Hartshead Resources NL

ACN 150 624 169

Annual Financial Report

for the year ended

30 June 2022

CORPORATE DIRECTORY

DIRECTORS

Mr Bevan Tarratt	*Non-Executive Chairman*
Mr Christopher Lewis	*Chief Executive Officer*
Dr Andrew Matharu	*Chief Financial Officer*
Mr Nathan Lude	*Executive Director*

COMPANY SECRETARY

Mr Matthew Foy

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The FY2022 has been a year of significant attainment and continued growth. While the Company's focus during FY2022 was clearly the Field Development Planning for our Phase I Gas Fields, the year has also seen progress across the entire P2607 portfolio and within the organisation.

The year commenced with results from the revised subsurface work undertaken on Phase I, delivering increased understanding and increased in-place gas volumes in the Anning & Somerville Fields. This ultimately resulted in the thirty nine percent (39%) increase in economically recoverable gas from the Phase I development Plan, to 301.5 Bcf of Gas. Subsequent work went on to identify the key parts of our development plan providing a clear route to market for the gas development and the Phase I plan is now firmly in place and progressing on to the next stage.

Important milestones were reached during the year as a result of this work, with one of the most notable being the delivery of a new Competent Person's Report and reclassification of our Phase I project to Proven, Probably & Possible Reserves totalling 301.5 Bcf 2P and up to 458 Bcf 3P of gas. In our Auditor's opinion the Phase I development is now "justified for development" and has a "one hundred percent chance of being developed" which is a welcome vote of confidence in our assets and plans.

We also submitted our Concept Select Report to the UK Oil and Gas Regulator, the North Sea Transition Authority (NSTA). Providing the UK government with details of our plan to develop the two fields and deliver much needed gas to the UK market is an important step and the result of the commitment and endeavour of the whole Hartshead Team.

The project has been provided significant tailwinds during the year, with initially rising gas prices during the latter parts of 2021 owing to post covid global economic recovery and tightening of the LNG market. This started to illustrate the potential impact on UK's consumers of the country's dependence on gas imports, only to be amplified by the war in Ukraine in 2022 and the reduction in Russian gas flows into Europe. As a result, Energy security is now at the top of many country's agendas for the coming decades and Hartshead is well placed to play its role in assisting with security of gas supply for UK households in businesses. One remarkable fact is that, when on plateau production rate for Phase I alone, Hartshead will supply two percent (2%) of the UK's gas demand and five percent (5%) of the UK's domestic gas production, according to the UK government's own forecasts.

Not only will Hartshead have a role in the UK's energy security, we will also play our part in the energy transition. During the year, Hartshead team members were invited and accepted to participate in the Bacton Energy Hub initiative, as our gas will ultimately be transported to the Bacton gas terminal. The UK government plan for Bacton to become a flagship energy hub, combining offshore gas production, power generation from wind and carbon storage with onshore blue and green hydrogen production and we are looking forward to active participation in this initiative.

The company appointed Environmental, Social and Governance (ESG) consultants to assist the company with developing it's ESG strategy. We aim to carry our ESG strategy into every facet of the work that we do and defining our relevant reporting frameworks and materiality assessments has been vital in setting out this intent. This annual report presents our first, dedicated ESG section and we are proud to be a responsible gas development company committed to selecting development options with the lowest emissions and impact where practically possible as demonstrated by the low emission footprint associated with our Phase I infrastructure.

Work on Phase II has also progressed, with securing access to previously reprocessed data across our Phase II area from a former operator, thus saving the company considerable time and effort. This demonstrates the good relationships that the team have with other operators in the basin, a fact that has been beneficial in many aspects of our development planning and commercial discussions. Work continues on Phase II, based on this new data and results so far appear promising in terms of the improved subsurface understanding of the two fields.

Work on Phase III reached a major milestone with the finalisation of the remapping of the exploration portfolio in the license. This delivered several new, exciting exploration targets and took the total prospective resources to 344 Bcf 2U and up to 719 Bcf 3U. The aggregation of our three phases now constitutes a total of 784.5 Bcf of reserves, contingent resources, and prospective resource, which is a fifty eight percent (58%) increase in resources across the license.

Finally, we concluded the year with the appointment of LAB Energy Advisors, a UK based specialist energy sector advisory company to assist the Company with an initiative to bring a partner into our Phase I development project. A partner will add multiple benefits to the project, from the participation and ideas from co-venturers to assisting with the requirement for development capital to execute Phase I. This process is now well underway, and we look to make significant progress on this front in the weeks and months to come.

As we move into the next year our focus is still very much on delivering our Phase 1 gas to the UK market. In 2022 tenders were sent out for vessel surveys at platform and pipeline locations and during this year we anticipate carrying these out. Alongside this we will continue with engineering work on the development, from drilling to infrastructure to offtake route. The culmination will be the anticipated submission to the NSTA of our final development plan and moving into the project execution stage.

2023 is set to be as important a year as 2022 was, in term of delivering further key milestones across License P2607 and I look forward to updating shareholders as we move through the year and take Phase I closer to achieving first gas.

Chris Lewis

Chief Executive Officer

30 September 2022

The Directors of Hartshead Resources NL (**Company** or **Hartshead**) and the entities it controls (**Consolidated Entity** or **Group**) present their report for the financial year ended 30 June 2022.

OUTLOOK FOR 2023

Hartshead has now entered the define stage of the Phase I development project. With the NSTA green light to proceed in the form of the letter of no objection to the Company's selected Phase I development concept, the Company can now enter into environmental surveys and front-end engineering & design studies for platform and pipeline construction. This work will culminate in submission of a Field Development Plan (FDP) and taking Final Investment Decision (FID) in 2023.

