

High Peak Royalties Limited

ABN 79 118 065 704

Annual Report - 30 June 2022

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High Peak Royalties Limited
Corporate directory
30 June 2022

Directors

David Croll (Interim Chairman)
James Knowles (Non-executive Director)
Anthony Wooles (Non-executive Director)

Company secretary

Jarrold White

Registered office

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

Principal place of business

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

Share register

Boardroom Pty Limited
Level 12
225 George Street
SYDNEY NSW 2000

Auditor

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

Stock exchange listing

High Peak Royalties Limited shares are listed on the Australian Securities Exchange (ASX code: HPR)

Website

www.highpeak.com.au

High Peak Royalties Limited
Directors' report
30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') 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 year ended 30 June 2022.

Directors

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

David Croll; Interim Chairman and Non-Executive Director, appointed 30 August 2021

James Knowles; Non-Executive Director, appointed 30 August 2021

Anthony Wooles; Non-Executive Director

Andrew Carroll; Non-Executive Director, resigned 30 November 2021

Geoffrey King; Non-Executive Director, resigned as 30 November 2021

Principal activities

The Company continually seeks and reviews growth opportunities including the acquisition of additional royalties.

The Company has royalties over 20 oil and gas permits in Australia over 2,000 wells in the USA and is the operator of four geothermal permit interests. In the FY22 period 5 royalties were generating income for the Company with some royalties on exploration permits expected to provide income in due course (subject to discovery and development) with the potential for additional revenue from development resulting in increased production on existing areas.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the Group after providing for income tax amounted to \$758,972 (30 June 2021: \$1,296,837).

High Peak Royalties Limited
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Royalties

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

| Permit / Location | Royalty Interest (%) | Operated By |
|---|----------------------|--|
| PL 171 and ATP 574P | 2.50 | Queensland Gas/BG Group/ Shell |
| ATP 299P Petroleum Leases: PL29, PL38, PL39, PL52, PL57, PL95, PL169, PL170, PL293, PL294, PL295 and PL298 | 3.6/4.0 | Santos |
| Peat Gas Field (PL101) | 2.13 | Origin Energy |
| Surprise Oil Field (PL6) | 1.00 | Central Petroleum |
| Longtom Gas Field (VIC/L29) | 0.30 | Seven Group Holdings |
| WA-90-R / WA-91-R (formerly WA-315-P) Poseidon Field | 0.10 | Santos |
| EP(A)111, EP(A)120 and EP(A) 124 | 1.00 | Central Petroleum |
| EP112, EP115NM and EP125 | 1.00 | Santos |
| EP115 | 1.00 | Frontier Oil and Gas |
| WA-482-P | 0.20 | Santos |
| EP(A)155 | 2.00 | Mosman Oil and Gas |
| Planet Gas USA Inc. Royalties | 3.00 | Empire Energy |
| United States (East Texas, Permian and Texas Gulf Coast Basins) | 0.20 to 0.40 | Sabine Oil and Gas, Pioneer Natural Resources and Wagner Oil Company |
| United States (East Texas) | 1.00 | Silver Tusk and New Century Operating |
| Royalty over hydrogen sales including catalysts | 1.00 | Scimtek Hydrogen Pty Ltdl |
| ML 04/244 and ML 04/249 Admiral Bay, Canning Basin | 1.5% GOR 1.5% NSR | Metalicity Ltd |
| Licence/Location | Ownership % | Approximate Area in km² |
| GEL 571 South Australia (under renewal) | 100 | 1,845.23 |
| GEL 572 South Australia (under renewal) | 100 | 1,764.20 |
| GEL 573 South Australia (under renewal) | 100 | 1,180.49 |
| GEL 574 South Australia (under renewal) | 100 | 1,139.26 |

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Since the end of the reporting period:

- Santos has decided to withdraw from the EP 115 exploration permit and to focus its efforts on other areas of the Amadeus Basin. Santos has assigned its 40% interest to Frontier Oil & Gas Pty Ltd, which has since assumed the Group's royalty interest in EP 115.

No other matters or circumstances have arisen since 30 June 2022 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

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Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Mr David Croll
Title: Non-Executive Director and Interim Chairman

Experience and expertise: Mr David Croll is currently the Managing Director and Founder of Noontide Investments Limited – an investment management company based in Sydney specialising in undervalued small cap stocks David is currently a director of Providence Wealth Advisory Group – an independent wealth manager providing advice to high-net-worth families.

Other current directorships: NA
Former directorships (last 3 years): NA
Interests in shares: 62,778,129

Name: Mr James Knowles
Title: Non-Executive Director

Experience and expertise: Mr James Knowles is currently the Director and Principal Geologist of Measured Group Pty Ltd – an independent company which provides reporting, advice and technical geological services. James has over 23 years' experience in management and consulting roles including at McElroy Bryan Geological Services Pty Ltd, Excel Coal Limited, BHP Billiton, and Peabody Energy Australia where James was Director of Geology and Resources.

