High Peak Royalties Ltd (HPR)

Growing income, leveraged to energy prices & exploration success

October 2024

Recommendation: ***BUY***

Oil & Gas Team
Stephen Bartrop, Research Manager

www.breakawayresearch.com

Company Information

ASX Code	**HPR**
Share Price (A$)	A$0.062
Ord Shares (M)	208.9
Market Cap	**A$12M**
Cash (30 June 24)	A$1.3M
Debt (30 June 24)	A$1.1M
Enterprise Value	**A$13M**

Directors

Executive Chair	James Knowles
Director (Non-exec)	Anthony Wooles
Director (Non-exec)	David Croll

Significant Shareholders

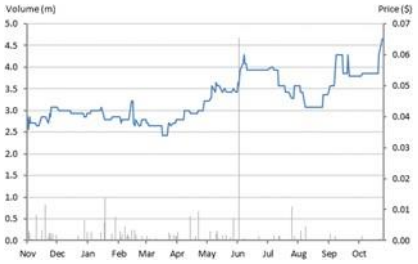
Noontide Investments (Davd Croll)	34.4%
Anthony Wooles	10.2%
Norfolk Enchants Pty Ltd	5.2%

Source: Company

Company Details

Address:	24-26 Kent St, Millers Point, NSW, 2000
Phone:	+61 2 8296 0011
Web:	www.highpeak.com.au

One Year Price Chart



Source: ASX

Key Points

- ***High Peak Royalties is growing an energy royalty stream in Australia and the USA, which is geared to rising energy prices, as well owning royalty interest in prospective exploration which provides a nil cost option on successful drilling outcomes. Exploration drilling targeted in 2025 in Australia's Amadeus Basin for natural gas, hydrogen and helium, would be transformational in the event of success.***
- ***Key points:***
  - ***Owns a diverse portfolio of energy royalty interests in Australia and the USA and offers a direct exposure to revenue trends, from higher production or higher prices.***
  - ***Re-invigoration of exploration and appraisal by independent operators, exposes HPR to potential future production revenues.***
  - ***Robust energy prices from diverse royalty streams underpin revenue and EBITDA, and HPR is cash-generative while retaining access to a $15M loan which could be used for acquisitions.***
  - ***Exploration and development activity in HPR's royalty acreage provide catalysts and value upside, specifically:***
    - ***Development by Shell of its QGC Qld coal seam gas acreage in Qld to support LNG exports from its plant at Gladstone.***
    - ***Drilling in Santos and Central Petroleum acreage in the NT targeted in 2025, could unlock large resources of oil, natural gas, hydrogen and helium.***
    - ***Buoyant domestic gas and LNG prices increase the intrinsic value of discovered gas resources in various fields offshore Australia, at Longtom (Vic) and Poseidon (WA).***
- ***Our core valuation of current royalty income plus risked upside is 29 cps driven by expected value capture from significant exploration activity in the NT's Amadeus basin from 2025, ongoing development activity in the Qld CSG fields, and potential resumption of the Longtom gas field, in the Gippsland Basin.***

- ***HPR has revenue and cash-flow momentum and option upside from royalty interests in exploration and development activity. HPR's value is underpinned by DCF of current royalty revenues but the development/exploration /appraisal upside is discounted to nil in the share price.***
- ***We assign a price target of 29 cps.***

Investment Case

High Peak Royalties is geared to a recovery in energy prices and high-impact exploration, appraisal and development activity which if successful will drive future royalty income, at nil cost to the company. It has a free option over the investment undertaken and risks borne by other companies. The valuation impact from some of the upcoming activity is highly significant to HPR in the event of success.

Asset snapshot.

There are three strands to HPR's asset base:

- Royalty income from over 2000 oil and gas wells in Australia and the USA
- Royalty interests in permits and retention leases, which host discovered oil and gas resources. These are predominantly gas, onshore and offshore Australia, where domestic and export gas prices are at levels incentivizing development.
- Royalty interests in exploration acreage, with particular exposure to the onshore Northern Territory where lease owners are planning exploration for naturally occurring Hydrogen and Helium, as well as oil and gas in hitherto unexplored "sub-salt" reservoirs. Successful exploration here would be transformational.

We detail these in the following sections.

Value Stack: from Core Value NAV of 3.9c to risked NAV of 29c

Valuation				**Total**
Sustaining cashflows	A$M	cents/Sh.	Risk factor	cents/Sh.
NPV of revenues	14.9	7.1	100%	7.1
NAV of existing royalty stream	**14.9**	**7.1**	**100%**	**7.1**
Less NPV of admin	-7.1	-3.4	100%	-3.4
NPV of HPR Cashflows after Admin	7.8	3.7	100%	3.7
Other far dated assets	0.2	0.1	100%	0.1
Cash (30 June 2024)	1.3	0.6	100%	0.6
Debt (30 June 2024)	-1.2	-0.6	100%	-0.6
Core NAV of HPR Business	**8.1**	**3.9**	**100%**	**3.9**
Risked exploration & development				
Longtom	1.8	0.8	40%	0.3
Amadeus - H& He Mt Kitty/ Jacko Bore	60.6	29.0	20%	5.8
Amadeus - Mt Kitty/ Jacko Bore Methane	4.4	2.1	20%	0.4
Amadeus - H & He-Dukas	229.4	109.8	10%	11.0
Amadeus - Dukas- Nat gas	135.9	65.0	10%	6.5
WA - Poseidon-Nat gas	28.5	13.7	10%	1.4
Total				**29.3**

Figure 1. Value stack. Source Breakaway research. .

Figure 1 shows our base case, and risked NAV. Core value from existing royalties after allowing for debt and corporate costs is ~4cp. However there are large upside options and we have formed a view of risked value up to 29 cps. This is anecdotally supported by market values for North American royalty streamers.

The Australian oil & gas industry is recovering from a decade of austerity and inaction in a number of licenses over which HPR has royalties, as incumbent operators grappled with low energy prices, red tape and green tape. HPR is dependent on the investment decisions of others in exploration and production, and energy prices are incentivizing development. Oil prices are high and domestic gas and LNG prices are at elevated levels which is significant given HPR's exposure to discovered gas resources, onshore and offshore Australia.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

In addition to conventional oil and gas, HPR is exposed to the emerging hydrogen and helium industry. Prices for these gases are 20x-40x that of natural gas. Discovery of, and exploitation of hydrogen or helium in the N.T. is potentially "game-changing" for HPR. Partners in these Santos and Central Petroleum operated permits target exploration drilling in 2025.

The Attraction of a Royalty Interest: Intrinsic Option on the Success of Others.

Successful activity in a block over which HPR has a royalty drives value and there is nil downside for failure. For this reason, royalty streams are keenly sought. They have an intrinsic positive option value on the success of others in exploration and production.

HPR owns a portfolio of royalties over oil and gas leases in Australia and the USA. The royalty is typically a small percentage of the revenue or profit from petroleum production ex-field, over the life of the field.

HPR is not an oil and gas exploration company. It does not explore, drill, develop or operate oil / gas fields. That work is undertaken by independent oil and gas companies. Royalty streams are common in the USA, and are valued in the equity market on revenue multiples to reflect the fact there is no significant underlying cost structure. In Australia, listed royalty streams are rare and for this reason, largely ignored and in our view, mispriced.

Royalty and exploration interests

HPR has royalty streams from production in Australia and in the USA, from over ~2000 wells. In addition HPR has royalty interests in oil and gas exploration leases, retention leases as shown in Figure 2.

For brevity, we do not show a map of the USA, because HPR has royalty interests in many wells spread across a large area of Texas and the Gulf Coast region.

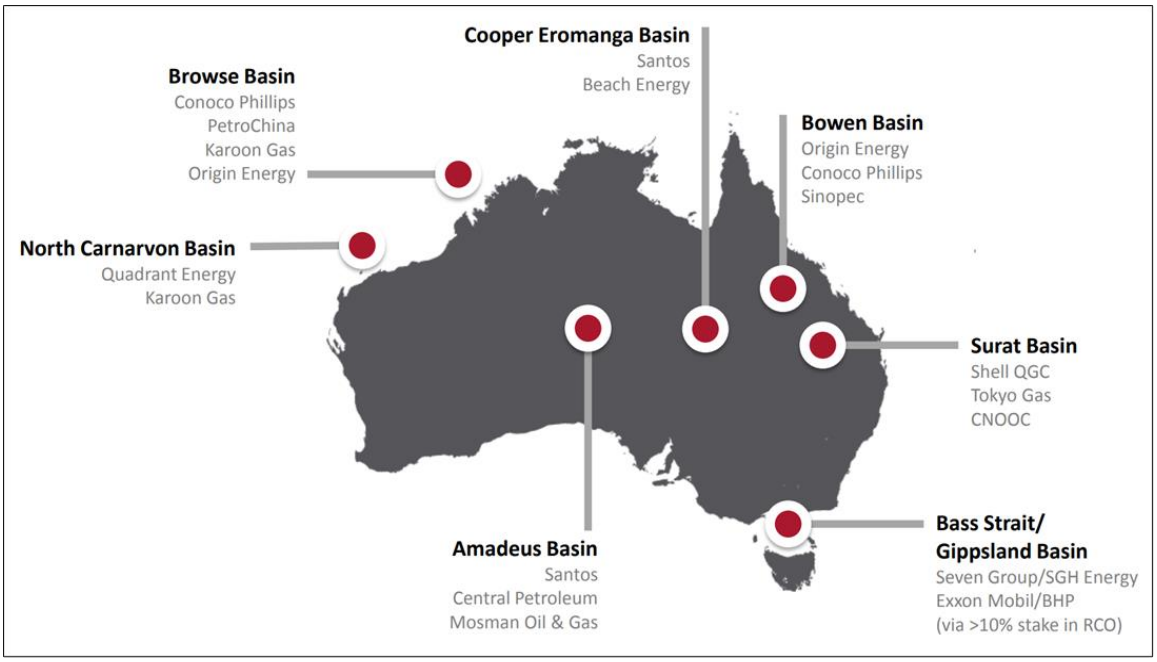


Figure 2: Map of key Australian royalty assets. Source: HPR

Revenue and cashflows trends are positive

Figures 3 shows USA and Australia revenue and EBITDA by segment. The USA royalty stream has back-boned the company and ensured its viability. However, the various regions where HPR has royalties are already heavily developed, and don't offer transformational opportunities. In contrast, the Australian revenue stream is smaller, but the exposure to undeveloped resources and exploration in new frontiers offer substantial upside.