Completing a transaction to bring a partner into the Phase I development project will be a key milestone in early 2023 and is an important step in securing the development capital required to execute the Phase I plan, prior to taking FID. The company is also progressing an engineering study with Shell UK Exploration & Production concerning the route to bring Hartshead's gas to market, which will lead into defining the engineering requirements for the tie-in to Shell infrastructure. The finalisation of gas transportation & processing discussions will also continue alongside this study.

Subsurface work on Phase II will continue on the Hodgkin and Lovelace fields and further work will be initiated on Phase III to high grade prospects to move forward top more detailed planning, thereby ensuring that Hartshead continues to push ahead with a balanced portfolio of risk and reward in License P2607.

The following activities being conducted during the next reporting period (FY2023) are highlighted below together with the value accretive milestones achieved across the Hartshead portfolio to date.

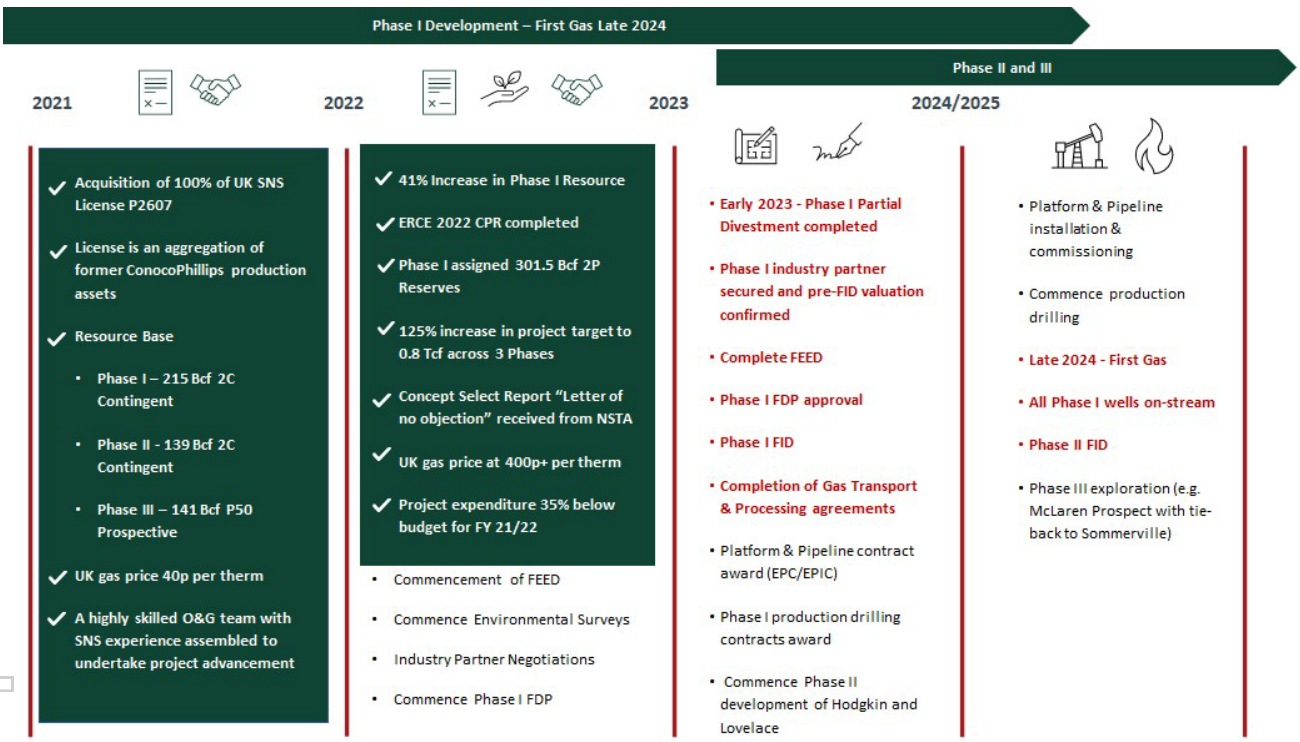

Figure 1. Portfolio milestones and outlook to Phase I development first gas and beyond.

OPERATIONAL REVIEW

SEAWARD PRODUCTION LICENSE P2607, OFFSHORE UNITED KINGDOM

(HARTSHEAD RESOURCES 100% AND OPERATOR)

Hartshead's Seaward Production License P2607, formally awarded in January 2021, with an effective date of 1 December 2020, as part of the UK 32nd Offshore Licensing Round, covers five contiguous blocks (48/15c, 49/6c, 49/11c, 49/12d and

49/17b) located in the Southern Gas Basin (Figure 2) with 301.5 Bcf[1] of independently audited 2P Reserves and 139 Bcf[2] of 2C Contingent Resources within four existing discoveries.

