



High Peak Royalties Limited

ABN: 79 118 065 704

**Half-Year Financial Report
31 December 2017**

HIGH PEAK ROYALTIES LIMITED

CORPORATE DIRECTORY

High Peak Royalties Limited

ABN: 79 118 065 704

Chairman

Anthony Wooles (Non-Executive Chairman) (resigned 27 November 2017)

Andrew Carroll (Non-Executive Chairman) (appointed 27 November 2017)

Geoffrey King (Non-Executive Deputy Chairman)

Directors

Anthony Wooles (Non-Executive Director)

Geoffrey King (Non-Executive Director)

Andrew Carroll (Non-Executive Director)

Jarrold White (Executive Director) (appointed 29 November 2017)

Chief Financial Officer

Jarrold White (position consolidated into Executive Director)

Joint Company Secretary

Jarrold White

Philip Leighfield (appointed 29 November 2017)

Registered Office

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

Securities Quoted

Australian Securities Exchange Ltd (ASX)
Code: HPR

Share Registry

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

Website

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

Auditors

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

Bankers

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

National Australia Bank
345 George Street
SYDNEY NSW 2000, AUSTRALIA

Lawyers

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

High Peak Royalties Limited Group Structure

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

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

HIGH PEAK ROYALTIES LIMITED

CONTENTS

	Page
Directors' Report	2
Auditor's Independence Declaration	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Condensed notes to the Financial Statements	10
Directors' Declaration	17
Independent Auditor's Review Report	18

HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of High Peak Royalties Limited (HPR) (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

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 (resigned 27 November 2017, remains Non-Executive Director)
Geoffrey King	Deputy Chairman, Non-executive Director
Andrew Carroll	Non-Executive Chairman (appointed 27 November 2017)
Jarrold White	Executive Director (appointed 29 November 2017)

Chief Financial Officer

Jarrold White (position consolidated into Executive Director)

Joint Company Secretary

Jarrold White
Philip Leighfield (appointed 29 November 2017)

REVIEW OF OPERATIONS

Principal Activities

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

Results from Operations

The net loss after providing for income tax for the half year ended 31 December 2017 amounted to \$233,900 (2016: \$192,709).

Performance throughout the Period

Revenue from non-operated royalty income throughout the half-year ended 31 December 2017 increased to \$105,829 (2016: \$14,100) which was due to increased USA royalties and the resumption of royalties from Peat Field ATP 525.

The company ended the half year with a cash balance of \$1,255,650 (June 2017: \$1,523,065).

HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT CONTINUED

REVIEW OF OPERATIONS CONTINUED

Royalties

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

Operated – Exploration Licences

Permit / Location	Royalty Interest (%)	Operated By
PL 171 and ATP 574P	2.50	Queensland Gas/BG Group/ Shell
ATP 299P Petroleum Leases: PL29, PL38, PL39, PL52, PL57, PL95, PL169, PL170, PL293, PL294, PL295 and PL298	3.6/4.0	Santos
Peat Gas Field (PL101)	2.125	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
WA-482-P	0.20	Quadrant Energy
WA-EP468	2.00	Paltar Petroleum
EP156 and EP(A)155	2.00	Mosman Oil and Gas
United States (East Texas, Permian and Texas Gulf Coast Basins)	0.20 to 0.40	Sabine Oil and Gas, Pioneer Natural Resources and Wagner Oil Company
United States (East Texas)	1.00	Silver Tusk and New Century Operating
Weeks Petroleum Royalty (Gippsland Basin) indirect interest via 10.68% shareholding in Royalco Resources (ASX: RCO)	0.0025	ExxonMobil

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

High Peak holds four geothermal energy licences in South Australia.

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On-market share buy-back

On 06 November 2017, High Peak Royalties Limited announced an on-market share buy-back. The buy-back is subject to a maximum of 8,340,040 shares, being approximately 5% of the shares on issue at the time of the announcement. At the date of this report a total of 1,200,674 shares have been purchased totalling \$47,947. Further details for after balance date transactions are contained in the subsequent events section following.

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

HIGH PEAK ROYALTIES LIMITED

DIRECTORS REPORT CONTINUED

EVENTS SUBSEQUENT TO BALANCE DATE

On-market share buy-back

Further to the paragraph in the significant changes in state of affairs section, subsequent to 31 December 2017 a total of 1,302,111 shares have been purchased totalling \$51,525.59. A total of 2,502,785 shares were bought, totalling \$99,472.55 which represents 1.50%.

