTINUED)

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	3.60/4.00	Santos
Peat Gas Field (PL101)	2.13	Origin Energy
Surprise Oil Field (PL6)	1.00	Central Petroleum
Longtom Gas Field (VIC/L29)	0.30	Seven Group Holdings
WA-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
WA-482-P	0.20	Santos
EP156 and 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
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.

6. BORROWINGS

	31 December 2018	30 June 2018
	\$	\$
Bank loan facility – current portion	354,208	-
Bank loan facility – non-current portion	3,010,768	-
	3,364,976	-
Movements in Carrying Amounts		
Opening balance	-	-
Additions ¹	3,886,425	-
Less		
Repayments	(521,449)	-
Disposals	-	-
Closing balance	3,364,976	-

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2018

6. BORROWINGS (CONTINUED)

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

- Total US \$15,000,000 (AUD: \$21,150,000) facility
- Facility Fees:
 - Interest charged: Libor plus 5.5%
- No other facility fees
- Standard parent company guarantees
- Term: three years (from completion on 7 December 2018)

7. ISSUED SHARE CAPITAL

Fully paid ordinary share capital

	31 December 2018		30 June 2018	
	No. of shares	\$	No. of shares	\$
Ordinary shares				
At the beginning of the period	163,956,399	26,542,249	166,800,792	26,661,705
Shares issued (net of costs)	25,000,000	1,184,340		
Share buy-back programme	-	-	(2,844,393)	(119,456)
At the end of the financial period	188,956,399	27,726,589	163,956,399	26,542,249

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

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

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Assets

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

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

There are no other contingent assets as at 31 December 2018.

Contingent Liability

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

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

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2018

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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

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

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

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

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

9. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest and voting power held	
		31 December 2018	30 June 2018
Torrens Energy (SA) Pty Ltd	Australia	100%	100%
Phoenix Oil and Gas Ltd	Australia	100%	100%
Oil & Gas Royalties Pty Ltd	Australia	100%	100%
HPR USA Inc.	United States of America	100%	100%
Planet Gas USA, Inc. ¹	United States of America	100%	-

¹ On 7 December 2018, High Peak Royalties Limited wholly acquired Planet Gas USA, Inc. Refer to Note 5 for details.

10. SUBSEQUENT EVENTS

There were no significant events subsequent to balance date.

HIGH PEAK ROYALTIES LIMITED

DIRECTORS' DECLARATION

The Directors of High Peak Royalties Limited declare that:

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

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

On behalf of the Directors:



Andrew Carroll
Non-executive Chairman
15 March 2019

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 2018, 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 2018 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 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS



G N Sherwood
Partner

Sydney Australia
Dated: 15 March 2019