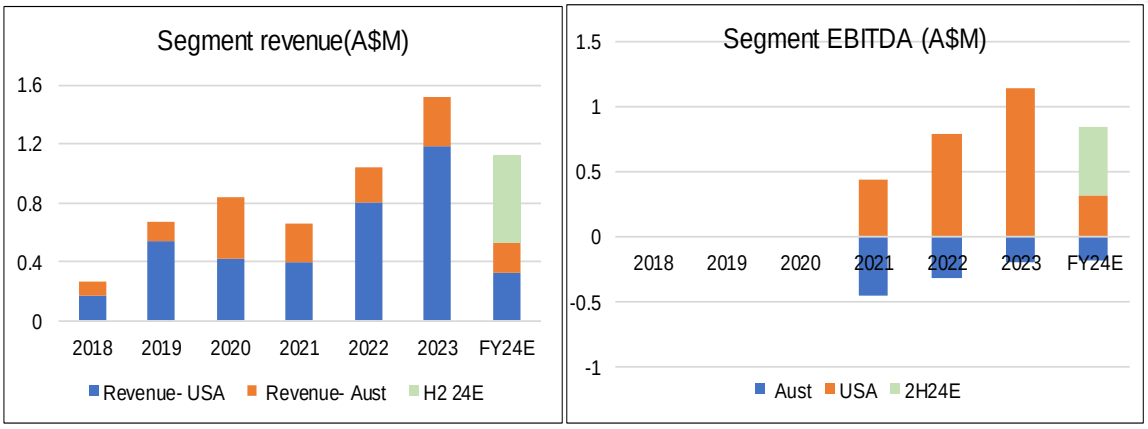


Figure 3. Source HPR financial reports& Breakaway forecasts

Permit / Location	Region	Royalty-%	Operator
Royalty interests			
Production			
ATP299 & PL's 29.38.39.52.57.95.169,170,293,294,295 & 298	S.A & Qld.	3.6-4.0	Santos
Peat Gas field (PL101)	QLd, Aust	2.13	Origin Energy
Planet Gas USA Inc. Royalties	USA	3	Empire Energy, Mai Oil & Gas, and CHS Macpherson
USA east Texas, Permian & Gulf coast (various)	USA	.2-.4	Sabine Oil & Gas, Pioneer Natural Res, others
USA East Texas	USA	1	Atlas Operating LLC
Exploration & retention licenses			
PL 171, ATP 574P	QLd, Aust	2.5	Queenslanf Gas/ Shell
Surprise Oil field (PL6)	N. T.	1	Central Petroleum
Longtom Gas field (Vic/L29)	Offshore Victoria	0.3	Seven Group
WA-90-R & 91-R Poseidon Field.	Offshore W.A	0.1	Santos
EP(A)-111,EP115, EP(A)120 & EP(A)124	NT Onshore	1	Central Petroleum
EP-112, EP115NM, EP125	NT Onshore	1	Central Petroleum & Santos
EP(A)-155	NT Onshore	2	Mosman Oil & gas
ML04/244 & ML/249, Admiralty Bay, Canning Basin	WA	1.5 GOR, 1.5 NSR	Metalcity Pty Ltd
Royalty over Hydrogen sales including Catalysts		1	Scim Tex Hydrogen
Geothermal Exploration licenses		**Ownership**	**Approx sq.Km**
GEL 571 South Australia	South Australia	100	871
GEL 572 South Australia	South Australia	100	827
GEL 573 South Australia	South Australia	100	519
GEL 574 South Australia	South Australia	100	550

Figure 4: List of HPR royalty interests. Source: HPR June quarter report 2024

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Australian and USA royalty stream

HPR's acreage interests in Queensland generate revenue from oil and gas, providing price exposure, and exposure to gas discoveries and development of coal seam gas acreage for LNG exports.

Eastern Queensland Gas in the Surat Basin

HPR has a 2.13% revenue royalty over Production License PL101, which contains the Australia Pacific LNG (APLNG) operated Peat gas field.

This is a significant royalty, and reliable given the field's extensive production history and importance in supplying gas to Origin Energy's domestic customers and APLNG's export LNG markets.

The Peat field has been in production since 2005 and producing 6-8 TJ/d. The field produces gas for the domestic market and export LNG, and is benefitting from re-pricing as low-priced legacy domestic gas contracts roll off and are replaced by oil-linked LNG. Current prices for gas in south east Qld are >A$12/GJ, and in the June quarter of 2024, APLNG realized an LNG export price of US$11.7/MMBtu. (~A$17/GJ).

There is potential for gas beneath the Peat field. In 2018 Origin Energy drilled the South Burunga-2 well to a depth of 3608m and confirmed the presence of hydrocarbons. The well penetrated sandstone reservoirs deep below the shallow Surat Basin coals seam gas beds, and could contain a large volume of gas. At this time we have no information on the potential size of the discovery.

Royalty Assets the USA: Growing and Diversifying.

HPR has been building a portfolio of royalty interests in the USA since 2014 to broaden its revenue base and achieve geographical diversity and a better balance of exposure to oil vs. gas. This came at a time when HPR's royalty streams in Australia were declining due to field shut-ins (at Longtom & Surprise) or due to low product prices.

In December 2014, HPR bought royalties over numerous wells spread across different basins in Texas for US$350,000, followed in November 2016 by interests in more wells in east Texas for a further US$230,000. In October 2018 HPR acquired Planet Gas USA, which owns an average 3% royalty interest in ~2000 wells in Kansas, Pennsylvania and New York. The acquisition price was US$1, but assumed a US$2.75M loan with Macquarie Bank. The original $2.75M loan has been steadily repaid, and at June 30, 2024, had reduced to US$0.75M (A$1.13M). Final debt principal repayments are due in December 2024, and HPR is currently exploring their best alternatives of capital allocation, ie: whether to pay down the entire amount using existing cash reserves (after which HPR will be debt free), or alternatively whether to partially refinance the principal with an alternative lender.

Since 2014, the cumulative revenue from the USA royalties is $4.06M, surpassing acquisition and funding costs, and surpassing cumulative revenues from Australia totaling $2.78M.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Discovered resources

HPR has interests in various gas discoveries, in the Suart Basin of Qld, offshore Victoria and offshore W.A, detailed as follows:

Development of Shell Surat Phase 2 expansion in Eastern Qld: Significant for HPR

HPR has 2.5% ORI over PL171 & ATP574 operated by Shell

These permits are located in eastern Queensland, in an area of significant field development. This acreage is in the core of the Qld coal seam gas production region. Both permits are operated by Shell, partnered with CNOOC and Tokyo Gas. This consortium has developed adjacent areas for gas to supply the LNG export trade ex-Gladstone, Qld. Other active participants in near areas are Senex and Central Petroleum.

In July 2024, Shell announced the go-ahead for a multi-billion dollar development of acreage in the central Suart, the "SGP North Development", to augment its exports and offset decline from older fields. The field development is for 450 coal seam gas production wells to be drilled over a number of years, starting in 2026, to deliver an incremental 130MMcfd of sales gas. As is evident in figure 5, the HPR royalty acreage is located in an area of intensive coal seam gas development activity. To the immediate north are Shell/Arrow energy fields. To the north west is the Senex operated Atlas project. To the South is the Senex/CTP "Range" project.

Qld Cooper Basin Oil Assets, Santos Operated.

HPR has an average 3.6-4% "Net Profit Revenue Interest" (NPI) over a series of mature oil fields, otherwise known as Tintaburra (*Operated by principal holder Santos QNT Pty Ltd (60%) and minority interest held by Beach Energy Limited (40%)*

ATP 299P is located in the southwest Queensland part of the Cooper/Eromanga Basin petroleum province, which covers an area of more than 1,000,000 km2 of central Australia. ATP 299P is part of the Tintaburra Block.

Oil produced from these fields is transported by pipeline for sale and export at Port Bonython in South Australia and is sold by Santos Limited, Delhi Petroleum Pty Ltd and Origin Energy Limited with the price based on Brent crude oil pricing.

The ATP 299P Joint Venture is understood to be embarking on an expanded work program aimed at increasing oil production and improving overall oil recovery rates.

The NPI was acquired in June 2011. Unlike other HPR royalties, this income stream is calculated as a percent of cumulative profit, less cumulate operating and capital costs.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