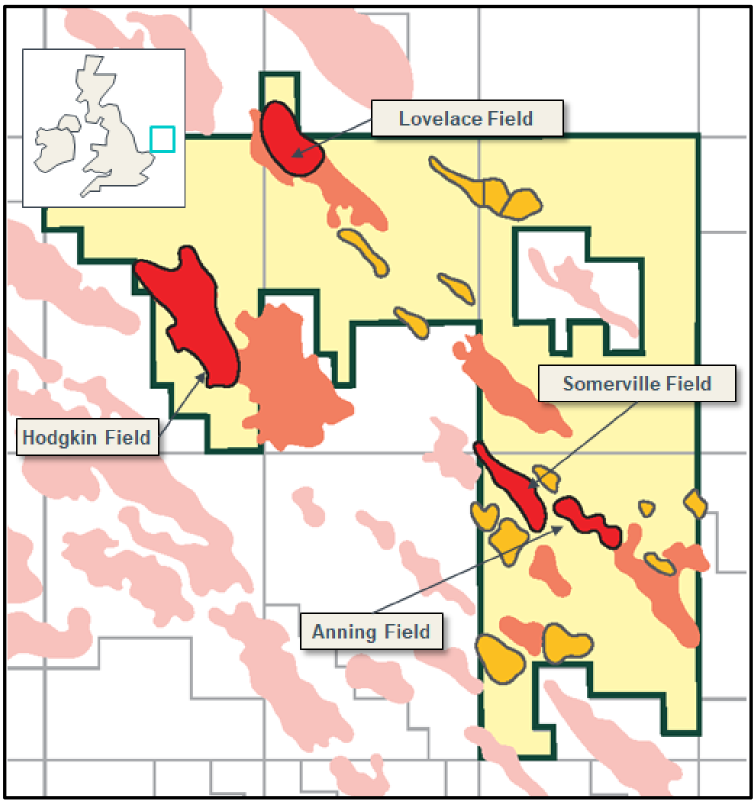

Figure 2. Location of the Hartshead Resources Seaward License P2607 in the Southern Gas Basin, United Kingdom

During the financial year, Hartshead made significant progress across all three phases of it multi-phased development of License P2607 achieving a number of major milestones delivered on time and, importantly, under budget.

The impact of Hartshead's "Small Gas Pools" aggregation strategy in the Southern Gas Basin, developed at the time of the UK 32nd Offshore Licensing Round application, is now clearly paying dividends. The Company's portfolio of assets and opportunities ranging from developable reserves (Phase I) through discovered contingent resources (Phase II) to prospective resources (Phase III) has numerous advantages over single asset projects in terms of access to capital markets and financing, gas transportation and third party infrastructure access, service company engagement and procurement and the ability to attract and retain high calibre personnel, in addition to immediate portfolio benefits of risk management.

KEY OPERATIONAL HIGHLIGHTS

1. **Phase I – Anning and Somerville Field Developments**

   - Construction of static reservoir models to generate new Gas-initially-In-Place (GIIP) volumes;
   - Construction of history-matched dynamic reservoir models to generate production forecasts;
   - Delivery of the Petrofac Greenfield Concept Select Report outlining the preferred Phase I development concept;
   - Reclassification of Anning and Somerville Contingent Resources as Reserves following an independent Technical and Commercial Audit conducted by ERC Equipoise (ERCE);

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[1] Reserves estimates are from ERC Equipoise Limited, Independent Competent Persons Report (CPR) entitled "Hartshead Resources NL Somerville and Anning Competent Persons Report" dated June 2022. See Qualified Persons Statement for reserves reporting notes.

[2] Hartshead Resources management estimates.

- Submission of the Phase I development Concept Select Report (CSR) to the North Sea Transition Authority (NSTA);
- Appointment of specialist energy advisor, LAB Energy Advisors (LAB Energy) , to advise the Company on an investment process for industry partnering on its Phase I development.

2. **Phase II– Hodgkin and Lovelace Field Developments**
    - Commencement of the Phase II subsurface work programme covering the Hodgkin and Lovelace field developments.

3. **Phase III – Exploration Portfolio**
    - Completion of an exploration study by Xodus Group (**Xodus**) generating a new prospect inventory of 14 prospects and leads with un-risked 2U Prospective Resources of 344 Bcf.

PHASE I – ANNING AND SOMERVILLE FIELD DEVELOPMENTS

CONCEPT SELECT

Hartshead's focus during the financial period has been on progressing the key workstreams for the Phase I development of the Anning and Somerville gas fields to enable the Company to:

(i) Submit its Phase I development Concept Select Report to the NSTA;

(ii) Conduct an independent technical and commercial audit of the Anning and Somerville Contingent Resources and;

(iii) Commence a process to attract an industry partner and development capital via a partial divestment of License P2607.