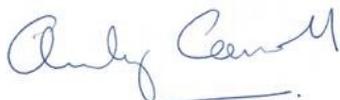
There were no other significant events subsequent to balance date.

AUDITORS INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of directors.

On behalf of the Directors:



Andrew Carroll
Non-executive Chairman
16 March 2018

RSM Australia Partners

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GPO Box 5138 Sydney NSW 2001

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of High Peak Royalties Limited for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM

RSM AUSTRALIA PARTNERS

G N SHERWOOD
GNS

G N SHERWOOD
Partner

Sydney Australia
Dated: 16 March 2018

HIGH PEAK ROYALTIES LIMITED**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

CONSOLIDATED			
	Notes	Half-year ended 31 December 2017	Half-year ended 31 December 2016
		\$	\$
Revenue from continuing operations			
Revenue	2	105,829	14,100
Investment income		-	55,238
Other Income		13,354	4,393
Expenses			
Employee and director expenses		(171,784)	(133,323)
Due diligence and professional service expenses		(84,515)	(70,072)
Occupancy expenses		(11,100)	(13,963)
Finance costs		(1,667)	(2,260)
Amortisation		(19,827)	-
Impairment		(32,144)	(428)
Other expenses		(32,046)	(46,394)
Loss before tax		(233,900)	(192,709)
Income tax expense		-	-
Loss for the period from continuing operations		(233,900)	(192,709)
Other comprehensive income			
- Items that may be reclassified subsequently to profit or loss		-	-
Total other comprehensive income for the period		-	-
Loss attributable to:			
Members of High Peak Royalties Limited		(233,900)	(192,709)
Basic and diluted loss per share (cents per share)	9	(0.14)	(0.12)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

HIGH PEAK ROYALTIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

		CONSOLIDATED	
	Notes	As at 31 December 2017 \$	As at 30 June 2017 \$
Assets			
Current Assets			
Cash and cash equivalents		1,255,650	1,523,065
Trade and other receivables		101,200	77,358
Other financial assets		2,927	2,927
Total Current Assets		1,359,777	1,603,350
Non-Current Assets			
Trade and other receivables		141,427	139,614
Available-for-sale financial assets	3	1,098,001	1,238,771
Exploration and evaluation expenditure	4	-	-
Intangible assets	5	8,718,159	8,737,986
Total Non-Current Assets		9,957,587	10,116,371
Total Assets		11,317,364	11,719,721
Liabilities			
Current Liabilities			
Trade and other payables		40,745	46,930
Total Current Liabilities		40,745	46,930
Non-Current Liabilities			
Provision		200,000	200,000
Total Non-Current Liabilities		200,000	200,000
Total Liabilities		240,745	246,930
Net Assets		11,076,619	11,472,791
Equity			
Issued capital	6	26,608,058	26,661,705
Reserves		-	108,625
Accumulated losses		(15,531,439)	(15,297,539)
Total Equity		11,076,619	11,472,791

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

HIGH PEAK ROYALTIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	Share Capital Ordinary \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2016		26,661,705	(14,973,885)	-	11,687,820
Loss for the half year		-	(156,892)	-	(156,892)
Total Comprehensive Loss		-	(156,892)	-	(156,892)
Balance at 31 December 2016	6	26,661,705	(15,130,777)	-	11,530,928
Balance at 1 July 2017		26,661,705	(15,297,539)	108,625	11,472,791
Loss for the half year		-	(233,900)	-	(233,900)
Total Comprehensive Loss		-	(233,900)	-	(233,900)
Buy-back of shares		(48,647)	-	-	(48,647)
Buy-back of shares transaction costs		(5,000)	-	-	(5,000)
Revaluation of available-for-sale assets		-	-	(108,625)	(108,625)
		(53,647)	-	(108,625)	(162,272)
Balance at 31 December 2017	6	26,608,058	(15,531,439)	-	11,076,619

The above statement of changes in equity should be read in conjunction with the accompanying notes.