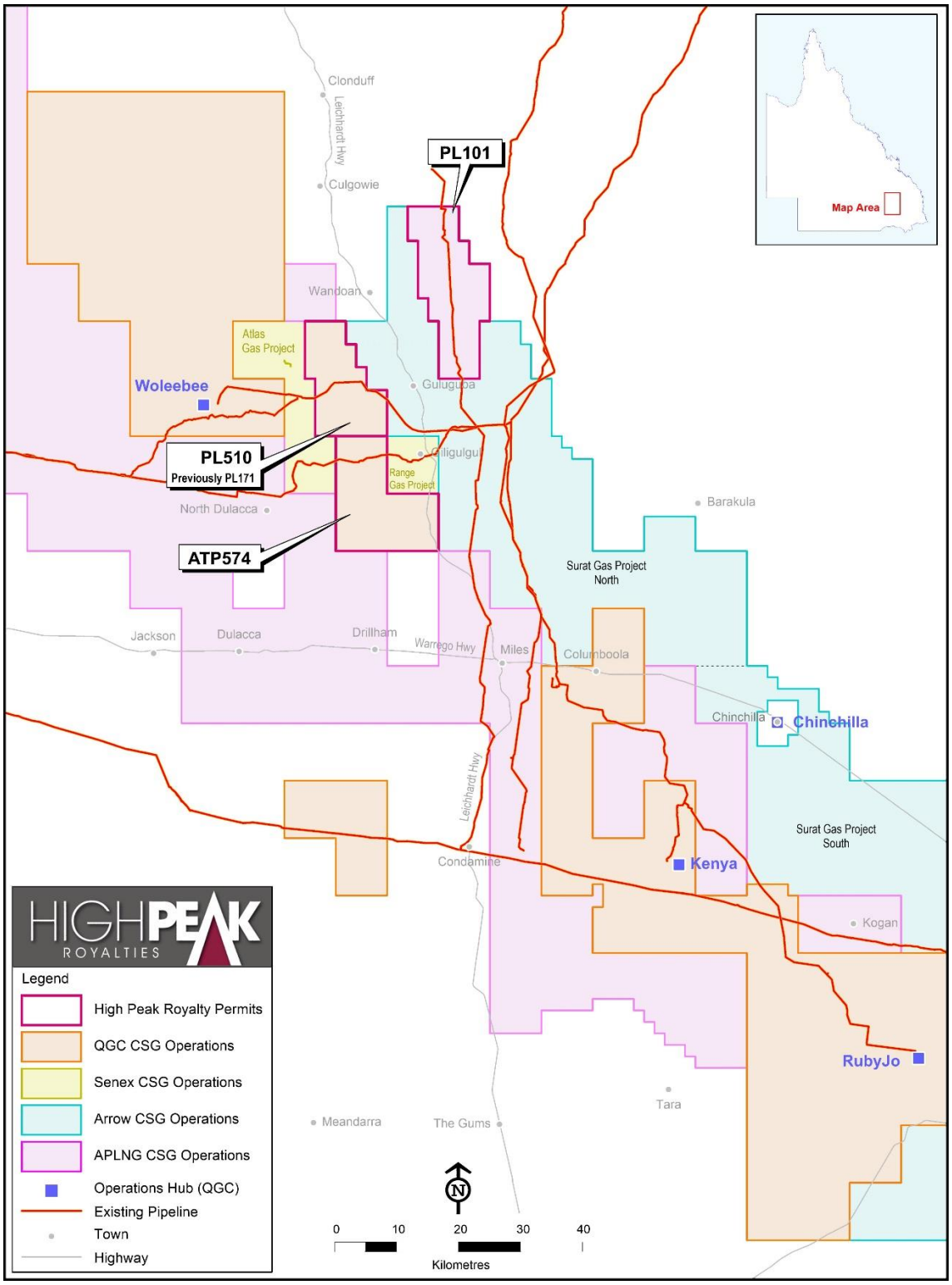


Figure 5: Source: HPR

Offshore Western Australia: Browse Basin: Poseidon gas

HPR has ORI royalties in two very large licenses located offshore Western Australia. These are 0.1% over WA-90 & 91R, operated by Santos. These are retention leases, giving the owners clear title for 15 years before committing to a development or surrendering the asset.

These retention leases contain the multi-Tcf "Poseidon" gas discovery made by ConocoPhillips in 2009. Seven follow up wells in following years delineated a very large gas resource, which has been estimated in the order of ~2.1 Tcf of gas, according to Operator Santos Ltd.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Along the way, 40% partner Karoon Energy sold its interest in this discovery to Origin Energy for $600m in 2014, underscoring the very high value of gas-in-the-ground, and in 2019 Santos acquired ConocoPhillips Australian assets which include a 40% working interest in the leases.

At that time of its discovery, development concepts were to pipe the gas to Conoco's Darwin LNG plant, or to INPEX's nearby plant also in Darwin. At this time, operator Santos does not detail a path to commercialization. Figure 6 shows the fields proximity to other large gas fields in the Browse Basin, two of which are in production (Shell operated Prelude FLNG) and INPEX operated Ichthys, feeding gas to its LNG plant 850km north-east at Darwin.

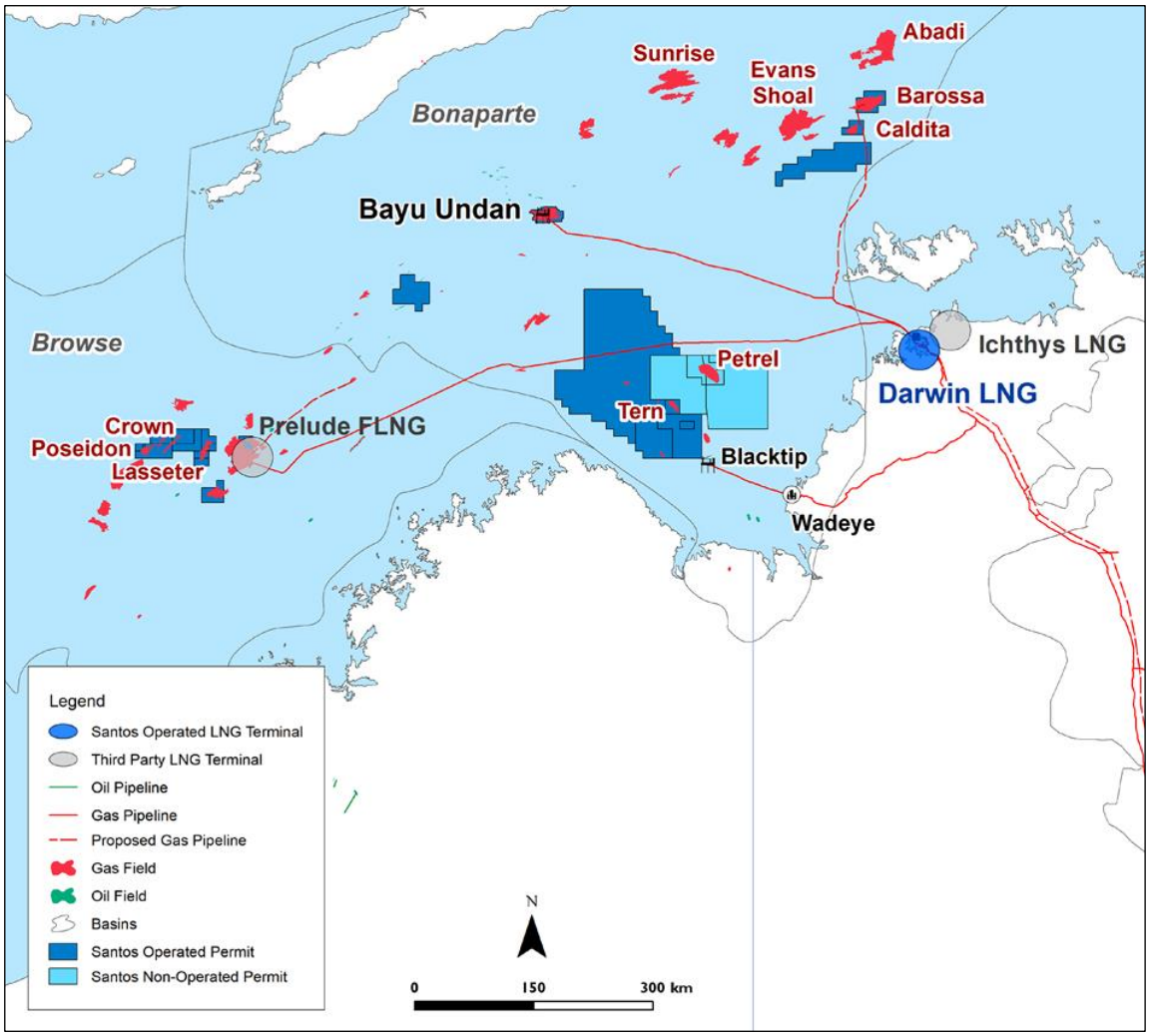


Figure 6. Source: W.A. Department of Mines, Industry, Regulation and Safety.

Redevelopment in Bass St, at Longtom Gas and Exploration

HPR have a 0.3% Gross Revenue Royalty (GOR) over VicP54 and production licenses containing the Longtom gas field, and Gemfish exploration prospects. Longtom was developed by Nexus Energy, and production commenced in 2010. Initially, the field's production and revenue stream was very strong, and in the following 5 years the field produced 50PJ of gas and generated gross revenue of $227M, and cumulative royalty income between 2011 and 2015 of A$861,000 for HPR.

Production was suspended in January 2014 due to electrical problems at Longtom-3 subsea facility. Plans to effect repairs were not progressed, and later in the same year the Seven Group (ASX: SVW) acquired Nexus Energy, with the intention of building an eastern Australia gas business.

Subsequently, industry dynamics have changed and gas prices have firmed. Before its cessation, Longtom gas was fetching ~$4/GJ. The current market would result in prices >$10-11/GJ. The Longtom field contains

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

a significant un-exploited remaining reserve, which was independently verified in FY2024 at 80 PJ. At current east-coast gas prices, this remaining reserve has a revenue potential of > A$0.8-1B (assuming gas prices of >A$10-12/GJ).

In August 2024, SVW announced it had signed an MoU with Cooper Energy, owner of the onshore gas plant at Orbost, Victoria, to explore pathways to develop the asset. Figure 7 shows the field location.

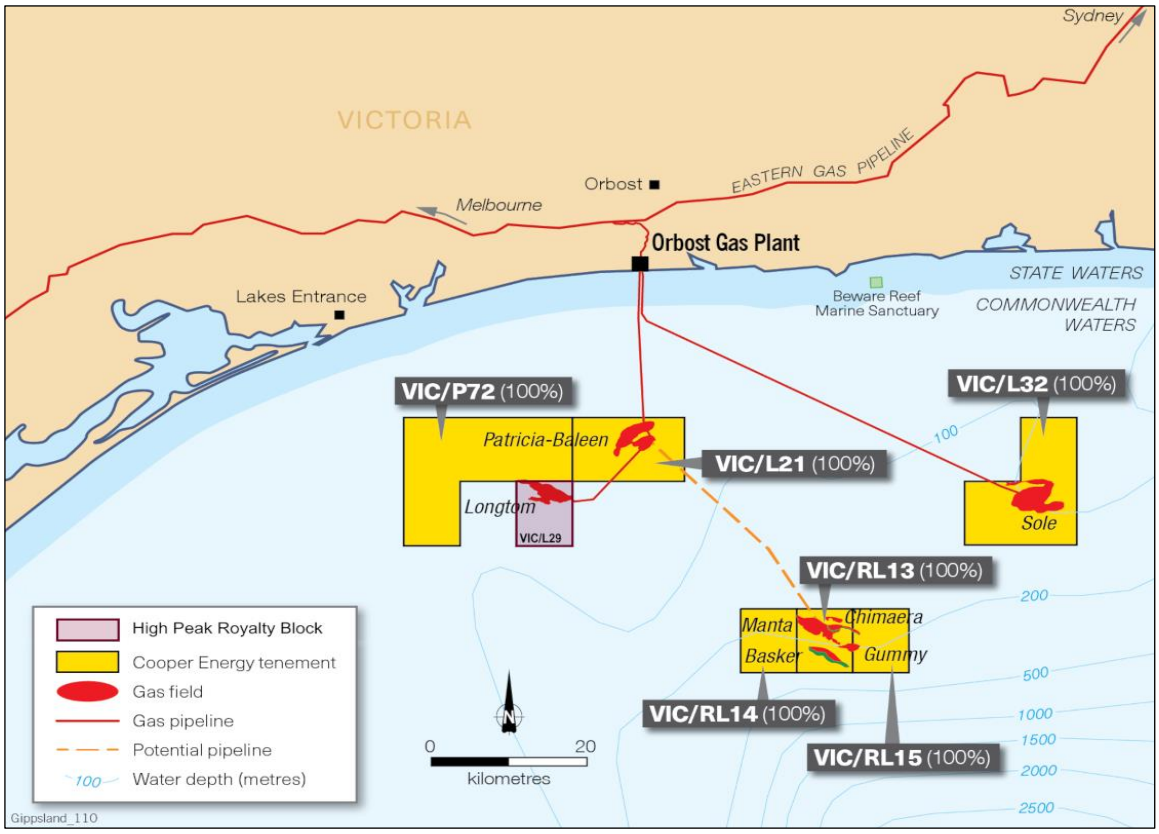


Figure 7. Source: Seven Group

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Exploration Upside: NT has Potential for Large Discoveries

HPR is exposed to some very large prospects which we believe will be subject to exploration wells over the next 1-3 years, onshore in the Northern Territory's Amadeus Basin.