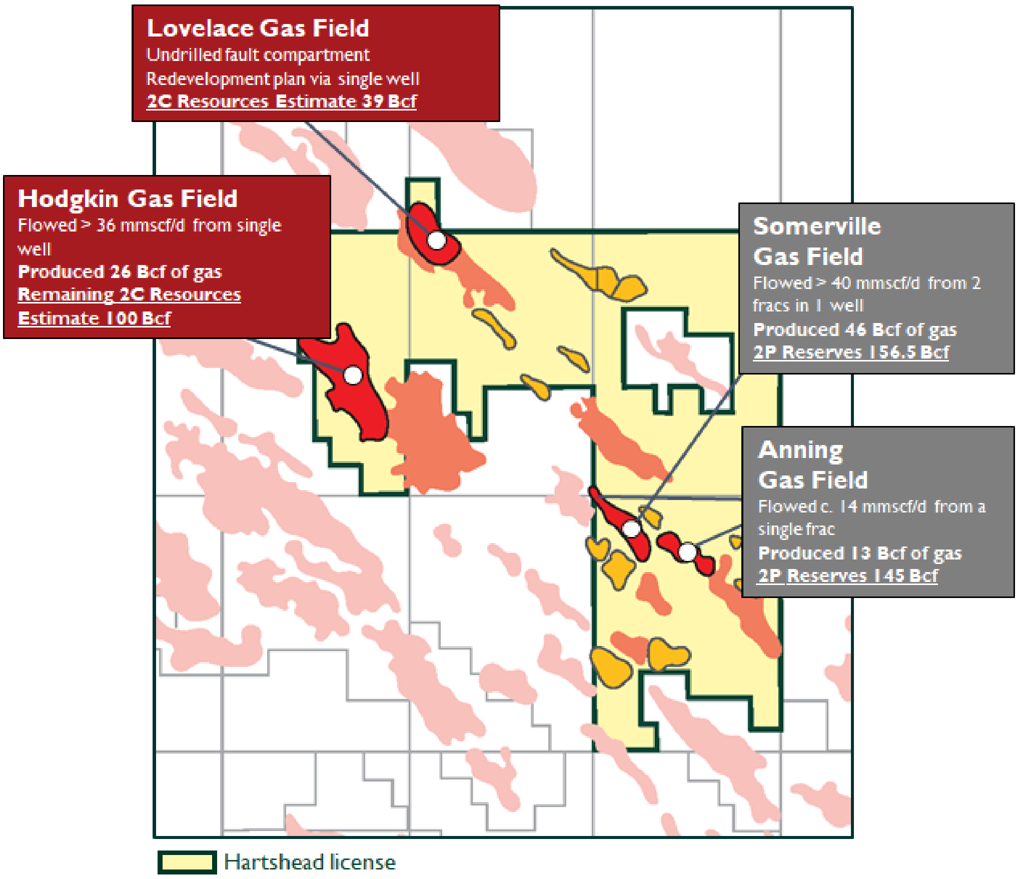

Figure 3. Hartshead License P2607 area showing the Anning and Somerville field locations and associated 2P Reserves.

The subsurface element of the Phase I Concept Select work programme resulted in the generation of new static and dynamic models which delivered and revised Gas-initially-In-Place (GIIP) volumes and production forecasts; respectively.

Geological reservoir modelling of the Anning and Somerville fields resulted in a total Phase I GIIP volume of 587 Bcf (636 Bcf ERCE), split 219 Bcf and 368 Bcf between the Anning and Somerville gas fields, respectively, with a 112 Bcf GIIP increase in the Somerville field due partly to previously unmapped extension of the field. This new Phase I GIIP represented an overall increase of 18% above the previous Hartshead estimate of 496 Bcf and is the result of subsurface work based around detailed structural seismic interpretation, revised analysis of historical well data and the building of new geological models for both the Anning and Somerville fields.

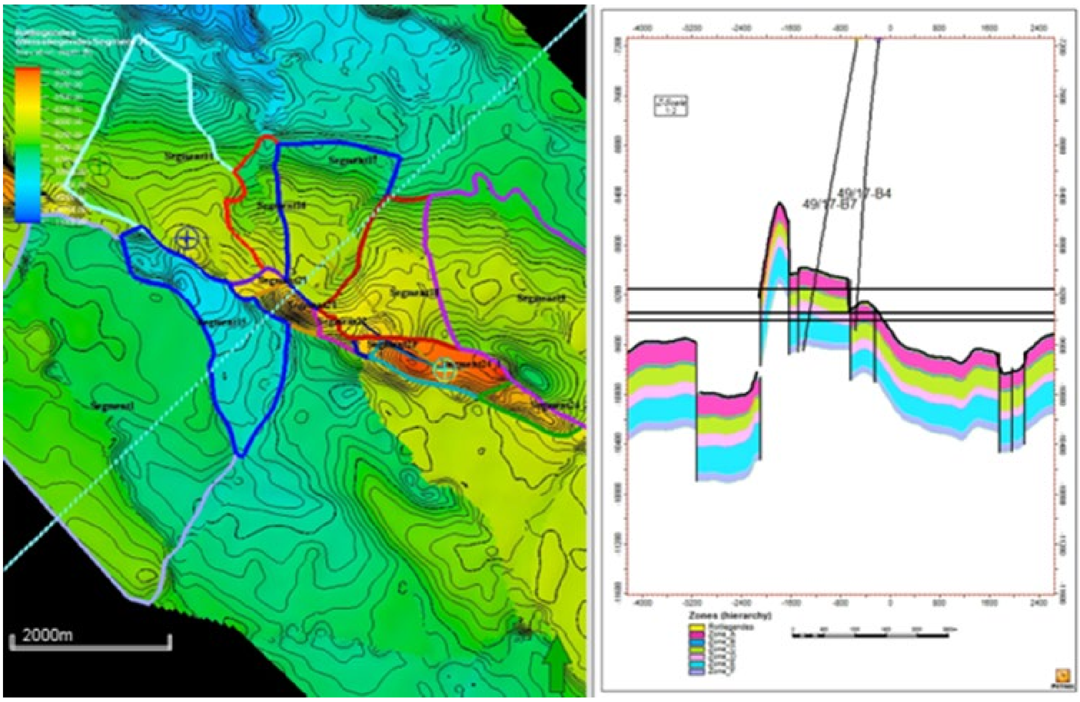

Figure 4. Anning top structure and compartments and structural cross section.

