



High Peak Royalties Limited

ABN: 79 118 065 704

**Half-Year Financial Report
31 December 2014**

Corporate Directory

High Peak Royalties Limited

ABN: 79 118 065 704

Chairman

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

Directors

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

Chief Executive Officer

Steven Larkins

Chief Financial Officer

Mr Jarrod White

Joint Company Secretaries

Mr Robert Hodby
Mr Jarrod White

Perth Office

Level 17 Exchange Plaza, 2 The Esplanade
PERTH WA 6000, AUSTRALIA

Sydney Office

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

Securities Quoted

Australian Securities Exchange Ltd (ASX)
Codes:

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

Share Registry

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

Website

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

Auditors

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

Bankers

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

National Australia Bank
345 George Street
SYDNEY NSW 2000, AUSTRALIA

Lawyers

Herbert Smith Freehills
QV.1 Building
250 St Georges Terrace
PERTH WA 6000, AUSTRALIA

Addisons
Level 12
60 Carrington Street
SYDNEY NSW 2000, AUSTRALIA

Woodward & Shaw
4849 Greenville Ave # 1111
DALLAS, TX 75206, UNITED STATES

High Peak Royalties Limited Group Structure

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

- Phoenix Oil and Gas Limited
- Oil and Gas Royalties Pty Ltd
- Torrens Energy (SA) Pty Ltd
- HPR USA Inc.

High Peak Royalties Limited

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High Peak Royalties Limited

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of High Peak Royalties Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

DIRECTORS

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

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

Chief Executive Officer

Mr Steven Larkins

Chief Financial Officer

Mr Jarrod White

Joint Company Secretaries

Mr Robert Hodby
Mr Jarrod White

OPERATING AND FINANCIAL REVIEW

Principal Activities

The Company has royalties over 23 oil and gas projects covering producing areas and high potential exploration areas in Australia, United States of America and the Seychelles and is the operator of seven geothermal permit interests. At balance date four royalty areas are currently in production and generating income for the Company however it is noted that subsequent to balance date that the company successfully settled its pre balance date commitment on a fifth producing royalty located in Texas, USA.

Results from Operations

The net loss after providing for income tax for the half year ended 31 December 2014 amounted to \$774,108 (2013: \$896,237).

Performance Throughout the Period

Revenue from royalty income throughout the half-year ended 31 December 2014 increased by \$31,994 to \$105,841 (2013: \$73,847). The Company reported an operating loss of \$774,108 (2013: loss \$896,237). The company ended the half year with a cash balance of \$5,531,786.

High Peak Royalties Limited

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Non Operated – Royalties

Existing Royalty Portfolio

Over the six months to 31 December 2014 the following highlights relevant to the existing portfolio of royalty interests were announced:

- First cargo of LNG has been loaded from BG Group's QCLNG Project on Curtis Island. The project will expand with the start-up of the second train in the third quarter of 2015. High Peak Royalties has a 2.5% overriding royalty over two permits that are 100% owned by the QCLNG Joint Venture;
- Peat Gas Field over which High Peak Royalties has a 2.13% overriding royalty interest recommenced production on 17 November 2014, a month earlier than previously advised. In addition, a deep conventional test well is planned during 2015;
- Tintaburra Oil Field over which High Peak Royalties has a 3.6/4.0% Net Profit Royalty Interest had two well deepening operations which were successful and highlight the Field's potential;
- Longtom Gas Field over which High Peak Royalties has a 0.3% overriding royalty interest has been acquired by Seven Group Holdings which is a positive development and addresses funding issues that had been experienced by the prior operator Nexus Energy.

Creation of 2% Royalties Over NT EP 156 and EP(A) 155

As announced High Peak Royalties signed a legally binding Share Sale and Purchase Deed with Mosman Oil and Gas Ltd (Mosman) for the sale of OilCo Pty Ltd, a 100% owned subsidiary of HPR.