Exploration in the Amadeus Basin, NT: an Exciting New Frontier

HPR has a 1% ORI over ~23,700 km2 of acreage in 8 permits in the southern Northern Territory's Amadeus Basin which has been in production since the 1980's. Refer to figure 8 for location map.

- Prospective for naturally occurring Hydrogen and Helium, which are very valuable, in addition to natural gas at Jacko Bore (Mt Kitty) and Dukas
- Prospective for hydrocarbon in sub-salt formations, at Dukas and Zevon.

Moves to unlock what are theorized to be large conventional gas resources buried deep below salt layers began in 2019 when the Santos-operated JV drilled the Dukas prospect, in permit EP112. This was part of a farm-in to Central Petroleum acreage agreed ~2014. The rationale was the "size of the prize".

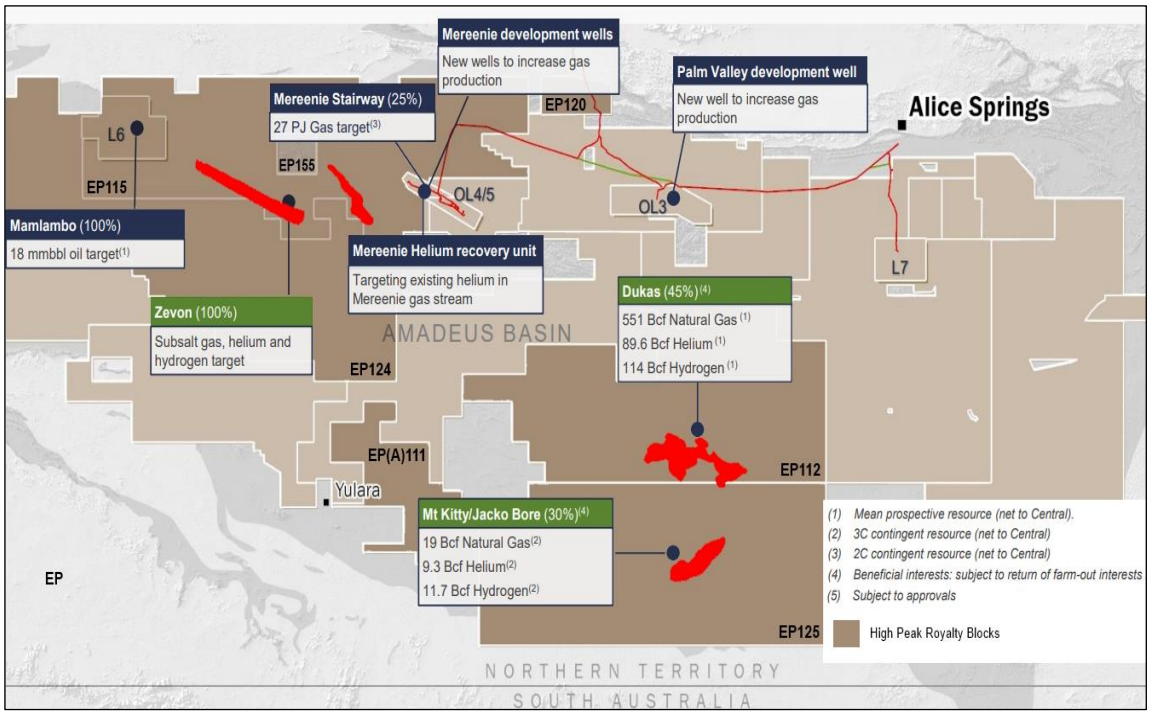


Figure 8. Amadeus basin license interests. Source: HPR webs

Dukas sub-salt play has multi-Tcf gas potential (in EP112: 1% royalty)

The 400 km2 Dukas prospect is interpreted to be a "multi-Tcf" target for methane, hydrogen and helium, in the sub-salt layers below the existing conventional oil and gas fields. The so-called sub-salt geology can yield very large volumes, as is now well established in giant fields offshore Brazil, however the salt layer renders seismic imaging close to useless so drilling into and below the salt, is a geologically and technically risky undertaking.

Nevertheless, in 2019, the Santos operated JV drilled the Dukas well, in EP112 where HPR has a 1% royalty. The well was designed to penetrate the thick salt layers, which had never been drilled in this basin making this a true frontier endeavor.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

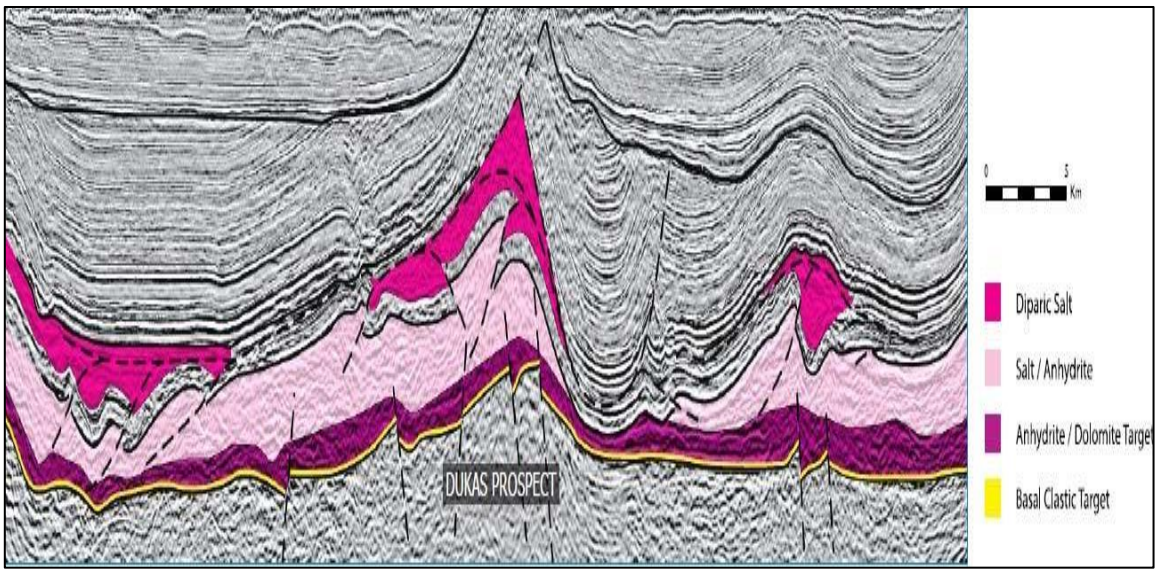


FIGURE 9: FROM SANTOS PRESENTATION TO SEACC

In August 2019, the well was suspended at a total depth of 3704m. During drilling, gases recovered to surface in the drilling fluid showed the presence of hydrocarbons and other inert gases, providing strong evidence of a working petroleum system at the Dukas location. Very high gas pressures were encountered, bordering on the maximum limits of the drilling equipment and surface containment facilities, and so purely for safety reason, drilling was halted without having penetrated the bottom of the salt layer. Follow-up drilling is planned, but to date has been hampered by Covid, a period of oil price uncertainty, and lack of suitable pressure-control equipment in Australia.

In February 2022 Central Petroleum announced a farm-out of various exploration permits in the Amadeus Basin to private company, "Peak Helium", with the objective of drilling three helium prospects including Mt Kitty (or Jacko Bore) in which HPR has a 1% royalty, and the aforementioned Dukas redrill (HPR: 1% royalty). However Peak Helium could not meet joint venture funding obligations, so the drilling of Mt Kitty (and Dukas) was postponed pending a re-alignment of recovery of interests from Peak.

State of play at Dukas

Operator Santos and joint venture partner Central Petroleum are planning to drill a new well in a more favorable location, or deepen the existing well, subject to efforts to attract a new farm-in partner to share costs. The farm-out plans include participation in the drilling of Mt Kitty (Jacko Bore), in EP112 to the south of Dukas. The JV has permitting and drilling plans in place, and long-lead items previously purchased in inventory, enabling the commencement of drilling operations 6-9 months after a successful farm-out.

Hydrogen and helium

Long before Dukas, Santos and Central Petroleum and other companies drilled looking for oil or gas, and at Mt Kitty-1 recovered gas, hydrogen and helium. The Helium concentrations recorded are high (~9%) but at that time this had nil value in the domestic market. As an oil and gas company focused on gas, Central Petroleum and its partners were not focused on the helium and hydrogen opportunity.