Other current directorships: NA
Former directorships (last 3 years): NA
Interests in shares: 1,281,840

Name: Mr Anthony Wooles
Title: Non-Executive Director

Experience and expertise: 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: a 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 current directorships: Mr Wooles was appointed as Non-Executive Chairman of ASX listed Company Imdex Limited (ASX: IMD) on 1 July 2016.
Former directorships (last 3 years): NA
Interests in shares: 21,250,000

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

High Peak Royalties Limited

Directors' report

30 June 2022

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

| | Full Board | |
|-------------------|------------|------|
| | Attended | Held |
| Mr Andrew Carroll | 6 | 6 |
| Mr Geoffrey King | 6 | 6 |
| Mr Anthony Wooles | 9 | 10 |
| Mr James Knowles | 7 | 7 |
| Mr David Croll | 7 | 7 |

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

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Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

The total aggregate fixed sum per annum to be paid to Directors (excluding salaries of executive Directors) may be varied by ordinary resolution of Shareholders at a general meeting.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- Share based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Voting and comments made at the company's 2021 Annual General Meeting ('AGM')

At the 2021 AGM, 99.1% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of High Peak Royalties Limited:

- David Croll - Non-Executive Director and Interim Chairman
- James Knowles - Non-Executive Director
- Anthony Wooles - Non-Executive Director
- Andrew Carroll - Non-Executive Director
- Geoffrey King - Non-Executive Director

High Peak Royalties Limited
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| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------|------------|---------------|--------------------------|--------------------|----------------------|----------------|
| | Cash salary and fees | Cash bonus | Other fees | Super-annuation | Long service leave | Equity-settled | |
| 2022 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Anthony Wooles | 65,000 | - | - | - | - | - | 65,000 |
| James Knowles | 42,352 | - | - | - | - | - | 42,352 |
| Geoffrey King | 19,025 | - | - | 1,903 | - | - | 20,928 |
| Andrew Carroll | 39,583 | - | - | - | - | - | 39,583 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| Jarrold White | - | - | 54,000 | - | - | - | 54,000 |
| | 165,960 | - | 54,000 | 1,903 | - | - | 221,863 |

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------|------------|---------------|--------------------------|--------------------|----------------------|----------------|
| | Cash salary and fees | Cash bonus | Other Fees | Super-annuation | Long service leave | Equity-settled | |
| 2021 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Anthony Wooles | 65,000 | - | 2,943 | - | - | - | 67,943 |
| Geoffrey King | 45,660 | - | - | 4,338 | - | - | 49,998 |
| Andrew Carroll | 95,000 | - | 695 | - | - | - | 95,695 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| Jarrold White | - | - | 54,000 | - | - | - | 54,000 |
| | 205,660 | - | 57,638 | 4,338 | - | - | 267,636 |

Employment contracts

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreement are as follows:

Name: Mr Anthony Wooles
Title: Non-Executive Director

Agreement commenced: 27 February 2012 and subject to re-election as required by the Company's constitution
Details: \$50,000 p.a. inclusive of superannuation with no termination benefits. Throughout the year the Board agreed an additional fee of \$15,000 to take into account additional responsibilities and time working on Company projects.

Name: Mr James Knowles
Title: Non-Executive Director

Agreement commenced: 27 August 2021 and subject to re-election as required by the Company's constitution
Details: \$50,000 p.a. inclusive of superannuation with no termination benefits.

High Peak Royalties Limited
Directors' report
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Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|------------------------|--|--|------------------|---------------------|--------------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Anthony Wooles | 20,500,000 | - | 750,000 | - | 21,250,000 |
| James Knowles* | 330,062 | - | 951,778 | - | 1,281,840 |
| David Croll* | 59,582,189 | - | 3,195,940 | - | 62,778,129 |
| Geoffrey King** | 1,806,246 | - | - | - | 1,806,246 |
| Andrew Carroll** | 9,829,379 | - | - | - | 9,829,379 |
| | <u>92,047,876</u> | <u>-</u> | <u>4,897,718</u> | <u>-</u> | <u>96,945,594</u> |

* Shares held at date of appointment

** Shares held at date of resignation

Mr David Croll is a controller and beneficiary of JP Morgan Nominess Australia Pty Limited.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.


High Peak Royalties Limited
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Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



David Croll
Interim Chairman

30 September 2022

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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 audit of the financial report of High Peak Royalties Ltd for the year ended 30 June 2022, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



C J Hume
Partner

Sydney, NSW
Dated: 30 September 2022

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High Peak Royalties Limited

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General information

The financial statements cover High Peak Royalties Limited as a Group consisting of High Peak Royalties Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is High Peak Royalties Limited's functional and presentation currency.

High Peak Royalties Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 305
35 Lime Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2022. The directors have the power to amend and reissue the financial statements.

High Peak Royalties Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

| | Note | Consolidated | |
|---|------|------------------|--------------------|
| | | 2022 \$ | 2021 \$ |
| Revenue | 4 | 1,046,764 | 442,461 |
| Other income | 5 | 12,888 | 210,004 |
| Interest revenue calculated using the effective interest method | | 574 | 1,636 |
| Expenses | | | |
| Professional fees | 6 | (283,462) | (380,911) |
| Employee benefits expense | | (167,862) | (169,944) |
| Depreciation and amortisation expense | | (315,145) | (278,106) |
| Impairment of assets | | (803,439) | (842,421) |
| Other expenses | | (96,072) | (90,978) |
| Finance costs | | (113,518) | (157,920) |
| Marketing | | (17,500) | (8,249) |
| Occupancy | | (22,200) | (22,200) |
| Loss before income tax expense | | (758,972) | (1,296,628) |
| Income tax expense | 7 | - | (209) |
| Loss after income tax expense for the year attributable to the owners of High Peak Royalties Limited | 19 | (758,972) | (1,296,837) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | 37,420 | (1,666) |
| Other comprehensive income for the year, net of tax | | 37,420 | (1,666) |
| Total comprehensive loss for the year attributable to the owners of High Peak Royalties Limited | | <u>(721,552)</u> | <u>(1,298,503)</u> |
| | | Cents | Cents |
| Basic losses per share | 29 | (0.37) | (0.69) |
| Diluted losses per share | 29 | (0.37) | (0.69) |