Sale consideration received had an estimated market value to be the same as the shares in Oilco transferred which on date of sale had a book value of \$841,376. This has been apportioned across the following replacement assets (less cash) and as a result no gain or loss recognised in the following year:

- \$10,000 cash;
- \$5,000 re-imburement contribution to legal fees;
- 2% registered royalty over NT EP 156;
- 2% registered royalty over NT EP(A) 155 if issued.

The net effect of the transaction was that amounts reflected in the current year as Exploration Assets were reclassified as Intangible royalty assets.

The transaction was consistent and is a recent example of the company's proven business strategy of royalty creation and acquisition.

Texas, USA Acquisition

As announced to the ASX on 24 December 2014, the Company entered into a binding agreement with The Dillon Fund for the purchase of royalty interests in Harrison, Midland and Willacy Counties, Texas. The Dillon Fund is a non-profit foundation based in New York.

High Peak Royalties Limited

DIRECTORS' REPORT

The royalties (both overriding royalty interests and non-participating royalty interests) are 0.2% to 0.4% in 43 active wells spread across three different basins. The term of the overriding royalty interests will be dependent on the term of the underlying leases (typically held by production) whilst the term of the non-participating royalty interests are normally perpetual.

Royalty income is primarily from natural gas production. The effective date of the conveyance and assignment of the royalties is 1 January 2015. Accordingly High Peak Royalties will generate cash-flow from the royalty interests from the start of calendar 2015 and purchase consideration was US\$350,000 to be funded from existing cash reserves.

The Company incorporated a wholly owned subsidiary HPR USA Inc, to be its local holding entity for this and any future USA based acquisitions.

Settlement of the full acquisition price took place on 5 February 2015 meaning that High Peak Royalties will generate cash-flow from the royalty interests from the start of calendar 2015.

Operated – Exploration Licences

Geothermal Permits

100% Owned Geothermal Permits (SA GELs 571, 572, 573, 574 and 559, GELA 266 and NT GEPA 27824)

High Peak Royalties is currently in discussion with the Department for Manufacturing, Innovation, Trade, Resources and Energy, South Australia with respect to work commitments and renewals of the geothermal permits. As previously advised the current intention is to vend the geothermal permits and to retain a royalty as was achieved with the wholly owned petroleum exploration permit interests in the NT.

EVENTS SUBSEQUENT TO BALANCE DATE

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

Texas Acquisition Completion

- On 24 December 2014 the company entered into a binding agreement with The Dillon Fund for the purchase of royalty interests in Harrison, Midland and Willacy Counties, Texas;
- Settlement of the full acquisition price took place on 5 February 2015, meaning that High Peak Royalties will generate cash-flow from the royalty interests from the start of calendar 2015.

Acquisition of Strategic Stake in Royalco Resources Limited (ASX:RCO)

- On 2 February 2015 the Company acquired a strategic 19.99% shareholding in ASX-listed royalty company Royalco Resources Limited (**Royalco**, ASX: RCO).
- The acquisition of the strategic stake in Royalco is consistent with High Peak Royalties' strategy of gaining exposure to attractive royalty interests and complements High Peak Royalties' existing portfolio of oil and gas royalties and provides an indirect exposure to 19 oil and/or gas production permits in the Gippsland Basin operated by ExxonMobil. The permits currently supply 40% of the East Coast of Australia's gas demand and should be a beneficiary of rising gas demand.

High Peak Royalties Limited

DIRECTORS' REPORT

- Royalco holds a collection of royalty interests across Australia and overseas with its key royalty interest being a 1% interest in the Weeks Petroleum Royalty;
 - The Weeks Petroleum Royalty is a 2.5% overriding royalty covering all production from the world class Bass Strait fields in the Gippsland Basin jointly owned by ExxonMobil and BHP Billiton.
- The holding of 10,540,000 shares was purchased from LSE-listed royalty company Anglo Pacific Group PLC (LON: APF) at A\$0.20 per share for a total value consideration of A\$2.1M which will be funded from existing cash reserves;
 - Current price as at 10 March 2015 is \$0.23 (ASX:RCO) and this represents a 15% increase in the value of the Company's investment;
 - On 24 February 2015 Royalco announced an interim dividend of 0.5 cents per share. HPR is entitled to the dividend as a shareholder at record date and the dividend is payable on 13 March 2015. The interim dividend already represents a 2.5% return on investment and will lead to an increase in current quarter income in excess of \$50,000;
 - High Peak Royalties has no current intention to materially increase its shareholding in Royalco, but does reserve the right to review the level of its shareholding in the future.