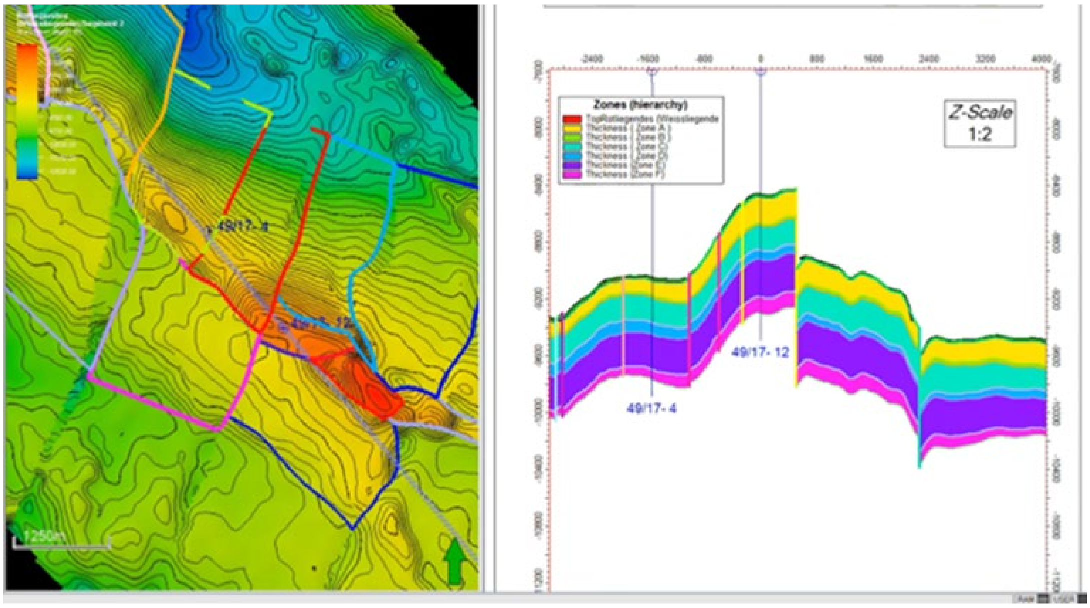

Figure 5. Somerville top structure and compartments and structural cross section.

Dynamic reservoir models were then derived from the Anning and Somerville static geological models and history matched to the previous field production and pressure profiles. The history matched models were then used to forecast gas flow rates and production from new planned wells on the fields and also to optimise frac placement and design and well trajectories.

The subsurface work programme was followed by a greenfield development study, conducted by Petrofac, which looked at the total cost estimates of a variety of development options for Phase I, including a single platform for both fields, one platform for each field, a mix of platform and sub-sea infrastructure and fully sub-sea development. The Greenfield Concept Select Report issued by Petrofac outlined a preferred development concept consisting of six production wells via two minimum facility, wireline capable, Normally Unmanned Installation (NUI) production platforms, one at Anning and one at Somerville (Figure 6). This development concept provides slightly superior economic performance and a reduction in drilling risk when compared to a single platform development. In addition, it is envisaged that production from Somerville will tie in subsea to the Anning export pipeline for onward transportation and processing, thus allowing both platforms to operate independently and mitigates outages on one platform stopping production from the other.

The Petrofac Greenfield Concept Select Report also included a HSE study of the shortlisted development options as well an emissions study to generate the life of field (from construction through to decommissioning) carbon equivalent emissions for the preferred development concept and offtake route. This study forms part of the initiatives undertaken by Hartshead to ensure that it contributes towards the UK's 2050 Net Zero target.

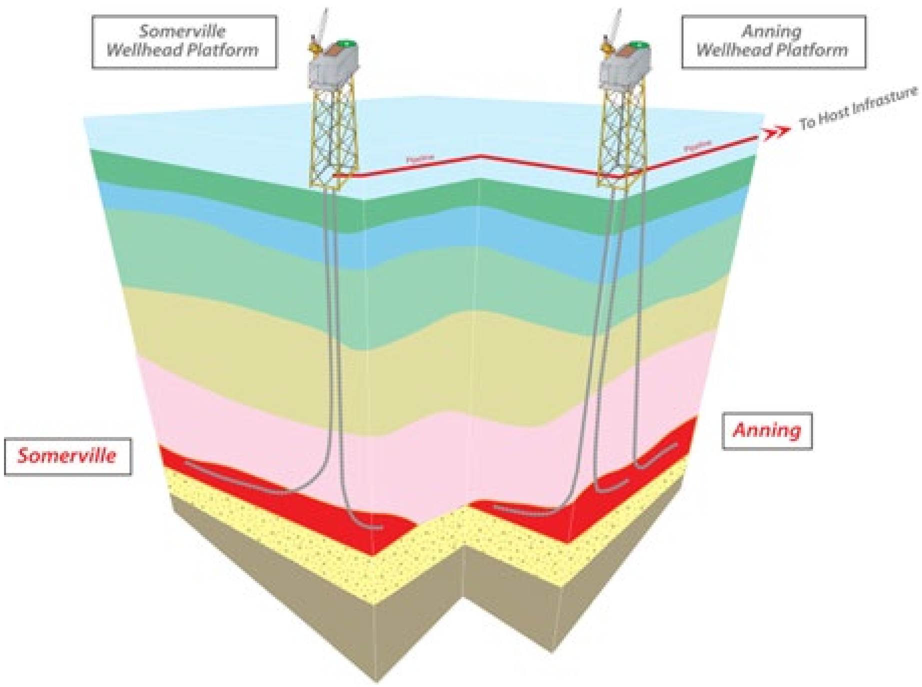

Figure 6. Preferred Phase I development concept via two NUI facilities at Anning and Somerville.

The result from the dynamic reservoir simulation modelling was then combined with well geometry, facilities and export route pipeline information from the preferred development concept to forecast production rates from the Phase I development plan which was then used to derive full field life economics as part of the Phase I Concept Select Report submission.

The Company achieved a major milestone in the development of its Southern Gas Basin assets with the submission of its Phase I Concept Select Report for the Anning and Somerville gas fields to the NSTA in May 2022. The report set out the preferred development concept, ranked against other potential development options, and included a detailed description of the subsurface interpretation, planned development wells, production forecasts and facilities, gas transportation routes to market, QHSE, and commercial and economic aspects of the development.