Mt Kitty was drilled in 2014 and discovered methane, helium and hydrogen in very high concentrations

Mt Kitty discovered natural gas and helium in 2014, but proper evaluation could not be completed due to a rig failure, and subsequent activities were delayed for technical and financial reasons as the oil price imploded in 2015. In 2014, the operator Santos reported the well flowed gas to surface at up to 0.53MMcfd, with a helium concentration of 9% and hydrogen concentration of 11%in gas samples. In its 2024 Annual Report, participant Central Petroleum reported that farmout discussions were progressing to secure funding for an appraisal well, Jacko Bore#2, to be drilled within 12 months. Planning is to re-enter the existing well (Mt Kitty-1) and drill a 500m deviated / horizontal sidetrack to test up to 500m of fractured basement reservoir.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

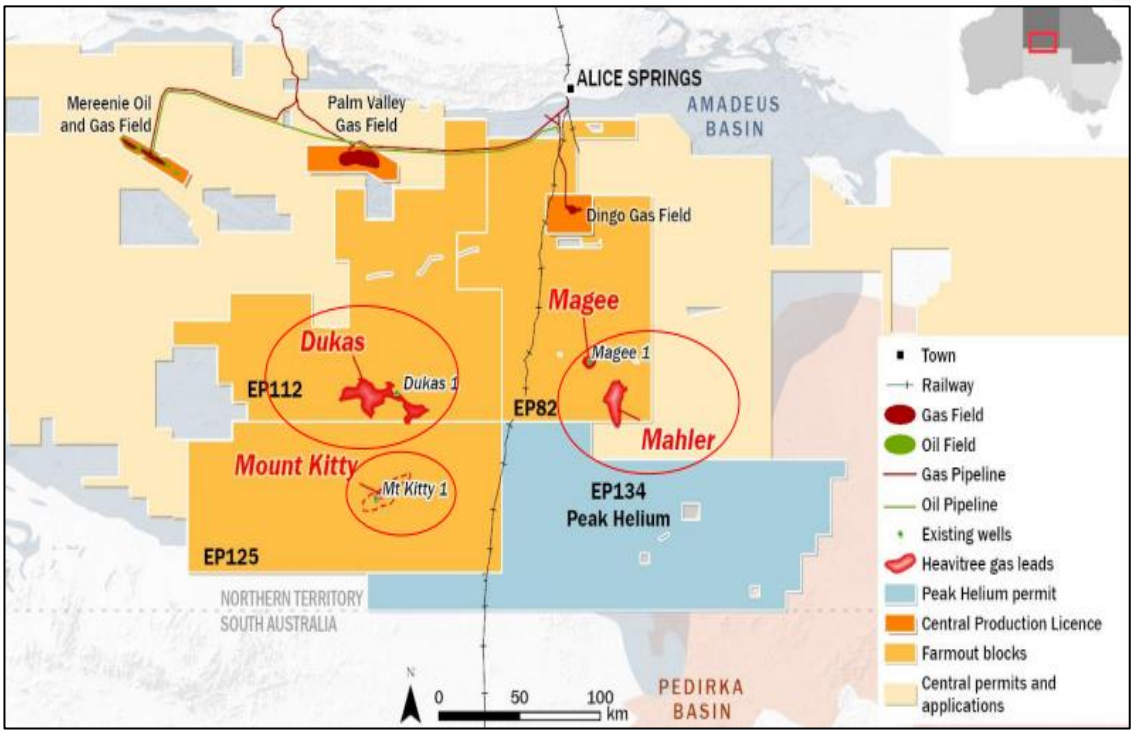


Figure 10. Source: Central Petroleum

Santos and Central plan to commence an exploration program in 2025, subject to attracting new joint venture partners and additional funding. Other prospects that could be drilled, are Mahler or Magee in EP82 (HPR: nil royalty), and Zevon in EP115 (HPR:1% royalty). Although HPR has no royalty exposure to EP82, the discovery of gas with helium up to 6% at Magee-1, further evidences the widespread occurrence of helium and hydrogen in the region over a very large area.

Zevon is another very large subsalt helium/hydrogen/methane prospect, in EP115 (HPR:1 % royalty interest). This permit is 100% owned and operated by Central Petroleum (CTP). In November 2023, CTP completed the acquisition of 2D seismic "test line" which applied a new method and returned high quality data. CTP plans additional seismic surveying to delineate the leads and prospects which have been defined to data.

Very large prospective resources underpin massive value upside

The Dukas prospective volume and Mount Kitty contingent resource (figure 13) are a game changing if proved and developed. To put some context around the market value of a resource this size at current prices of say $12/GJ for gas (ex-field) and $450/Mcf for He, the revenue potential equates to >>A$100 Billion and HPR's 1% revenue royalty over this >$1B These are obviously very large figures and even modest success would be material to HPR.

Other royalty interests.

Admiralty Bay zinc project: WA. In 2019, HPR acquired from Orion Resources Partners, 1.5% royalty interests from future precious metals extraction from mining leases located onshore at Admiral Bay, in the Kimberly region of W.A. The purchase price was $100,000, and included a right for the Operator to re-purchase for $40M.

The project is a zinc, lead and silver resource discovered in 1981 by CRA Ltd. Subsequent work and ownership changes are such that today the project operator is Metalicity Ltd (ASX: MCT). From is latest ASX disclosures, MCT has prioritized other projects and the Admiral Bay zinc project is on care & maintenance, and MCT have engaged advisors to find a buyer for this project. Given this, we consider development in the medium term unlikely.

Hydrogen production royalty.

HPR has a 1% royalty interest over future production of hydrogen with private company ScimTek Hydrogen Pty Ltd. ScimTek is a start-up company that proposes to co-locate small hydrogen production facilities at landfill sites across the country, using biogas as a feedstock, and reforming this into hydrogen.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Bringing it all together: The resource potential

Figure 11 shows the theoretical upside in the event that the identified reserves and prospective resources are developed, at current product prices. These are un-risked figures, and there is no certainty that any or all of these resources will be commercially developed.

Licence	EP112	EP125	Vic-P54	WA-90R &91R
	Dukas	Jack Bore	Longtom	Poseidon
HPR royalty	1.0%	1.0%	0.3%	0.1%
Resource type	Prospective	2C	2P	2C
Volume (Bcf)				
Natural gas	1224	40	80	2100
Hydrogen	253	22	0	
Helium	200	18	0	
Unit price(A$/Mcf)-netback				
Natural gas	10	10	12	10
Hydrogen (A$/Kg)	10	10		
Helium	350	350		
Royalty potential (A$M-unrisked)				
Gas	122	4	3	21
Hydrogen	60	5	0	0
Helium	700	63	0	0

Figure 11. Source: Breakaway Research

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Financial History and forecasts

HPR's financial history is summarized in figure 12, along with our estimate of income over the outlook period.

Royalty income in the past three years has been variable, and reflects a period of significant volatility in global oil prices, and Australian domestic gas and LNG prices. In addition, there may be changes to production in the fields generating royalties, but we do not have this data and so cannot assess the impacts from volume changes.

HPR does not have employees, and outsources required accounting, compliance and administration functions. These costs have been stable at +/- $600,000 p.a. since 2019. We adopt this figure in our forecast of operating cashflows over the outlook period.

Financing costs trend to nil after CY2024, following the repayment of the remaining Macquarie Bank debt.

We have calibrated our projection of sustainable cashflows to the 1H 2024 cashflow data, as this likely reflects immediate recent product prices and production volumes. We are not aware of any material events to change various companies field operations, but we do assume some. On August 19 2024, HPT advised royalty receipts since July1 of $128,000, pointing to a full year income in the order of $1.2-1.4M.

Our estimate of repeatable royalty income is shown in the right- hand column, and is an average of the previous 3 years including 2024 YTD, and we use this value to estimate a DCF value for sustaining income.

Royalty income	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**Sustain**
Royalty	0.052	0.141	0.226	0.647	0.603	0.442	1.046	1.522	1.18	1.25
Investment /other	0.11	0.055	0				0	0		
other	0.025	0.047	0.045	0.023	0.232	0.211	0.013	0.011	0.002	0
Total Revenue	0.187	0.243	0.271	0.67	0.835	0.653	1.059	1.533	1.182	1.26
Costs										
Admin	1.422	0.548	0.551	0.597	0.657	0.671	0.587	0.586	0.63	0.60
EBITDA	**-1.235**	**-0.305**	**-0.28**	**0.073**	**0.178**	**-0.018**	**0.472**	**0.947**	**0.552**	**0.657**
Depreciation	0.186	0.04	0.044	0.135	0.213	0.278	0.315	0.321	0.136	
Impairments	3.178	0	0	0.42	0.892	0.842	0.803		0.003	
Financing			0.003	0.239	0.206	0.158	0.113	0.134	0.09	
Pre-tax	-4.614	-0.323	-0.363	-0.721	-1.133	-1.296	-0.759	0.492	0.323	
Tax					0	0	0	0	0	
NPAT	-4.614	-0.323	-0.313	-0.721	-1.133	-1.296	-0.759	0.492	0.323	
check				*-0.724*	*-1.133*	*-1.296*	*-0.759*	*0.493*	*-0.092*	
Assets										
Total assets	12	11.719	11.342	14.642	13.108	10.997	10.91	11.05	10.463	
Borrowings	*0*	*0*	*0*	*2.847*	*2.55*	*1.832*	*1.831*	*1.508*	*1.096*	*0*
Liabilities	0.314	0.247	0.302	3.136	2.9	2.088	8.93	1.59	1.187	
Net assets	11.687	11.472	11.04	11.505	10.208	8.909	8.93	9.458	9.275	
Cashflows										
Royalty receipts	0.102	0.109	0.222	0.585	0.682	0.401	0.917	1.447	0.648	1.25
Payments to suppliers	-1.3	-0.595	-0.509	-0.528	-0.675	-0.726	-0.523	-0.653	-0.297	-0.60
Interest income	0.02	0.014	0.018	0.011		0	0	0.001	0	
Finance costs	0.106	0.065	-0.003	-0.273	-0.165	-0.151	-0.089	-0.152	-0.092	0
Net cash from operations	-1.072	-0.407	-0.272	-0.205	-0.158	-0.476	0.305	0.643	0.259	**0.65**
Acquisitions & exploration	-0.345	-0.314	0	-0.067	-0.055	-0.252	-0.4	0	0	
Sale of assets		1.19	0.054		1.312			0	0	
Equity issue / (buyback)		0	-0.119	1.184			**0.742**	0	-0.061	
Net debt movement		0	0	-1.055	-0.354	-0.322	-0.344	-0.373	-0.441	
Change in cash	-1.417	0.467	-0.337	-0.143	0.745	-1.05	0.303	0.27	-0.243	

Figure 12. Key annual financial statistics, from HPR annual reports

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Capital Adequacy

- Cash at June 30, 2024 was A$1.28M
- The current quarterly cash “run-rate” approximated $300,000. Cash expenses excluding interest, approximate $180,000 per quarter, primarily for Director fees and admin.
- Macquarie Bank loan has been steadily repaid and at June 30 2024, the principal outstanding was US$750,000, which is scheduled to be repaid in December 2023, and HPR is currently exploring their best alternatives of capital allocation, i.e. whether to pay down the entire amount using existing cash reserves (after which HPR will be debt free), or alternatively whether to partially refinance the principal with an alternative lender. Of the original US$15M facility, A$21.15M is unutilized.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Valuation & Price Target. Risked NAV 29 cps

Our base-case valuation consists of (1) DCF of estimated sustainable EBITDA from FY2024, (2) balance sheet cash and debt at June 30, 2024, and (3) risked upside from gas resources which are derived from cash-flow forecast from theoretical developments. Refer to Figure 13.