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

High Peak Royalties Limited
Statement of financial position
As at 30 June 2022

| | | Consolidated | |
|--------------------------------|-------------|---------------------|---------------------|
| | Note | 2022 | 2021 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 1,105,421 | 761,794 |
| Trade and other receivables | 9 | 175,138 | 81,810 |
| Other assets | 10 | 89,268 | 64,614 |
| Total current assets | | <u>1,369,827</u> | <u>908,218</u> |
| Non-current assets | | | |
| Other financial assets | 11 | 463 | 463 |
| Intangibles | 13 | 9,386,966 | 9,939,193 |
| Other assets | 10 | 150,215 | 149,827 |
| Total non-current assets | | <u>9,537,644</u> | <u>10,089,483</u> |
| Total assets | | <u>10,907,471</u> | <u>10,997,701</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | 96,234 | 51,291 |
| Borrowings | 15 | 380,731 | 332,535 |
| Other liabilities | 16 | 48,600 | 41,658 |
| Total current liabilities | | <u>525,565</u> | <u>425,484</u> |
| Non-current liabilities | | | |
| Borrowings | 15 | <u>1,451,589</u> | <u>1,662,676</u> |
| Total non-current liabilities | | <u>1,451,589</u> | <u>1,662,676</u> |
| Total liabilities | | <u>1,977,154</u> | <u>2,088,160</u> |
| Net assets | | <u>8,930,317</u> | <u>8,909,541</u> |
| Equity | | | |
| Issued capital | 17 | 28,468,918 | 27,726,590 |
| Reserves | 18 | 35,601 | (1,819) |
| Accumulated losses | 19 | <u>(19,574,202)</u> | <u>(18,815,230)</u> |
| Total equity | | <u>8,930,317</u> | <u>8,909,541</u> |

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

High Peak Royalties Limited
Statement of changes in equity
For the year ended 30 June 2022

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|-----------------------------|-----------------------|---------------------------------|---------------------------|
| Balance at 1 July 2020 | 27,726,590 | (153) | (17,518,393) | 10,208,044 |
| Loss after income tax expense for the year | - | - | (1,296,837) | (1,296,837) |
| Other comprehensive loss for the year, net of tax | - | (1,666) | - | (1,666) |
| Total comprehensive loss for the year | - | (1,666) | (1,296,837) | (1,298,503) |
| Balance at 30 June 2021 | <u>27,726,590</u> | <u>(1,819)</u> | <u>(18,815,230)</u> | <u>8,909,541</u> |
| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2021 | 27,726,590 | (1,819) | (18,815,230) | 8,909,541 |
| Loss after income tax expense for the year | - | - | (758,972) | (758,972) |
| Other comprehensive income for the year, net of tax | - | 37,420 | - | 37,420 |
| Total comprehensive income for the year | - | 37,420 | (758,972) | (721,552) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Shares issued net of costs | 742,328 | - | - | 742,328 |
| Balance at 30 June 2022 | <u>28,468,918</u> | <u>35,601</u> | <u>(19,574,202)</u> | <u>8,930,317</u> |

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

High Peak Royalties Limited
Statement of cash flows
For the year ended 30 June 2022

| | Note | Consolidated | |
|--|------|-------------------------|-----------------------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from royalty rights | | 916,629 | 400,700 |
| Payments to suppliers and employees | | (522,819) | (722,924) |
| Exploration expenditure paid | | - | (4,000) |
| | | <u>393,810</u> | <u>(326,224)</u> |
| Subtotal | | 393,810 | (326,224) |
| Interest received | | 183 | 213 |
| Interest and other finance costs paid | | (89,307) | (150,929) |
| | | <u>(89,307)</u> | <u>(150,929)</u> |
| Net cash from/(used in) operating activities | 28 | <u>304,686</u> | <u>(476,940)</u> |
| Cash flows from investing activities | | | |
| Payments for intangibles | 13 | (400,000) | (249,411) |
| Proceeds from disposal of investments | | - | (3,110) |
| | | <u>-</u> | <u>(3,110)</u> |
| Net cash used in investing activities | | <u>(400,000)</u> | <u>(252,521)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares, net of transaction costs | | 742,328 | - |
| Repayment of borrowings | | (344,433) | (332,535) |
| | | <u>(344,433)</u> | <u>(332,535)</u> |
| Net cash from/(used in) financing activities | | <u>397,895</u> | <u>(332,535)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 302,581 | (1,061,996) |
| Cash and cash equivalents at the beginning of the financial year | | 761,794 | 1,843,070 |
| Effects of exchange rate changes on cash and cash equivalents | | 41,046 | (19,280) |
| | | <u>41,046</u> | <u>(19,280)</u> |
| Cash and cash equivalents at the end of the financial year | 8 | <u><u>1,105,421</u></u> | <u><u>761,794</u></u> |