Following the completion of the above subsequent events the Company's royalty portfolio is updated to include:

Permit / Location	Royalty Interest (%)	Operated By
PL 171 and ATP 574P	2.50	Queensland Gas / BG Group
ATP 299P	3.6/4.0	Santos
Petroleum Leases: PL29, PL38, PL39, PL52, PL57, PL95, PL169, PL170, PL293, PL294, PL295 and PL298		
Peat Gas Field (PL101)	2.13	Origin Energy
Surprise Oil Field (PL6)	1.00	Central Petroleum
Longtom Gas Field (VIC/L29 and VIC/P54)	0.30	Seven Group Holdings
WA-314-P	0.10	Karoon Gas
WA-315-P	0.10	ConocoPhillips
EP(A)111, EP115, EP(A)120 and EP(A) 124	1.00	Central Petroleum
EP112, EP115NM and EP125	1.00	Santos
PEL512	1.30	Discovery Energy
WA-482-P	0.20	Apache Corporation
Seychelles (PEC-5B/1, PEC-5B/2 and PEC-5B/3)	0.04	Ophir Energy
WA-EP468	2.00	Paltar Petroleum
EP156 and EP(A)155	2.00	Mosman Oil and Gas
United States (East Texas, Permian and Texas Gulf Coast Basins)	0.20 to 0.40	Sabine Oil and Gas, Pioneer Natural Resources and Wagner Oil Company
Weeks Petroleum Royalty (Gippsland Basin) indirect interest via 19.99% shareholding in Royalco Resources (ASX: RCO)	0.005	ExxonMobil

There were no other significant events subsequent to balance date.

High Peak Royalties Limited

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the half year ended 31 December 2014 has been received and can be found on page 7 of the Annual Report.

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

On behalf of the Directors:



Anthony Wooles

Chairman

Dated 13 March 2015

13 March 2015

Board of Directors
High Peak Royalties Limited
Suite 305, Level 3,
55 Lime Street
Sydney NSW 2000

Dear Sirs

RE: HIGH PEAK ROYALTIES LIMITED

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

As Audit Director for the review of the financial statements of High Peak Royalties Limited for the period ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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



Samir R Tirodkar
Director

High Peak Royalties Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated	
		31/12/2014	31/12/2013
		\$	\$
Total Revenue	2	116,815	73,848
Employee and director expenses		(271,363)	(160,948)
Due diligence and professional service expenses		(287,333)	(300,078)
Occupancy expenses		(9,900)	(2,100)
Finance costs		(516)	(94,872)
Exploration & Evaluation Expenditure		(1,478)	-
Depreciation Expense		(1,056)	-
Amortisation expense		(143,718)	(131,233)
Impairment		-	(247,869)
Transaction costs		(191,914)	-
Other expenses		(76,197)	(44,781)
Other income		92,552	11,795
(LOSS) BEFORE INCOME TAX		(774,108)	(896,237)
Income Tax Expense		-	-
(LOSS) FROM CONTINUING OPERATIONS		(774,108)	(896,237)
Other Comprehensive Income		-	-
- Items that will not be reclassified subsequently to profit or loss		-	-
- Items that may not be reclassified subsequently to profit or loss		-	-
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY		(774,108)	(896,237)
Basic and diluted loss per share (cents per share)		(0.46)	(0.72)