GAS TRANSPORTATION AND PROCESSING INFRASTRUCTURE

Hartshead conducted a detailed evaluation & feasibility exercise to identify the multiple potential export routes for the Phase I development and continues to progress studies and discussions regarding the transportation and processing of it's gas to the UK gas market.

Significant progress has been made on one particular route to market, and in respect of this the Company announced a pre-FEED engineering feasibility study with Shell Exploration & Production UK Limited in respect of the preferred offtake route following the close of financial reporting period (see post-reporting period events).

GEOPHYSICAL AND GEOTECHNICAL SURVEY TENDERS

As part of the preparations for the Phase I development environmental survey work scope Invitations to Tender (ITT) were issued during the latter part of the financial period for the following:

- Geophysical survey programme: The geophysical survey will focus on the pipeline route for tie in to third party infrastructure and the Anning and Somerville platform locations with the main objectives of providing the Company with an understanding of the condition and integrity of the seabed at the Anning and Somerville field locations.
- Geotechnical survey programme: The geotechnical survey will focus on the seabed conditions at the Anning and Somerville platform locations. The main objective of the geotechnical survey is to provide the Company with an interpretation of the seabed geomechanical and engineering conditions at the Anning and Somerville field locations.

Tenders received by the Company from suitably qualified service providers for the environmental survey workstreams are now in the process of being shortlisted and considered as Phase I enters the Define stage.

INDEPENDENT TECHNICAL AND COMMERCIAL AUDIT

Following submission of the Concept Select Report to the NSTA the Company appointed ERC Equipoise (ERCE) to conduct an independent technical and commercial audit of the Phase I development resources. ERCE reviewed and evaluated the selected development concept, and this was used as the basis to determine the economic sales gas volumes or reserves assigned to the Anning and Somerville gas fields.

Based on ERCE's assessment, using the Petroleum Resource Management System (PRMS) sub-classification framework, the Reserves associated with the Anning, and Somerville fields are classified as "Justified for Development" given the project is considered to be sufficiently mature to be developed subject to securing the required project financing and an approved FDP and has therefore been assigned a 100% chance of development.

The Reserves summary for the combined two field development at Anning and Somerville is shown in Table 1 below and is based on the ERCE production forecasts (figure 7).

License	Working Interest	Area	Phase	Reserves[3]		
				1P	2P	3P
P2607	100%	Anning	Sales Gas (Bscf)	73	**145.0**	245
			Condensate (MMbbl)	0.081	**0.192**	0.375
		Somerville	Sales Gas (Bscf)	107.0	**156.5**	213
			Condensate (MMbbl)	0.119	**0.208**	0.325
			Total (MMboe[4])	31.2	**52.4**	79.7

Table 1. Net Working Interest Gas and Condensate Reserves for the Anning and Somerville Gas Fields.

[3] Reserves estimates are from ERC Equipoise Limited, Independent Competent Persons Report (CPR) entitled "Hartshead Resources NL Somerville and Anning Competent Persons Report" dated June 2022. See Qualified Persons Statement for reserves reporting notes.

[4] 5.8 Mscf equals 1 boe

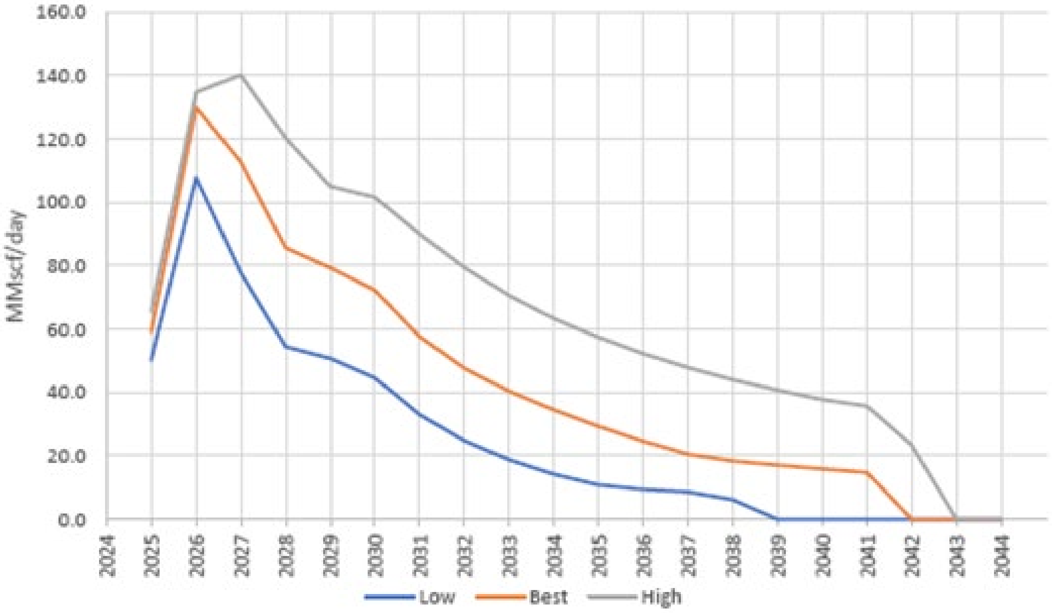

Figure 7. Anning and Somerville Combined Production Forecasts (with Economic Limit Test).

APPOINTMENT OF SPECIALIST ENERGY ADVISOR FOR INDUSTRY PARTNERING

A key part of Phase I will be securing capital for the execution of the development plan for the Anning and Somerville gas fields as part of the Final Investment Decision (FID) process, which is expected to be completed in early 2023.