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

High Peak Royalties Limited

Notes to the financial statements

30 June 2022

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of High Peak Royalties Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. High Peak Royalties Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

High Peak Royalties Limited

Notes to the financial statements

30 June 2022

Note 1. Significant accounting policies (continued)

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is High Peak Royalties Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group recognises revenue as follows:

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Royalty revenue

Revenue from royalties is recognised in the period of production of the underlying oil or gas being produced. Royalty agreements that are based on production, sales, and other measures are recognised by reference to the underlying arrangements.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 1. Significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 1. Significant accounting policies (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised using the units of production method or straight-line basis. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

High Peak Royalties Limited

Notes to the financial statements

30 June 2022

Note 1. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of High Peak Royalties Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment

The Group 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.

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Recoverability of exploration and evaluation costs (Key Judgement)

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. Management have exercised their judgement in determining that the exploration assets in Note 11 remain impaired.

Intangible Assets – royalty interests in exploration permits (Key Judgement)

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The portfolio in relation to its royalty interests is largely related to the exploration activities of the licenced operator. The assets are therefore treated in a similar way to exploration assets as contemplated in AASB 6 Exploration for and Evaluation of Mineral Resources. 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, except for WA-482-P which was fully impaired (\$803,439) during the year, there were no impairment indicators for any of the other individual underlying assets, and consequently it has not been necessary to fair value any of the other intangible assets using a value-in-use model.

Note 3. Operating segments

Identification of reportable operating segments

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 predominantly 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
Notes to the financial statements
30 June 2022

Note 3. Operating segments (continued)

Operating segment information

| Consolidated - 2022 | Australia \$ | USA \$ | Total \$ |
|--|--------------------|----------------|--------------------|
| Revenue | | | |
| Revenue from operations | 240,354 | 806,984 | 1,047,338 |
| Total revenue | <u>240,354</u> | <u>806,984</u> | <u>1,047,338</u> |
| EBITDA | (322,071) | 791,446 | 469,375 |
| Depreciation and amortisation | (104,026) | (211,113) | (315,139) |
| Impairment of assets | (803,439) | - | (803,439) |
| Finance costs | - | (109,769) | (109,769) |
| Profit/(loss) before income tax expense | <u>(1,229,536)</u> | <u>470,564</u> | <u>(758,972)</u> |
| Income tax expense | | | - |
| Loss after income tax expense | | | <u>(758,972)</u> |
| Assets | | | |
| Segment assets | 7,594,730 | 3,312,741 | 10,907,471 |
| Total assets | | | <u>10,907,471</u> |
| Liabilities | | | |
| Segment liabilities | 141,619 | 1,835,535 | 1,977,154 |
| Total liabilities | | | <u>1,977,154</u> |
| Consolidated - 2021 | Australia \$ | USA \$ | Total \$ |
| Revenue | | | |
| Revenue from operations | 46,013 | 396,448 | 442,461 |
| Total revenue | <u>46,013</u> | <u>396,448</u> | <u>442,461</u> |
| EBITDA | (458,514) | 441,969 | (16,545) |
| Depreciation and amortisation | (75,255) | (202,851) | (278,106) |
| Impairment of assets | (842,421) | - | (842,421) |
| Interest revenue | (1,636) | - | (1,636) |
| Finance costs | - | (157,920) | (157,920) |
| Profit/(loss) before income tax expense | <u>(1,377,826)</u> | <u>81,198</u> | <u>(1,296,628)</u> |
| Income tax expense | | | (209) |
| Loss after income tax expense | | | <u>(1,296,837)</u> |
| Assets | | | |
| Segment assets | 7,691,810 | 3,305,891 | 10,997,701 |
| Total assets | | | <u>10,997,701</u> |
| Liabilities | | | |
| Segment liabilities | 66,254 | 2,021,906 | 2,088,160 |
| Total liabilities | | | <u>2,088,160</u> |

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 4. Revenue

| | Consolidated | |
|----------------|-------------------------|-----------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Royalty | 1,043,505 | 442,461 |
| Other revenue | 3,259 | - |
| | <u>1,046,764</u> | <u>442,461</u> |
| Revenue | <u>1,046,764</u> | <u>442,461</u> |

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| | Consolidated | |
|------------------------------|-------------------------|-----------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Receipts from royalty rights | 1,043,505 | 442,461 |
| Other revenue | 3,259 | - |
| | <u>1,046,764</u> | <u>442,461</u> |
| | <u>1,046,764</u> | <u>442,461</u> |

Geographical regions

| | | |
|-----------|-------------------------|-----------------------|
| Australia | 170,069 | 46,013 |
| USA | 876,695 | 396,448 |
| | <u>1,046,764</u> | <u>442,461</u> |
| | <u>1,046,764</u> | <u>442,461</u> |

Timing of revenue recognition

| | | |
|-------------------------------------|-------------------------|-----------------------|
| Revenue received at a point in time | <u>1,046,764</u> | <u>442,461</u> |
| | <u>1,046,764</u> | <u>442,461</u> |