The above 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 2014

	Notes	Consolidated	
		31/12/2014	30/06/2014
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		5,531,786	6,718,455
Trade and other receivables		111,824	227,614
Other financial assets	3	2,927	2,927
TOTAL CURRENT ASSETS		5,646,537	6,948,996
NON-CURRENT ASSETS			
Trade and other receivables		153,852	153,484
Intangible assets - royalty rights		11,515,482	10,780,924
Exploration and evaluation expenditure		2,313,181	3,075,655
Property, plant and equipment	5	8,577	9,633
TOTAL NON-CURRENT ASSETS		13,991,092	14,019,696
TOTAL ASSETS		19,637,629	20,968,692
CURRENT LIABILITIES			
Trade and other payables		253,503	473,662
Other financial liabilities		83,204	420,000
TOTAL CURRENT LIABILITIES		336,707	893,662
Non-Current Liabilities			
Other financial liabilities		-	-
Provision for rehabilitation		200,000	200,000
TOTAL NON-CURRENT LIABILITIES		200,000	200,000
TOTAL LIABILITIES		536,707	1,093,662
NET ASSETS		19,100,922	19,875,030
EQUITY			
Issued Capital	6	26,661,705	26,661,705
Reserves		-	-
Accumulated Losses		(7,560,783)	(6,786,675)
TOTAL EQUITY		19,100,922	19,875,030

The above 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 2014

	Share Capital Ordinary \$	Accumulated Losses \$	Reserves \$	Total \$
BALANCE AT 1 JULY 2013	15,805,920	(4,787,942)	1,325,280	12,343,258
Loss for the half-year	-	(896,237)	-	(896,237)
Other comprehensive income	-	-	-	-
Total Comprehensive Loss	-	(896,237)	-	(896,237)
Shares issued during the half year	-	-	(125,000)	(125,000)
Share based payments	-	-	-	-
BALANCE AT 31 December 2013	15,805,920	(5,684,179)	1,200,280	11,322,021
BALANCE AT 1 JULY 2014	26,661,705	(6,786,675)	-	19,875,030
Loss for the half-year	-	(774,108)	-	(774,108)
Other comprehensive income	-	-	-	-
Total Comprehensive Loss	-	(774,108)	-	(774,108)
Shares Issued during the year				
Exercise of Options				-
Share based payment				-
BALANCE AT 31 December 2014	26,661,705	(7,560,783)	-	19,100,922

The accompanying notes form part of the financial statements

High Peak Royalties Limited

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 Dec 2014	31 Dec 2013
Notes	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from royalty rights	112,443	102,293
Payments to suppliers and employees	(686,843)	(427,916)
Transaction Costs	(191,914)	-
Interest received	67,218	11,795
Interest and finance costs	(516)	(36,475)
Other	17,342	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	(682,270)	(350,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for royalty rights	(47,482)	(7,267)
Intangibles	(36,900)	-
NET CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES	(84,382)	(7,267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowing facilities	(420,000)	(138,615)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(420,000)	(138,615)
NET (DECREASE)/ INCREASE IN CASH HELD	(1,186,652)	(496,185)
Cash at beginning of financial year	6,718,455	1,130,333
FX Adjustment	(17)	-
CASH AT END OF FINANCIAL YEAR	5,531,786	634,148

The accompanying notes form part of the financial statements

High Peak Royalties Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements represent those of High Peak Royalties Limited ("High Peak") formerly Torrens Energy Limited for the interim half-year reporting period ended 31 December 2014 and its controlled entities (the "consolidated group" or "group") and have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The separate financial statements of the parent entity, High Peak Royalties Limited, have not been presented within this financial report pursuant to the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 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.

Business Combination

On 17 April 2014, High Peak Royalties Limited wholly acquired Phoenix Oil and Gas Limited and its wholly owned subsidiaries.

Under the accounting standard applicable to business acquisitions, AASB 3 Business Combinations, the acquisition of Phoenix Oil and Gas Limited ("POG") by High Peak is required to be accounted for as a reverse acquisition of High Peak by POG. Under this scenario, POG is deemed to be the acquirer and High Peak (formerly Torrens Energy Limited) is deemed to be the subsidiary. Applying the reverse acquisition method of accounting, following the acquisition, the consolidated financial statements are required to represent the continuation of the financial statements of POG and its controlled entities from the date of acquisition.