The Company has decided that portion of the Phase I development capital should come a partial divestment of the project and has therefore appointed LAB Energy Advisors Limited (LAB Energy), a UK based specialist energy sector advisory company with extensive upstream corporate M&A and asset A&D experience, to advise the Company in this regard.

The material progress that the Company has delivered to date of the Phase I development project through the development planning and Concept Select process, combined with increasing focus on UK gas import dependency and security of supply, has resulted in growing interest from a number of industry players in Hartshead's P2607 license area. The appointment of LAB Energy has allowed those companies who have shown an interest in partnering with Hartshead at the development stage to enter a structured divestment process which is expected to conclude in Q1 2023.

PHASE II– HODGKIN AND LOVELACE FIELD DEVELOPMENTS

The Phase II subsurface work programme covering the Hodgkin and Lovelace field developments commenced during the financial period with work currently ongoing to refine the seismic interpretation and develop new models of both fields.

Pre-stack depth processed Annabel, Audrey and Audrey Extension 3D seismic datasets have been received from the previous Operator of the Audrey Field, Spirit Energy, which have assisted with our understanding of the subsurface. The datasets we received from Spirit Energy were reprocessed between 2011 and 2013 and incorporated six separate 3D seismic surveys and covers both the Hodgkin and Lovelace Fields.

The Phase II workstreams will encompass the construction of a new geological and geophysical database, detailed interpretation of the new 3D seismic data, petrophysical analysis and reservoir engineering to deliver revised in place gas volumes, recoverable 2C contingent resources and production profiles for both the Hodgkin and Lovelace gas fields.

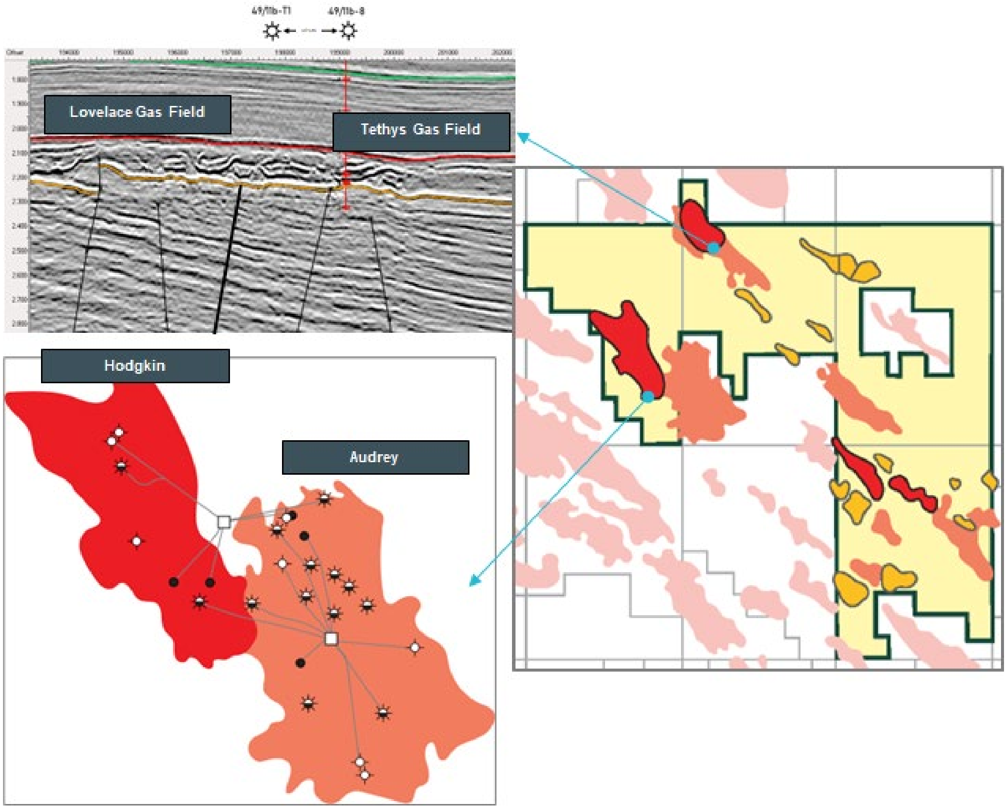

Figure 8. Location of the Phase II development Hodgkin and Lovelace fields within the License P2607 area.

The Hodgkin and Lovelace fields are located in the north-west part of License P2607 and are currently estimated to contain a combined 139[5] Bcf of 2C Contingent Resources as detailed below (Table 2). Following completion, the Phase II work programme contingent resources at Hodgkin and Lovelace will be independently audited and the results compiled and announced as part of an updated Competent Persons Report (CPR).

CONTINGENT RESOURCES (BCF)[5]			1C	2C	3C	GCoS
PHASE II	49/6c, 49/11c	**Lovelace**	14	**39**	79	100%
	48/15c	**Hodgkin**	35	**100**	387	100%

Table 2. Phase II Contingent Resources across the Hodgkin and Lovelace fields.

Once revised production forecasts for Hodgkin and Lovelace are available a decision will be made to proceed with field development planning for the two fields. This will present the opportunity to utilise the Phase I infrastructure to monetise the Phase II gas production.

Transmission of the Phase II gas flow stream through the Phase I pipeline may lead to a potentially enhanced economic performance of the Hodgkin and Lovelace fields given the upfront investment in Phase I infrastructure.

Hodgkin field

The Hodgkin field has historically produced 26 Bcf of gas from a single well, with current mapping indicating 2C Contingent Resources of 100 Bcf[1] and is an extension of the Audrey field.

[5] Hartshead management estimates.