Note 5. Other income

| | Consolidated | |
|--|----------------------|-----------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Net foreign exchange gain | 12,888 | - |
| Other income | - | 10,004 |
| Reversal of provision for rehabilitation | - | 200,000 |
| | <u>12,888</u> | <u>210,004</u> |
| Other income | <u>12,888</u> | <u>210,004</u> |

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 6. Professional fees

| | Consolidated | |
|---------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Accounting and audit fees | 131,667 | 125,985 |
| Other corporate fees | 89,786 | 85,863 |
| Consulting fees | 62,009 | 169,063 |
| | <u>283,462</u> | <u>380,911</u> |

Note 7. Income tax expense

| | Consolidated | |
|---|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (758,972) | (1,296,628) |
| Tax at the statutory tax rate of 25% (2021: 26%) | (189,743) | (337,123) |
| Deferred tax assets not brought to account | 189,743 | 337,332 |
| Income tax expense | <u>-</u> | <u>209</u> |

| | Consolidated | |
|---|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Tax losses not recognised</i> | | |
| Unused tax losses for which no deferred tax asset has been recognised | 18,744,472 | 19,633,132 |
| Potential tax benefit @ 25% | 4,686,118 | 4,908,283 |

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

| | Consolidated | |
|---|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Deferred tax assets not recognised</i> | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Prepayments | (7,412) | (9,722) |
| Accrued expenses | 12,150 | 6,318 |
| Accrued income | (14,905) | (3,900) |
| Royalty rights | 479,371 | 400,857 |
| Accumulated impairment (financial asset) | 360,913 | 360,913 |
| Cost of equity | 17,216 | 16,026 |
| Total deferred tax assets not recognised | <u>847,333</u> | <u>770,492</u> |

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 7. Income tax expense (continued)

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 8. Cash and cash equivalents

| | Consolidated | |
|-----------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Cash on hand | 1 | 1 |
| Cash at bank | 1,105,420 | 761,793 |
| | <u>1,105,421</u> | <u>761,794</u> |

Note 9. Trade and other receivables

| | Consolidated | |
|-----------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Trade receivables | 160,615 | 62,904 |
| Other receivables | 14,523 | 18,906 |
| | <u>175,138</u> | <u>81,810</u> |

Note 10. Other assets

| | Consolidated | |
|---------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Accrued revenue | 59,620 | 27,222 |
| Prepayments | 29,648 | 37,392 |
| | <u>89,268</u> | <u>64,614</u> |
| <i>Non-current assets</i> | | |
| Other deposits | 150,215 | 149,827 |
| | <u>239,483</u> | <u>214,441</u> |

Note 11. Other financial assets

| | Consolidated | |
|------------------------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Shares in listed corporation | 463 | 463 |
| | <u>463</u> | <u>463</u> |

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 12. Exploration and evaluation

| | Consolidated | |
|--------------------------------------|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Exploration and evaluation - at cost | 2,325,055 | 2,325,055 |
| Less: Impairment | <u>(2,325,055)</u> | <u>(2,325,055)</u> |
| | <u>-</u> | <u>-</u> |

Note 13. Intangibles

| | Consolidated | |
|--------------------------------|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Royalty rights- at cost | 17,689,898 | 17,123,546 |
| Less: Accumulated amortisation | (2,202,281) | (1,887,141) |
| Less: Impairment | <u>(6,100,651)</u> | <u>(5,297,212)</u> |
| | <u>9,386,966</u> | <u>9,939,193</u> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Royalty Rights | Total |
|-------------------------|------------------|------------------|
| | \$ | \$ |
| Balance at 1 July 2020 | 11,002,027 | 11,002,027 |
| Additions | 249,411 | 249,411 |
| Exchange differences | (191,718) | (191,718) |
| Impairment of assets | (842,421) | (842,421) |
| Amortisation expense | <u>(278,106)</u> | <u>(278,106)</u> |
| Balance at 30 June 2021 | 9,939,193 | 9,939,193 |
| Additions | 400,000 | 400,000 |
| Exchange differences | 166,351 | 166,351 |
| Impairment of assets | (803,439) | (803,439) |
| Amortisation expense | <u>(315,139)</u> | <u>(315,139)</u> |
| Balance at 30 June 2022 | <u>9,386,966</u> | <u>9,386,966</u> |

Included in the amortisation and impairment expense is \$803,439 relating to WA-482-P which was surrendered by Santos during the 2022 financial year.

Where necessary, the recoverable amount of each royalty interest above for the purposes of testing for impairment was historically determined based on value-in-use calculations. Where measurable, the value-in-use was calculated based on the present value of cash flow projections over a 10 year period or expected life of project (whichever is longer) with the period extending beyond 12 months extrapolated using an estimated growth rate. The cash flows were discounted to account for the time value of money and project variability. For other assets where projected cash flows were more difficult to measure due to their stage of development, value-in-use was based on observable inputs and market transactions or recent activity. Other than WA-315-P referred to above, management and the Board determined that there were no impairment indicators in the year under review and consequently no value-in-use modelling was done in this year.