A DCF of our estimate of sustaining cash flows from 2024 at a WACC of 8% (real) returns a core equity valuation of 3.9c after adjusting for debt, cash and capitalized corporate costs.

Valuation of the exploration, appraisal & development assets is more subjective. We have developed theoretical cash flow models based off near-field analogous projects, appropriately risked for level of uncertainty. Development & exploration assets we have assessed and assigned value are:

- Re-activation of the Longtom gas field.
- Future development of the Poseidon gas field.
- Exploration potential in the Northern Territory planned, for hydrocarbons, hydrogen and helium at Dokas and Mt Kitty (aka Jacko Bore) from 2025. These are very material to HPR if the operators are successful.

We have not included value for other activity because we lack data or benchmarks at this time to form a reasonable view. These other assets are:

- Implications from Shell / Arow phase 2 Suart Basin gas development.
- Santos operated Cooper Basin acreage hosting the depleted Tintaburra oil field.
- Legacy geothermal energy acreage in South Australia.
- Minerals exploration at Admirals Bay.

Valuation				**Total**
Sustaining cashflows	A$M	cents/Sh.	Risk factor	cents/Sh.
NPV of revenues	14.9	7.1	100%	7.1
NAV of existing royalty stream	**14.9**	**7.1**	**100%**	**7.1**
Less NPV of admin	-7.1	-3.4	100%	-3.4
NPV of HPR Cashflows after Admin	7.8	3.7	100%	3.7
Other far dated assets	0.2	0.1	100%	0.1
Cash (30 June 2024)	1.3	0.6	100%	0.6
Debt (30 June 2024)	-1.2	-0.6	100%	-0.6
Crore NAV of HPR Business	**8.1**	**3.9**	**100%**	**3.9**
Risked exploration & development				
Longtom	1.8	0.8	40%	0.3
Amadeus- H& He Mt Kitty/ Jacko Bore	60.6	29.0	20%	5.8
Amadeus- Mt Kitty/ Jacko Bore Methane	4.4	2.1	20%	0.4
Amadeus- H & He-Dukas	229.4	109.8	10%	11.0
Amadeus- Dukas- Nat gas	135.9	65.0	10%	6.5
WA-Poseidon-Nat gas	28.5	13.7	10%	1.4
Total				**29.3**

Figure 13. Source: Breakaway Research

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Peer Group Valuation Measures.

There is only one other royalty company on the ASX to compare HPR against, and a comparison is not meaningful in our view. However, there are many publicly listed "royalty streamers" in North America and Canada. We select key companies in Figure 14.

Of relevance are the very high EV/Revenue and EV/EBITDA multiples these royalty streams attract in the equity market, which we attribute to a combination of (1) no-cost option on the success of asset owners (2) upside pricing options and (3) long duration cashflows with nil operational risk, which reflect in a low WACC.

It is reasonable to apply an EV/Revenue multiple, or an EV/EBITDA multiple to form a view on peer value, noting these are very similar due to the typically low operating costs for these companies. The companies shown in figure 14 are variously energy streams, or diversified gold and minerals streamers.

Name	Ticker	Market	Currency	Market Cap	EV	FY2023	FY2023	Forecast EV/EBITDA		Trailing 2023 Multiples	
				$M	$M	Revenue-M	EBITDA-M	1	2	EV/Rev	EV/EBITDA
Franco Nevada	FNV	TSE	C$	32100	26300	1218	1010	23.1	19.7	21.6	26.0
Wheaton Precious Metals	WPM	TSE	c$	38040	28930	1016	729	28.1	22.9	28.5	39.7
Royal Gold	RGLD	NYSE	US$	9300	8111	606	468	16.7	13.1	13.4	17.3
Sandstorm Gold Ltd	SSL	TSE	C$	2284	2584	179	137	15.1	12.8	14.4	18.9
Sitio Royalties corp	STR	NYSE	US$	3392	4755	593	500	8.16	8.41	8.0	9.5
Kimbell Royalty Partners	KRP	NYSE	US$	1759	2023	273	204	6.6	6.2	7.4	9.9
Sabine Royalty Trust	SBR	NYSE	US$	950	980	94	90			10.4	10.9
Permian Basin Royalty trust	PBT	NYSE	US$	527	645	29	28			22.2	23.1
Average								**16.3**	**13.9**	**15.7**	**19.4**
HPR-revenue multiple					24.1	1.53	0.947				
HPR trailing EBITDA					18.4						
Implied Market value / share based off trailing revenue					**0.116**						
Implied Market value / share based off trailing EBITDA					**0.088**						

Figure 14: Norh American royalty company comps. Source: FACTSET data.

The simple arithmetic from this list of peers, are an EV/trailing-Revenue of ~16X and EV/trailing-EBTDA of ~19X. If we apply these measures to HPR's FY2023 revenue and EBITDA, the result would back-calculate to a market value for HPR's existing production of between 8.9 and 11.6 cps. These are higher than our NPV of sustaining cashflows, attributable to the disproportionate negative impact admin costs impose between revenue and EBITDA. There is clearly an economy of scale in the larger royalty companies, which can collect more royalties without a proportionate increase in staff costs.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Risks to Price and Volume

The key risks to HPR's revenue stream are from (1) oil and gas prices (2) production volumes of oil and gas from fields in which HPR has a royalty, and (3) delays in developing or re-starting fields that HPR has royalty coverage.

- Global oil prices are trending lower and will impact royalty income from USA royalty streams.
- Gas prices in Australia's east coast market are robust, but at risk of Government energy policy.
- Production levels are outside of HPR's control. Fields in production typically decline, unless owners undertake activities to mitigate. Factors which impact on field owners are outside of HPR's control.
- The value in future projects such as Longtom, Shell's Qld acreage, Origin's Energy's Qld gas portfolio and NT Amadeus basin exploration and WA exploration is dependent on future development. The timing and likelihood is outside of HPR's control and developments are not certain.
- Delays in planned exploration activities, and production due to regulatory burden in Australia, and other factors are beyond HPR control.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

- HPR is exposed to rising east coast Australia gas prices
- In The USA, gas prices are highly cyclical and at historic lows.

Prices for oil, domestic gas and LNG exports are recovering. Strengthening domestic gas prices add value to HPR's royalty income from Peat, and option value from Longtom, Qld gas fields and gas-focused exploration in the NT. Figure 14 shows recent domestic gas price realizations for listed companies. Reports from Government agencies AEMO and the ACCC all warn of dire east-coast gas shortages from 2026. Leading up to that, wholesales prices for short term and spot volumes have strengthened markedly in recent years.

Despite a highly published Federal Government intervention in December 2022, intending to limit domestic prices to $12/GJ actual prices being realized are reportedly higher, in the $12-$20/GJ range and actual public company reports document a rising data set. The ACCC's forecast for prices into 2025 are in the $14-16/GJ range for "exempt companies". Practically all east coast gas producers have some form of exemption, and what is particularly relevant for HPR, are the rising international LNG prices which flow back to the fields. Of immediate relevance to HPR, are the prices which APLNG (Origin Energy) disclose for domestic gas and realized LNG prices in Qld, as these reflect likely realization for the Peat field. These have been on a rising trend over the past 4 years.

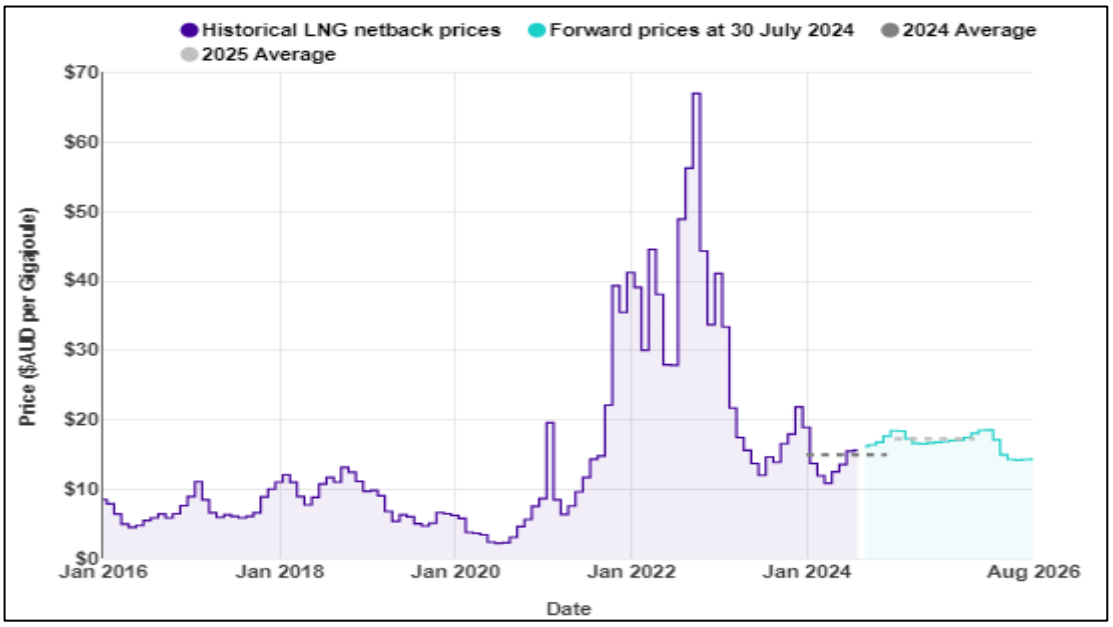


Figure 15: ACCC LNG net-back pricing estimations (August 2024)

There are a number of factors which are forcing gas prices higher

- Declining supply from conventional fields and pressure on CSG fields to meet LNG exports.
- Rising oil prices which flow through to LNG prices and domestic gas prices.
- The emerging role for gas int the so-called clean energy "transition" which is now acknowledged in sections of Government which to now, were pushing an agenda to eliminate gas (and all fossil fuels) from Australia's energy mix.