HIGH PEAK ROYALTIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Notes	CONSOLIDATED	
		Half Year Ended 31 December 2017	Half Year Ended 31 December 2016
		\$	\$
Cash flows from operating activities			
Receipts from royalty rights		75,123	10,372
Payments to suppliers and employees		(295,300)	(284,717)
Interest received		11,542	2,798
Dividends received		-	55,238
Interest and finance costs		(1,667)	(2,260)
Exploration expenses		-	-
Bonds refunded		-	10,866
Net cash (used in) operating activities		(210,302)	(207,703)
Cash flows from investing activities			
Payments for royalty rights		-	(314,637)
Payments for available for sale financial assets		-	(43,228)
Net cash (used in) investing activities		-	(357,865)
Cash flows from financing activities			
Payments for share buy-back		(53,647)	-
Net cash (used in) investing activities		(53,647)	-
Net (decrease) in cash and cash equivalents		(263,949)	(565,568)
Cash and cash equivalents at the beginning of the financial period		1,523,065	1,058,403
Foreign exchange adjustment		(3,466)	(1,153)
Cash and cash equivalents at end of the period		1,255,650	491,682

The above statement of cash flows should be read in conjunction with the accompanying notes.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These condensed general purpose financial statements represent those of High Peak Royalties Limited (“High Peak”) for the interim half-year reporting period ended 31 December 2017 and its controlled entities (the “consolidated group” or “group”) and have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The separate financial statements of the parent entity, High Peak Royalties Limited, have not been presented within this financial report pursuant to the Corporations Act 2001.

These condensed general purpose financial statements do not include all the notes of the type normally included in annual financial statements. These financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(b) Critical accounting estimates and judgements

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

Key Estimates

Impairment

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

Recoverability of exploration and evaluation costs

The Company assesses the recoverability of the carrying value of capitalised exploration and evaluation costs at each reporting date (or at closer intervals should the need arise). In completing this assessment, regard is had to the Company's intentions with regard to proposed future exploration and development plans for individual exploration areas, to the success or otherwise of activities undertaken in individual areas in recent times, to the likely success of future planned exploration activities, and to any potential plans for divestment of individual areas. Any required adjustments to the carrying value of capitalised exploration are completed based on the results of this assessment.

Intangible assets – royalty rights

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

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for Site Rehabilitation and Contingent Liabilities

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

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

Management and the Board are of the opinion the costs to rehabilitate the wells will not exceed \$200,000. Given the potential range of the expected costs, management have disclosed the additional potential liability of \$950,000 as a contingent liability in Note 19 of the financial statements. It is important to point that in the event the liability exceeds the amount provided for, the effect on the profit and loss will initially be nil due the fact that the cost to restore the site will initially be capitalised into the cost of the asset and then re-assessed for potential impairment.

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

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

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

2. SEGMENT NOTE

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information.

The Group operates in one business and two geographical segments, being the acquisition of royalty and exploration interests in oil and gas assets predominately in Australia and the USA.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the performance of individual royalty rights held.

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

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2017

2. SEGMENT NOTE (CONTINUED)

Segment information	Australia	USA	Consolidated
31 December 2017			
Revenue	\$	\$	\$
Revenue from continuing operations	57,542	61,641	119,183
Total segment revenue	57,542	61,641	119,183
Segment revenue from continuing operations			119,183
Total segment result	(272,754)	38,854	(233,900)
Net loss before tax from continuing operations			(233,900)
Segment assets	10,393,173	924,191	11,317,364
Segment liabilities	237,592	3,153	240,745
31 December 2016			
Revenue	\$	\$	\$
Revenue from continuing operations	60,662	13,069	73,731
Total segment revenue	60,662	13,069	73,731
Segment revenue from continuing operations			73,731
Total segment result	(200,491)	7,782	(192,709)
Net loss before tax from continuing operations			(192,709)
Segment assets	10,837,282	882,439	11,719,721
Segment liabilities	246,930	-	246,930

3. OTHER FINANCIAL ASSETS

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

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

	Fair Value Measurements at 31 December 2017 Using:		
	Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Observable Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
<u>Available-for-Sale Financial Assets</u>			
Shares in listed corporation	1,098,001	-	-

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2017

4. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2017	30 June 2017
	\$	\$
At cost	2,310,699	2,310,699
Less impairment	(2,310,699)	(2,310,699)
	<u>-</u>	<u>-</u>
Balance at start of period	-	-
Expenditure incurred during the period	-	-
Asset derecognised on sale of subsidiary	-	-
Impairment	-	-
Balance at end of period	<u>-</u>	<u>-</u>

5. INTANGIBLE ASSETS

	31 December 2017	30 June 2017
	\$	\$
Royalty rights	13,097,692	13,097,692
Accumulated amortisation	(1,237,015)	(1,217,188)
Accumulated impairment	(3,142,518)	(3,142,518)
	<u>8,718,159</u>	<u>8,737,986</u>
Movements in Carrying Amounts		
Opening balance	8,737,986	8,543,396
Additions	-	314,637
Less		
Amortisation	(19,827)	(39,653)
Disposals	-	(80,394)
Closing balance	<u>8,718,159</u>	<u>8,737,986</u>

The recoverable amount of each royalty interests above for the purposes of testing for impairment is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10 year period or expected life of project (whichever is longer) with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted to account for the time value of money and project variability. For other assets where projected cash flows are more difficult to measure due to their stage of development, value-in-use is based on observable inputs and market transactions or recent activity.