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 13. Intangibles (continued)

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

| | |
|------------------|--|
| · Growth Rate: | expected forward production curve of underlying assets as applicable |
| · Discount Rate: | 10% |
| · Oil Price: | \$85.42/BBL USD (2022) then 5 year forward curve |
| · Gas Price: | \$5.45gj USD |

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

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 for the current financial year other than WA-482-P which resulted in an impairment expense of \$803,439.

Note 14. Trade and other payables

| | Consolidated | |
|----------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 96,234 | 49,690 |
| Other payables | - | 1,601 |
| | <u>96,234</u> | <u>51,291</u> |

Refer to note 20 for further information on financial instruments.

Note 15. Borrowings

| | Consolidated | |
|--------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Bank loans | 380,731 | 332,535 |
| <i>Non-current liabilities</i> | | |
| Bank loans | 1,451,589 | 1,662,676 |
| | <u>1,832,320</u> | <u>1,995,211</u> |

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 15. Borrowings (continued)

Refer to note 20 for further information on financial instruments.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

| | Consolidated | |
|-----------------------------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Total facilities | | |
| Bank loans (US\$15,000,000 limit) | 21,773,842 | 19,952,115 |
| Used at the reporting date | | |
| Bank loans (US\$15,000,000 limit) | 1,814,487 | 1,995,211 |
| Unused at the reporting date | | |
| Bank loans (US\$15,000,000 limit) | 19,959,355 | 17,956,904 |

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

- Total US \$15,000,000 (AUD: \$21,150,000) facility
- Facility Fees:
- Interest charged: Libor plus 5.5%
- No other facility fees
- Standard parent company guarantees
- Term: three years (from completion on 7 December 2018)
- The facility expires on 7 December 2024, with principal repayments being required on the following basis:
 - 7 December 2022 - US\$250,000;
 - 7 December 2023 - US\$250,000;
 - 7 December 2024 - US\$750,000;
- Remaining Term Unless Extended: 7 December 2024.

Note 16. Other liabilities

| | Consolidated | |
|----------------------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Accrued expenses | 48,600 | 41,658 |

Note 17. Issued capital

| | Consolidated | | | |
|------------------------------|---------------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | 208,956,399 | 188,956,399 | 28,468,918 | 27,726,590 |

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 17. Issued capital (continued)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|----------------------------|--------------|--------------------|-------------|-------------------|
| Balance | 01/07/2020 | 188,956,399 | | 27,726,590 |
| Balance | 30 June 2021 | 188,956,399 | | 27,726,590 |
| Shares issued | 4/10/2021 | 17,250,000 | \$0.040 | 690,000 |
| Shares issued to directors | 30/12/2021 | 2,750,000 | \$0.040 | 110,000 |
| Cost of capital | | - | \$0.000 | (57,672) |
| Balance | 30 June 2022 | <u>208,956,399</u> | | <u>28,468,918</u> |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 18. Reserves

| | Consolidated | |
|--------------------------|---------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Foreign currency reserve | 35,588 | (1,832) |
| Other reserves | 13 | 13 |
| | <u>35,601</u> | <u>(1,819)</u> |

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 19. Accumulated losses

| | Consolidated | |
|---|----------------------------|----------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Accumulated losses at the beginning of the financial year | (18,815,230) | (17,518,393) |
| Loss after income tax expense for the year | <u>(758,972)</u> | <u>(1,296,837)</u> |
| Accumulated losses at the end of the financial year | <u><u>(19,574,202)</u></u> | <u><u>(18,815,230)</u></u> |

Note 20. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| Consolidated | Assets | | Liabilities | |
|---------------------|----------------|----------------|--------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| US dollars | <u>689,486</u> | <u>372,867</u> | <u>-</u> | <u>-</u> |

The Group had net assets denominated in foreign currencies of \$689,486 as at 30 June 2022 (2021: \$372,867). Based on this exposure, had the Australian dollars weakened by 5%/strengthened by 5% against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been \$34,474 lower/\$34,474 higher (2021: \$18,643 lower/\$18,643 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations.

Price risk

The Group is not exposed to any significant price risk in its day-to-day operations.

Movements in the price of commodities, especially gold and copper may impact on the recoverable value of its exploration assets. It is currently impractical to manage these risks given these assets are still at exploratory stages.

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 20. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has minimal credit risk exposure as the majority of its receivables are from large corporations or government bodies.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

| | Consolidated | |
|-----------------------------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Bank loans (US\$15,000,000 limit) | 19,959,355 | 17,956,904 |

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of [XX] years ([YEAR]: [XX] years).

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 2022 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-----------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 284,537 | - | - | - | 284,537 |
| Other payables | - | 96,452 | - | - | - | 96,452 |
| Total non-derivatives | | 380,989 | - | - | - | 380,989 |

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 20. Financial instruments (continued)

| Consolidated - 2021 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-----------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 287,807 | - | - | - | 287,807 |
| Other payables | - | 45,910 | - | - | - | 45,910 |
| Total non-derivatives | | <u>333,717</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>333,717</u> |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Audit services - RSM Australia Partners</i> | | |
| Audit and review of the financial statements | <u>52,000</u> | <u>46,000</u> |