In our assessment of HPR's royalty income from domestic gas, we assume a A$8/GJ gas price ex-field over the outlook period, which we think is a representative Qld net-back price. In the June quarter of 2024, Origin reported a figure of A$9.30/GJ, the highest since the 2022 September quarter.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

North America: different market dynamics

USA gas prices are very volatile, reflecting imbalances between domestic supply and production. There is a very-long duration cycle, with extended periods of low gas prices disincentivizing drilling, followed by under-supply and higher prices to re-start drilling. In the past decade, the Henry Hub marker has cycled from US$1.50/MMBtu, to $20/MMBtu, with a long-term inflation adjusted 20-year average of US$5.20/MMBtu

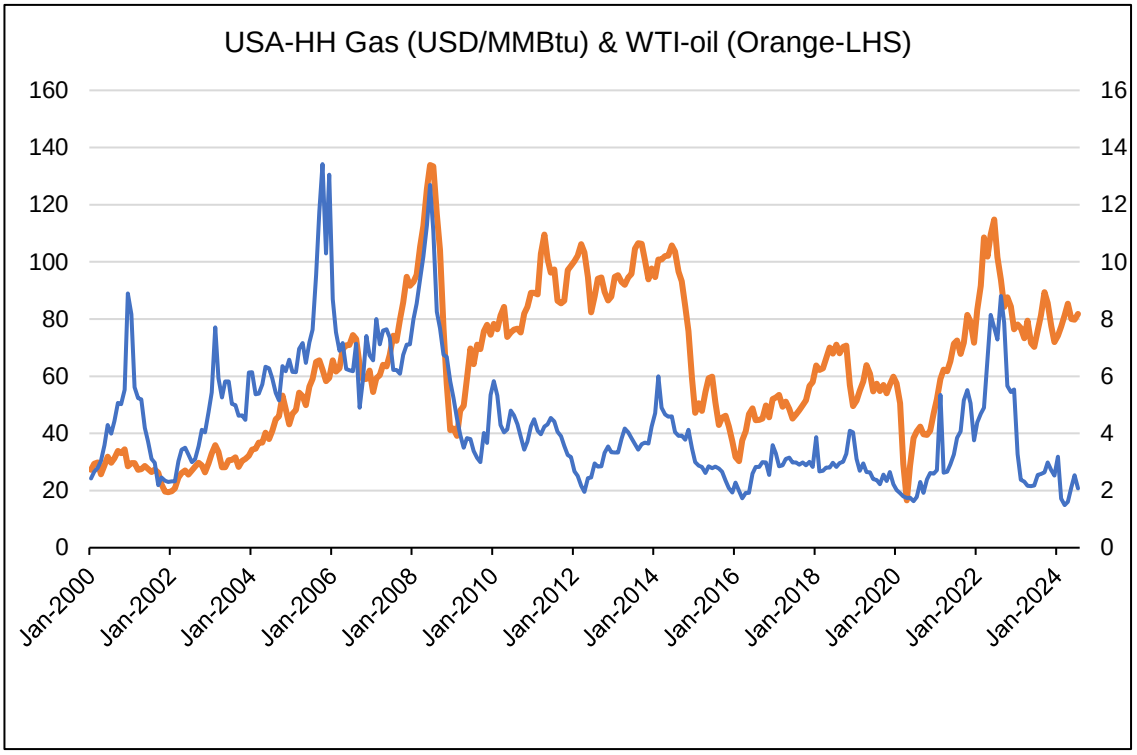


Figure 16: Historical USA oil and gas prices. Source: NYMEX and Henry Hub.

The current US gas price is in the order of US$2/MMBtu, and on its own isn't enough to pay for gas exploration and development, however an increasing portion of gas supply is a result of co-production with oil, particularly in the liquids-rich Permian basin. From an industry peak of ~1600 rigs drilling for gas, the count is now ~110 rigs. It is questionable if these are enough to replace production. Currently, robust USA oil prices are under-pinning a resurgence in oil activity, and rising US oil production.

USA WTI oil prices have been relatively high, and stable for the past three years, although historic volatility is a key risk, with oil prices ranging from negative in April 2021, to greater than US$100/bbl on several occasions. Over the outlook we assume an average price of US$75/bbl.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

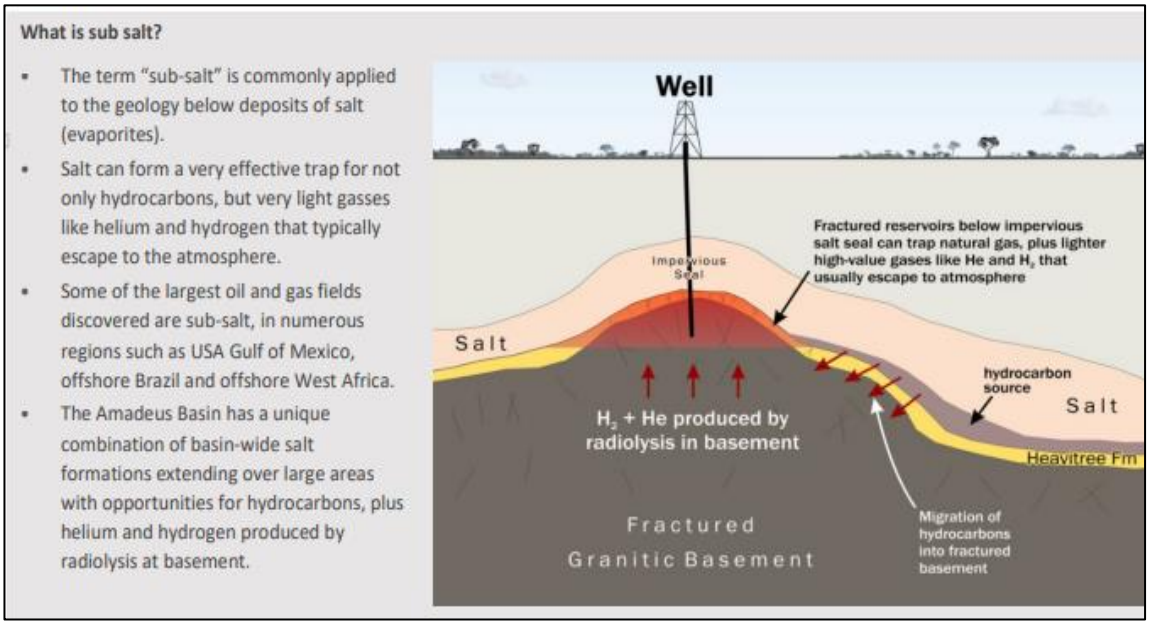


Figure 17: From Central Petroleum Corporate presentation.

About Helium: very rare, very valuable

Helium (elemental symbol He) is a "Noble" gas with a range of unique properties. It is an input to many "hi-tech" industries, with demand driven by global innovation in aerospace, medicine, and electronics. It is NOT a fossil fuel, however its discovery and exploitation requires oil and gas complimentary technologies, and not surprisingly, the bulk of helium that is currently produced is a by oil & gas companies.

Key attributes which differentiate it from other gases are

- It is chemically inert and does not bond with other periodic elements. It is non-flammable, non-toxic, and non-corrosive. It is colourless, odourless and tasteless, doesn't burn or conduct electricity.
- It is the "coldest" material known, never freezes into a solid, and is gaseous at temperatures down to -268.9 Degrees Celsius. Absolute zero is -273. Helium readily absorbs heat, and so it used in hi-tech applications where "super-colling" is required.
- It is lighter than air, and inert, so is widely used in lighter-than air lifting applications, leak detection and high-tech semiconductor manufacture.

Helium's small elemental size (second smallest after Hydrogen), and inert properties give it a range of properties required in manufacturing of semi-conductors and fibre-optics, or any manufacturing processes while require a "sterile" environment. In the many applications the Helium is used for, it cannot be substituted.

Helium production and supply

Helium cannot be manufactured. Helium is produced in the earth as a result of the decay of radiogenic rocks, principally Uranium and Thorium. This occurs deep in the earth's crust, but Helium is so "leaky" that most of it escapes through the overlying strata. Helium is commonly detected in wells (oil, gas or water) but in minuscule quantities. Naturally occurring Helium in concentrations high enough to justify economic extraction, is rare, and requires a unique set of geological circumstances, as well as infrastructure because storage and transportation brings additional challenges.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Currently, the majority of helium supply as a by-product of conventional methane production, where the Helium concentration is very low (<1%) and where the value of the co-products (natural gas or LNG) is economically important. For the worlds largest producers, the Helium is a small by-product of a larger gas production business.

Major suppliers are LNG producers such as Qatar, Russia, Algeria, and gas fields onshore USA. In the USA, historic supply is depleting. In Russia, supply is challenged by sanctions. Increasingly, consumers are reliant on supply from nations in regions which geopolitically risky.

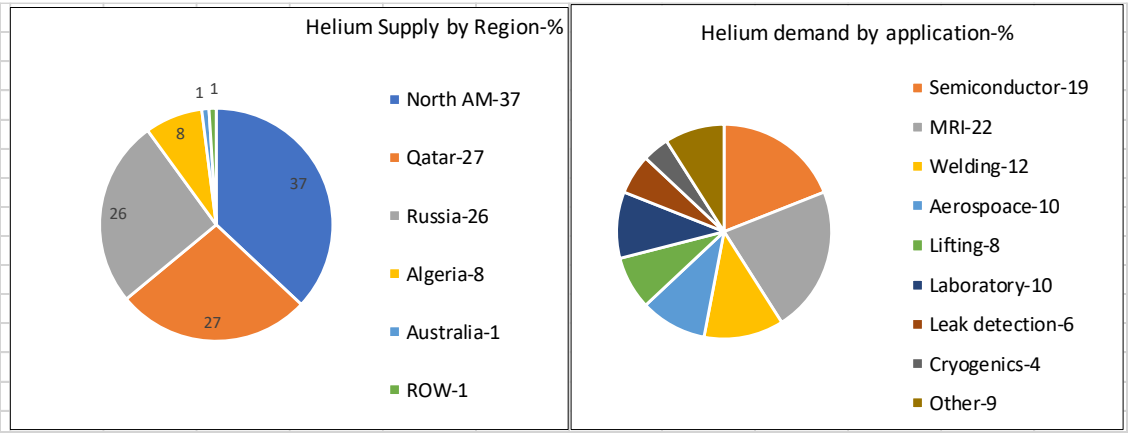


Figure 18: Source for base data: Kornbluth Helium Consulting. February 2022

With particular relevance to HPR, the company's exposure to the Amadeus basin is significant, due to the reported concentration of helium in the gas mix, in the range of 5-10%. Typical concentrations are in the order of +/- 1%, and in the USA and Canada helium is produced commercially in association with natural gas, in concentrations as low as 0.1%. The Central Petroleum and Santos acreage in the Northern Territory, in which HPR has royalty interests, reported Helium concentrations are among the highest in the world.