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

- Growth Rate: expected forward production curve of underlying assets as applicable
- Discount Rate: 10-11%
- Oil Price: \$55/BBL USD (2017) then 5 year forward curve
- Gas Price: \$2.90gj USD

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

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR

ENDED 31 DECEMBER 2017

5. INTANGIBLE ASSETS (CONTINUED)

Management and the Board have determined there are no impairment indicators for the period under review and consequently no value-in-use modelling was done for the period under review.

Significant intangible assets

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

Permit / Location	Royalty Interest (%)	Operated By
PL 171 and ATP 574P	2.50	Queensland Gas/BG Group/ Shell
ATP 299P Petroleum Leases: PL29, PL38, PL39, PL52, PL57, PL95, PL169, PL170, PL293, PL294, PL295 and PL298	3.6/4.0	Santos
Peat Gas Field (PL101)	2.125	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
WA-482-P	0.20	Quadrant Energy
WA-EP468	2.00	Paltar Petroleum
EP156 and EP(A)155	2.00	Mosman Oil and Gas
United States (East Texas, Permian and Texas Gulf Coast Basins)	0.20 to 0.40	Sabine Oil and Gas, Pioneer Natural Resources and Wagner Oil Company
United States (East Texas)	1.00	Silver Tusk and New Century Operating
Weeks Petroleum Royalty (Gippsland Basin) indirect interest via 10.68% shareholding in Royalco Resources (ASX: RCO)	0.0025	ExxonMobil

Amortisation of intangible assets

Amortisation is recognised under two methods:

1. The units of production method, which is calculated based on the annual production of a royalty interest and is apportioned over its total proven and probable reserves and;
2. The straight line basis method, which is calculated over the estimated field life of the asset.

Impairment of intangible assets

The Group reviews its intangible assets for impairment each reporting period.

The Group has not found anything to indicate that any royalty interests are impaired.

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

6. ISSUED SHARE CAPITAL

Fully paid ordinary share capital

	31 December 2017		30 June 2017	
	No. of shares	\$	No. of shares	\$
Ordinary shares				
At the beginning of the period	166,800,792	26,661,705	166,800,792	26,661,705
Shares cancelled as part of share buy-back	(1,200,674)	(53,647)	-	-
At the end of the financial period	165,600,118	26,608,058	166,800,792	26,661,705

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

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

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

There are no other contingent assets as at 31 December 2017.

Contingent Liability

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

Given the potential range of the expected costs, management have disclosed this additional potential liability of \$950,000 as a contingent liability. It is important to point that in the event the liability exceeds the amount provided for, the effect on the profit and loss will initially be nil due the fact that the cost to restore the site will initially be capitalised into the cost of the asset and then re-assessed for potential impairment.

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

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

At balance date Commercial Production is not foreseeable within the coming financial year.

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

HIGH PEAK ROYALTIES LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

8. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest and voting power held	
		31 December 2017	30 June 2017
Torrens Energy (SA) Pty Ltd	Australia	100%	100%
Phoenix Oil and Gas Ltd	Australia	100%	100%
Oil & Gas Royalties Pty Ltd	Australia	100%	100%
HPR USA Inc.	United States of America	100%	100%

9. SUBSEQUENT EVENTS

On-market share buy-back

Further to the paragraph in the significant changes in state of affairs section, subsequent to 31 December 2017 a total of 1,302,111 shares have been purchased totalling \$51,525.59. A total of 2,502,785 shares were bought, totalling \$99,472.55 which represents 1.50%.

There were no significant events subsequent to balance date.

HIGH PEAK ROYALTIES LIMITED

DIRECTORS' DECLARATION

The Directors of High Peak Royalties Limited declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes as set out on pages 6 to 16 comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements.

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

On behalf of the Directors:



Andrew Carroll
Non-executive Chairman
16 March 2018

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 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of High Peak Royalties Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of High Peak Royalties Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of High Peak Royalties Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

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

G N Sherwood
Partner

Sydney Australia
Dated: 16 March 2018