Note 22. Contingent liabilities

The Company has an existing well stock of 21 wells for which it may be liable for rehabilitation costs. The company had historically provided for an estimate of \$200,000 for these costs in its financial statements. Having reconsidered the position, the management team have concluded the obligation is not wholly within the control of the company and is contingent on a future event being the final inspection when the permit is relinquished. In addition, it is questionable whether the potential obligation can be measured with sufficient reliability. It is quite possible that no outflow of resources will be required to fulfill and obligations around the site rehabilitation. To this extent, the provision has been released to other income. 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 at that time. It is important to note that in the event that a liability exists, 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
Notes to the financial statements
30 June 2022

Note 23. Commitments

The Group did not have any commitments as at 30 June 2022 (2021: nil)

Note 24. Related party transactions

Parent entity

High Peak Royalties Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|--|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Payment for goods and services: | | |
| Australasian Energy Pty Ltd ¹ | 4,000 | - |

¹Related party of Mr Andrew Carroll, all services are carried out at an arms' length rate and exclude Directors' Fees

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|--------------------------|---------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax | (758,972) | (1,296,277) |
| Total comprehensive loss | (758,972) | (1,296,277) |

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 25. Parent entity information (continued)

Statement of financial position

| | Parent | |
|------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Total current assets | 1,369,828 | 895,469 |
| Total assets | 16,886,357 | 17,104,810 |
| Total current liabilities | 525,565 | 2,088,158 |
| Total liabilities | 1,977,154 | 2,088,158 |
| Equity | | |
| Issued capital | 67,007,758 | 66,265,429 |
| Foreign currency reserve | (90,357) | (111) |
| Share-based payments reserve | 82,992 | 82,992 |
| Other reserves | 457,382 | 457,382 |
| Accumulated losses | (52,548,572) | (51,789,040) |
| Total equity | <u>14,909,203</u> | <u>15,016,652</u> |

Contingent liabilities

Please refer to note 22 for details of contingent liabilities.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|-----------------------------|---|---------------------------|-------------|
| | | 2022 | 2021 |
| | | % | % |
| Torrens Energy (SA) Pty Ltd | Australia | 100.00% | 100.00% |
| Phoenix Oil and Gas Pty Ltd | Australia | 100.00% | 100.00% |
| Oil & Gas Royalties Pty Ltd | Australia | 100.00% | 100.00% |
| HPR USA Inc | USA | 100.00% | 100.00% |
| Planet Gas USA, Inc. | USA | 100.00% | 100.00% |

High Peak Royalties Limited
Notes to the financial statements
30 June 2022

Note 27. Events after the reporting period

Since the end of the reporting period:

- Santos has decided to withdraw from the EP 115 exploration permit and to focus its efforts on other areas of the Amadeus Basin. Santos has assigned its 40% interest to Frontier Oil & Gas Pty Ltd, which has since assumed the Group's royalty interest in EP 115.

No other matters or circumstances have arisen since 30 June 2022 that has significantly affected, or may significantly affect:

- a) The Group's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

Note 28. Reconciliation of loss after income tax to net cash from/(used in) operating activities

| | Consolidated | |
|--|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax expense for the year | (758,972) | (1,296,837) |
| Adjustments for: | | |
| Depreciation and amortisation | 315,139 | 278,106 |
| Impairment of intangibles | 803,439 | 842,421 |
| Foreign exchange differences | (6,641) | (409,833) |
| Unwinding of provisions | - | (200,000) |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (125,037) | (46,047) |
| Increase in trade and other payables | 76,758 | 422,472 |
| Decrease in employee benefits | - | (67,222) |
| Net cash from/(used in) operating activities | <u>304,686</u> | <u>(476,940)</u> |

Note 29. Losses per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of High Peak Royalties Limited | <u>(758,972)</u> | <u>(1,296,837)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic losses per share | <u>203,079,339</u> | <u>188,956,399</u> |
| Weighted average number of ordinary shares used in calculating diluted losses per share | <u>203,079,339</u> | <u>188,956,399</u> |
| | Cents | Cents |
| Basic losses per share | (0.37) | (0.69) |
| Diluted losses per share | (0.37) | (0.69) |

High Peak Royalties Limited
Directors' declaration
30 June 2022


In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Croll
Interim Chairman

30 September 2022

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

To the Members of High Peak Royalties Ltd

Opinion

We have audited the financial report of High Peak Royalties Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed this matter |
|---|--|
| <p>Royalty Rights Refer to Note 13 in the financial statements</p> | |
| <ul style="list-style-type: none"> The Group has capitalised mineral royalty rights with a carrying value of \$9.3m. We determined this to be a key audit matter due to the size of the carrying value, and because the directors' assessment of impairment involves judgements around the current and long terms prospects of the related exploration activities, the current market conditions, the political climate in the jurisdiction in which the assets exists, the uncertainty over long-term commodity prices, as well as numerous other factors when determining whether there are any impairment indicators for intangible assets. | <p>Our audit procedures in relation to Royalty Rights included:</p> <ul style="list-style-type: none"> Obtaining the Royalty Rights register and on a sample basis testing the ownership of the rights to various external and internal supporting documents. Comparing the carrying value of the individual assets in the current year to that of the previous year, and investigating unexpected movements. For impairment during the year, testing the appropriateness of management's assessment to supporting external evidence. Assessing the high-level economic inputs used to determine the fair value of royalty rights as at 30 June 2022 and evaluating those economic inputs as at the reporting date so as to identify potential impairment indicators. Critically evaluated management's assessment of each individual asset in terms of impairment indicators and considered such evaluation with regards to internal and external documentation available to support such assessment. Management determined that there were no impairment indicators for any of its existing royalty rights, and consequently, no value-in-use impairment models were prepared. Where possible, reviewing the ASX announcements for companies in which the royalties relate, so as to identify other potential impairment indicators in relation to the assets over which the royalties relate. |

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of High Peak Royalties Ltd, for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads 'RSM'.