The Helium demand: Driven by multiple high-tech industries

The Helium market It is a niche market in terms of volume, which is currently ~ 6.2 Bcf p.a, and this is small compared to natural gas and LNG. However, the market growth is very high, in the range 6-8% p.a., driven by expanding high-tech application. The largest demand for Helium is to cool superconducting magnets in MRI scanners. This accounts for 22% of Helium demand, and this segment is growing at ~10% p.a.

The second largest market is the semi-conductor manufacturing market, where Helium's unique properties are required to manufacture the semi-conductor wafers. This segment has been growing very strongly over many years, driven by chips needed in cell phones and laptops. Currently around 19% of demand is for the semi-industry. Major manufacturers of semi-conductors in Taiwan have announced expansion plans. Other major demand segments are in aerospace, laboratory and cryogenic environments (which require a sterile environment), and in leak detection and welding.

Helium Prices: depends of purity

Helium is immensely more valuable that natural gas, driven by the niche markets it supplies into, which are typically highly value added, and therefore less price sensitive.

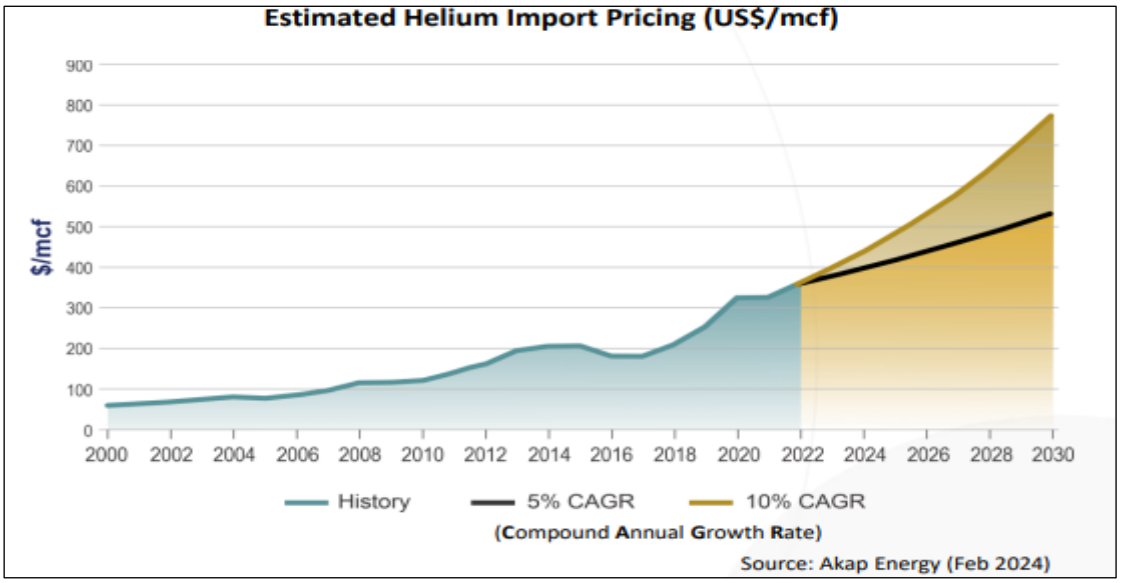
Helium prices have been rising at a compound rate of 18% p.a. over the past 5 years, reflecting the structural shift in the He market supply, with supply from traditional sources declining while demand continues to accelerate.

The market for helium is "opaque", there are no widely quoted benchmark prices, only anecdotes from industry participants and consultants. Prices have been documented in the US$1000-3000/mcf range, for "scientific grade" helium and these are multiples higher than natural gas, which is 100X greater than

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

methane, so even very small volumes can be immensely profitable. Prices vary according to the amount of impurity gases in the Helium mix. These high prices are for "5-nines" Helium, which is 99.999% pure, and to achieve this a large about of purification is required. Prices for lesser grades, which don't require this level of purity, are lower, and are currently in the US$300-500/mcf range.

Factors that determine the economic value of any helium discovered, is the make-up of other resident gases, which could include any of methane, other noble gases, hydrogen, CO2, oxygen and nitrogen. Some of these other gases (methane) have economic value, while others (such as Nitrogen) do not. The processing technologies required to separate the various gases, and the disposal of the unwanted fractions are significant determinants of the value of an in-situ helium.



.

Figure 18: Source: Akap Energy (Feb 2024)

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

The company has no permanent staff, as is appropriate for a company of HPR's size and business model, which does not require HPR to have a technical or operational team in-house. Industry professionals and consultants are engaged when needed. Board members are all highly experienced in E&P and provide additional managerial resources.

Director Background

Mr James Knowles, Executive Chairman.

Mr Knowles is a geologist, founder and Technical Director of Measured Group Pty Ltd, an independent company which provides technical services to the mining industry. James has over 23 years of experience in management and consulting roles at McElroy Bryon Geological services Pty Ltd, Excel Coal Ltd, BHP Billiton and Peabody Energy Australia where James was Director of Geology and Resources.

Mr Anthony Wooles, Non-executive Director.

Mr Wooles is a highly qualified and successful professional who has held executive and advisory roles with leading private and public companies. He also has extensive knowledge of financial and capital markets. In his advisory capacity Mr Wooles has worked closely with companies including BHP Minerals, Coles Myer, Telstra, Coca-Cola Amatil, FAL and Western Power.

His professional qualifications include: Bachelor of Commerce (Economics) from Deakin University, a Graduate Diploma of Securities Analysis from the Securities Institute of Australia, and an MBA (Finance) from the Wharton School of the University of Pennsylvania. He brings significant experience and knowledge in both the corporate finance and energy sectors.

Other Directorships are Chairman of Imdex Ltd (ASX: IMD) from 1 July 2016.

Mr David Croll, Non-executive Director.

Mr Croll is currently the Managing Director and founder of Noontide Investments Ltd, which is an investment management company based in Sydney specializing in advising small cap stock. David is also a director of Providence Wealth Advisory Group, which is an independent wealth advisor to high-net-worth families.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Appendix A: More About Royalty Streams.

There are Three Broad Types of Royalty

These are (1) Gross Over-Riding Royalty or GOR, (2) Net Overriding Royalty or ORI, and (3) Net Profit Interest or NPI.

- A GOR is the most valuable form of royalty as it's calculated as a percentage of the gross revenue ex-field. HPR's royalty at Longtom / VicP54 is an example.
- An ORI is derived from field revenue, less operating costs incurred by the field owner to create a sale-able gas or oil product. These will vary from field to field and be a function of the amount of work required to "clean up" raw field output for delivery to a point of sale. The majority of HPR's royalty structures are of this nature. Because of the deduction of field-specific processing costs, ORI's are less valuable that a GOR.
- An NPI royalty is calculated based on field profit, not revenue. It is the least valuable of the various royalty streams as it's derived after the deduction of operating costs and recovery of capital costs from revenue. HPR's royalty interests over various Santos operated field in western Qld are NPI's.

Strengths & Weaknesses in Royalty Model

Minerals & energy royalty companies are rare in Australia but are common in North America, where some have grown into multi-billion dollar enterprises. Key strengths appealing to investors are:

1. The royalty stream provides an undiluted, direct linkage to movements in the underlying commodity.

2. Revenue royalties capture volume trends and so the royalty owner benefits from the investment made by the field owner into maintaining or growing production, and many field owners are "production driven" and seek to replace reserves and production.

3. Royalty over non-producing acreage is a zero cost option on future exploration and development success. The royalty owner is not required to fund risky exploration or subsequent development, and does not incur any field operating costs.

4. Royalties can be very long life, governed by the life of field. For example, the Weeks royalties over Bass Strait production has been generating income for >45 years and could continue for another 25-30 years.

There are some weaknesses too.

1. The royalty owner cannot influence the pace of exploration or development, and is dependent on third party developers to generate production.

2. Revenues are commodity price and volume driven, and royalty owner has no control over either.

Breakaway Research Pty Ltd, ABN: 39 602 490 906
AFSL 503622 Suite 505, 35 Lime Street Sydney 2000, PO Box H116,
Australia Square NSW 1215, Australia t +61 2 9392 8010 f +61 2 9279 2727

Analyst Verification

I, **Stephen Bartrop**, as the Research Manager, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Research Pty Ltd (AFSL 503622) and its associates, or consultants may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of ***High Peak Royalties Limited*** and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

Disclaimer

Any observations, conclusions, deductions, or estimates of figures that have been made by Breakaway Research in this report should not be relied upon for investment purposes and the reader should make his or her own investigations. This publication has been issued on the basis that it is only for the information and exclusive use of the particular person to whom it is provided. Any recommendations contained herein are based on a consideration of the securities alone. In preparing such general advice no account was taken of the investment objectives, financial situation and particular needs of a particular person. Before making an investment decision on the basis of this advice, investors and prospective investors need to consider, with or without the assistance of a securities adviser, whether the advice is appropriate in light of the particular investment needs, objectives and financial circumstances of the investor or the prospective investor. Although the information contained in this publication has been obtained from sources considered and believed to be both reliable and accurate, no responsibility is accepted for any opinion expressed or for any error or omission that may have occurred therein.

Breakaway Research Pty Ltd
AFSL 503622 ABN: 39 602 490 906,
T+61293928010 F+61292792727
PO Box H116 Australia Square
Sydney, NSW 2001
Suite 505, 35 Lime Street,
Sydney, NSW 2000