The impact of the reverse acquisition on each of the primary statements is as follows:

- **Statement of Financial Position:** the 31 December 2014 statement of financial position represents both High Peak (formerly Torrens Energy Limited) and Phoenix.

The 30 June 2014 statement of financial position represents the position of both High Peak (formerly Torrens Energy Limited) and Phoenix at 30 June 2014.

- **Statement of Profit or Loss and Other Comprehensive Income:** the 31 December 2014 statement of profit or loss and other comprehensive comprises 6 months activities of Phoenix and for High Peak (formerly Torrens Energy Limited).

The 31 December 2013 statement of profit or loss and other comprehensive income comprises 6 months of Phoenix activity only.

- **Statement of Changes in Equity:** The 31 December 2014 statement of changes in equity comprises of Phoenix and High Peak profit for the period, and transactions with equity holders for the period.

High Peak Royalties Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

The 31 December 2013 statement of changes in equity comprises changes in equity for the 6 month period of Phoenix only.

- **Statement of Cash Flows:** The 30 June 2014 statement of cash flows comprises the cash balance of Phoenix and High Peak (formerly Torrens Energy Limited) for the six months ending 31 December 2014.

The 31 December 2013 statement of cash flows comprises of 6 months of Phoenix cash transactions.

Critical accounting estimates and judgements

Critical estimates and judgements are evaluated by the Directors and incorporated into the financial report based on historical knowledge and best available current information. These estimates assume a reasonable expectation of future events and are based on trends and economic data obtained externally and within the Group.

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Comparative information is reclassified where appropriate to enhance comparability.

(a) New and Amended Standards Adopted by the Group

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

High Peak Royalties Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

- AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

High Peak Royalties Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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 the one business and geographical segment, being the acquisition of royalty and exploration interests in oil and gas assets predominately in Australia.

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 exploration permits these are inactive assets and are considered non-core to the operations of the entity. Throughout the year there was no material movement to expenditure or capital paid on these permits and the Group considers its operations to focus solely on the operation and exploitation of proceeds from royalty rights.

Information about major customers

Revenues arising from royalty receipts of \$105,841 (2013: \$73,847) arose from royalties paid by the operators of the Longtom, Peat, EP115 and ATP 299. These contributed \$57,184, \$0, \$5,045 and \$43,612 respectively to revenue in 2014 (2013: \$77,477, (\$50,192), \$0 and \$46,563).

3. VALUATION TECHNIQUES

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

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

	Fair Value Measurements at 31 December 2014 Using:		
	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs
	\$ (Level 1)	\$ (Level 2)	\$ (Level 3)
Investment in options of listed corporation	-	2,927	-

High Peak Royalties Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

4. INTANGIBLE ASSETS

On 27 August 2014, High Peak signed a legally binding Share Sale and Purchase Deed with Mosman Oil and Gas Ltd (Mosman) for the sale of OilCo Pty Ltd, a 100% owned subsidiary of HPR.

Sale consideration received has an estimated market value to be same as the shares in Oilco transferred which on date of sale had a book value of \$841,376. This will be apportioned across the following replacement assets (less cash) and as a result no gain or loss recognised in the current period.

5. PROPERTY, PLANT AND EQUIPMENT

	31/12/2014	30/06/2014
	\$	\$
Computer equipment, furniture and exploration equipment	80,486	80,486
Less: Accumulated depreciation	<u>(71,909)</u>	<u>(70,853)</u>
	<u>8,577</u>	<u>9,633</u>
Balance at beginning of year	9,633	-
Acquisition during the year	-	9,633
Depreciation	<u>(1,056)</u>	<u>-</u>
Balance at end of year	<u>8,577</u>	<u>9,633</u>

6. ISSUED SHARE CAPITAL

Fully paid ordinary share capital

	31/12/2014		30/06/2014	
	No. of shares	\$	No. of shares	\$
Ordinary shares				
At the beginning of the period	166,800,792	26,661,705	123,391,862	15,805,920
Shares issued during the period	-	-	-	500,000
Reversal of existing Phoenix shares	-	-	(123,391,862)	-
Existing TEY shares on issue	-	-	17,408,353	
Issue of shares pursuant to public offer	-	-	24,000,000	6,000,000
Issue of ordinary shares to acquire Phoenix shares	-	-	125,392,439	4,355,785
Share issue expenses	-	-	-	-
At the end of the financial year	<u>166,800,792</u>	<u>26,661,705</u>	<u>166,800,792</u>	<u>26,661,705</u>

High Peak Royalties Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or assets at 31 December 2014.

8. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest and voting power held	
		31/12/2014	30/06/2014
Torrens Energy (SA) Pty Ltd	Australia	100%	100%
Phoenix Oil and Gas Ltd	Australia	100%	100%
Oilco Pty Ltd	Australia	-	100%
Oil & Gas Royalties Pty Ltd	Australia	100%	100%
HPR USA Inc.	United States of America	100%	-

9. SUBSEQUENT EVENTS

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

Texas Acquisition Completion

- On 24 December 2014 the company entered into a binding agreement with The Dillon Fund for the purchase of royalty interests in Harrison, Midland and Willacy Counties, Texas;
- Settlement of the full acquisition price took place on 5 February 2015, meaning that High Peak Royalties will generate cash-flow from the royalty interests from the start of calendar 2015.

Acquisition of Strategic Stake in Royalco Resources Limited (ASX:RCO)

- On 2 February 2015 the Company acquired a strategic 19.99% shareholding in ASX-listed royalty company Royalco Resources Limited (**Royalco**, ASX: RCO).
- The acquisition of the strategic stake in Royalco is consistent with High Peak Royalties' strategy of gaining exposure to attractive royalty interests and complements High Peak Royalties' existing portfolio of oil and gas royalties and provides an indirect exposure to 19 oil and/or gas production permits in the Gippsland Basin operated by ExxonMobil. The permits currently supply 40% of the East Coast of

High Peak Royalties Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Australia's gas demand and should be a beneficiary of rising LNG demand.

- Royalco holds a collection of royalty interests across Australia and overseas with its key royalty interest being a 1% interest in the Weeks Petroleum Royalty;
 - The Weeks Petroleum Royalty is a 2.5% overriding royalty covering all production from the world class Bass Strait fields in the Gippsland Basin jointly owned by ExxonMobil and BHP Billiton.
-
- The holding of 10,540,000 shares was purchased from LSE-listed royalty company Anglo Pacific Group PLC (LON: APF) at A\$0.20 per share for a total value consideration of A\$2.1M which will be funded from existing cash reserves;
 - Current price as at March 2015 is \$0.23 (ASX:RCO) and this represents a 15% increase in the value of the Company's investment;
 - On 24 February 2015 Royalco announced an interim dividend of 0.5 cents per share. HPR is entitled to the dividend as a shareholder at record date and the dividend is payable on 13 March 2015. The interim dividend already represents a 2.5% income on investment and is expected to lead to an increase in current quarter income in excess of \$50,000;
 - High Peak Royalties has no current intention to materially increase its shareholding in Royalco, but does reserve the right to review the level of its shareholding in the future.

There were no other significant events subsequent to balance date.

Directors' Declaration

The Directors of High Peak Royalties Limited declare that:

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

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

On behalf of the Directors:



Anthony Wooles

Non-executive Chairman

13 March 2015

**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 2014, 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, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for High Peak Royalties Limited (the consolidated entity). The consolidated entity comprises both High Peak Royalties Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of High Peak Royalties Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of High Peak Royalties Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of High Peak Royalties Limited on 13 March 2015.

Basis for Qualified Conclusion


Included in the financial report are the comparative figures of Phoenix Oil and Gas Ltd which were not reviewed or audited by us as we were not the auditors. Therefore we were unable to satisfy ourselves by alternative means of the comparatives disclosed in the financial report.

Qualified Review Conclusion

Based on our review, which is not an audit, except for the matters described in the Basis for Qualified Conclusion paragraph above, 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 2014 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.

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

Stantons International Audit and Consulting Pty Ltd


Samir R Tirodkar
Director

West Perth, Western Australia
13 March 2015