RSM Australia Partners

A handwritten signature in blue ink that reads 'C J Hume'.

C J Hume
Partner

Sydney 30 September 2022

High Peak Royalties Limited
Shareholder information
30 June 2022

The shareholder information set out below was applicable as at 27 September 2022.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | |
|---------------------------------------|--------------------|--------------------------|
| | Number of holders | % of total shares issued |
| 1 to 1,000 | 150,981 | 0.07 |
| 1,001 to 5,000 | 555,779 | 0.27 |
| 5,001 to 10,000 | 589,539 | 0.28 |
| 10,001 to 100,000 | 7,197,698 | 3.44 |
| 100,001 and over | 200,462,402 | 95.94 |
| | <u>208,956,399</u> | <u>100.00</u> |
| Holding less than a marketable parcel | <u>971</u> | <u>-</u> |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|--------------------|--------------------------|
| | Number held | % of total shares issued |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 66,506,132 | 31.83 |
| AEW HOLDINGS PTY LTD (AEW CAPITAL A/C) | 15,065,670 | 7.21 |
| MR ARCHIBALD GEOFFREY LOUDON | 12,103,885 | 5.79 |
| NORFOLK ENCHANTS PTY LTD (TROJAN RETIREMENT FUND A/C) | 11,275,000 | 5.40 |
| NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C) | 8,112,308 | 3.88 |
| MARTIN PLACE SECURITIES NOMINEES P/L (ALCARDO INVESTMENTS A/C) | 6,357,765 | 3.04 |
| MR ANTHONY EDWARD WOOLLES + MS ALISON LOUISE WOOLLES (A & A SUPER A/C) | 4,281,540 | 2.05 |
| BNP PARIBAS NOMS PTY LTD (DRP) | 3,000,180 | 1.44 |
| MR GEOFFREY KEVIN CAMMELL (CAMMELL DISCRETIONARY A/C) | 2,950,000 | 1.41 |
| MR DAVID CURZON SMITH + MRS DIANE MAURINE SMITH (BADHAM FAMILY A/C) | 2,823,086 | 1.35 |
| DAWNEY & CO LTD | 2,500,000 | 1.20 |
| RACCOLTO INVESTMENTS PTY LTD (MAPLELEAF SUPER FUND A/C) | 2,200,000 | 1.05 |
| CITICORP NOMINEES PTY LIMITED | 2,065,590 | 0.99 |
| BYRNE HOLDINGS PTY LTD | 2,000,000 | 0.96 |
| MR MURRAY JOHN JACOB + MRS SARA CAROLINE JACOB (AQUATICA SUPERFUND A/C) | 2,000,000 | 0.96 |
| QGAS PTY LTD | 2,000,000 | 0.96 |
| TRI-HIRE PTY LTD (THE N & SJ MCDAVITT S/F A/C) | 2,000,000 | 0.96 |
| ALCARDO INVESTMENTS LIMITED (STYLED 102501 A/C) | 1,915,501 | 0.92 |
| AEW HOLDINGS PTY LTD (AEW CAPITAL A/C) | 1,902,790 | 0.91 |
| CRAFERS PTY LTD (CRAFERS CONNECT S/F A/C) | 1,825,660 | 0.87 |
| | <u>152,885,107</u> | <u>73.18</u> |

Unquoted equity securities

There are no unquoted equity securities.

High Peak Royalties Limited
Shareholder information
30 June 2022

Substantial holders

Substantial holders in the company are set out below:

| | Ordinary shares | |
|---|-----------------|--------------------------|
| | Number held | % of total shares issued |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 66,506,132 | 31.83 |
| AEW HOLDINGS PTY LTD (AEW CAPITAL A/C) | 15,065,670 | 7.21 |
| MR ARCHIBALD GEOFFREY LOUDON | 12,103,885 | 5.79 |
| NORFOLK ENCHANTS PTY LTD (TROIAN RETIREMENT FUND A/C) | 11,275,000 | 5.40 |

Voting rights

The voting rights attached to ordinary shares are set out below:

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.

The name of the Company Secretary is Mr Jarrod White. Mr White's qualifications are:

Bachelor of Business (BBus)
Chartered Accountant (CA ANZ)

Mr White has a practice in Chartered Accounting and advises and works in a number of public listed companies in Australia. In addition, he holds the position of Company Secretary in numerous public listed companies.

The address of the registered and principle office is:

Suite 305
35 Lime Street
Sydney NSW 2000

Registers of securities are held at the following address

Computershare Limited
Lvl 3/60 Carrington Street
Sydney NSW 2000

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

Restricted securities

Ordinary Shares

Of the 208,956,399 ordinary shares on issue as at 27 September 2022. All ordinary shares are quoted on the Australian Stock Exchange. No ordinary shares are subject to escrow restrictions.

Options

No options are subject to escrow restrictions.