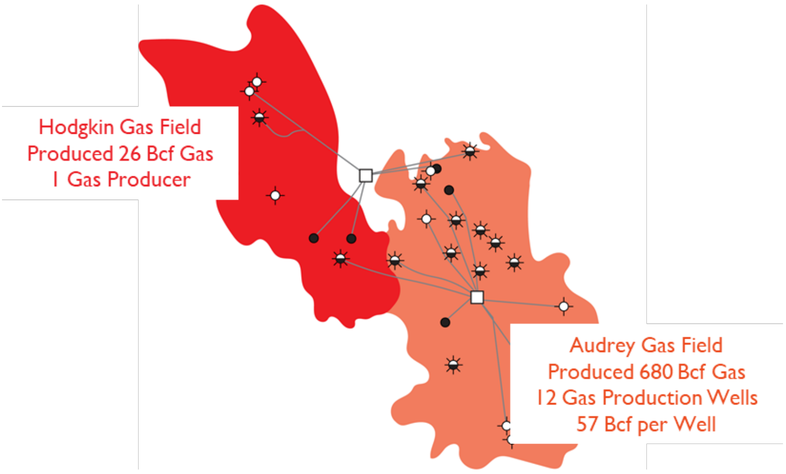

Figure 9. Audrey and Hodgkin gas fields with historical well locations and production history.

Seismic imaging of the reservoir at Hodgkin is challenging in places due to a complex overburden containing the Audrey Salt Wall. The pre-stacked depth migrated (PSDM) seismic data significantly improves the seismic image, removing many of the effects of the overburden, and will improve the mapping of the Hodgkin gas field to generate a new structural map. Subsurface work is currently underway to refine the seismic interpretation and reservoir model which will assist in determining the revised gas-on-place volumes.

Lovelace field

The Lovelace field is an undeveloped northern extension of the Tethys gas field and is currently estimated to contain 39 Bcf[1] of 2C contingent resources which is planned to be development via a single production well. The Tethys field was developed with a single production well that produced 18 Bcf.

Seismic mapping and the production history from the Tethys production well indicates the presence of the northern structural compartment that contains 130 Bcf GIIP with an unrisked recoverable resource of 39 Bcf.

PHASE III – EXPLORATION PORTFOLIO

Phase III is a low risk infrastructure-led portfolio of exploration opportunities which will utilise the infrastructure assembled in the Phase I and Phase II as an "enabler" to accelerate the development of certain exploration prospects in the event of drilling success and yield a greater NPV per boe than would be the case in a stand-alone development scenario.

An exploration study across License P2607 was conducted during Q1 2022 by Xodus generating a new prospect inventory totalling 14 prospects & leads with un-risked 2U Prospective Resources of 344 Bcf (Figure 10). Twelve new prospects, in addition to the existing Garrod and Ayrton prospects, were identified on the license area. All of the new prospects are undrilled structural traps within the Rotliegendes reservoir as summarised below along with their respective geological chance of success (GCoS) which ranges from 32% to 54% with an arithmetic average of 43%.

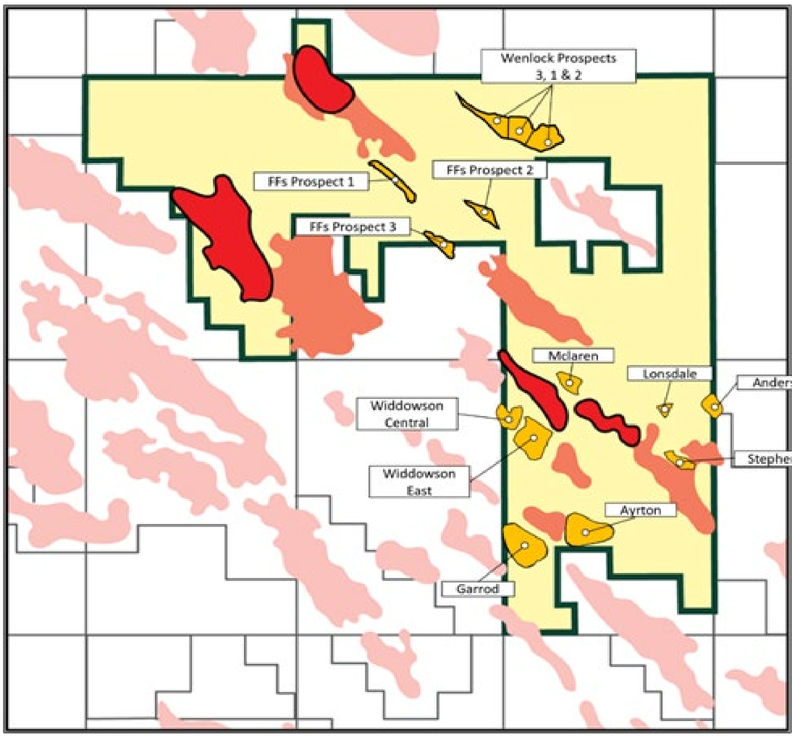

Figure 10. Phase III exploration portfolio prospects and leads map.

The prospects listed below (Table 3) will be economically evaluated and ranked prior to being short listed for further work which will involve initial well planning for the drilling of exploration wells in the final selected prospect or prospects. Any prospects selected to be drilled would likely be drilled sometime following Phase I first gas which is scheduled for late 2024. However, there is the potential for the McLaren prospect to be drilled as part of the Somerville development in 2024 or 2025 (Figure 11) given its proximity to Somerville and crystallise early value from the exploration portfolio prior to the Phase II development of the Hodgkin and Lovelace fields.

Prospect	Recoverable Volume[6] (Bcf)			GCoS
	1U	2U	3U	P50
Mclaren	18	**27**	39	0.54
Stephenson	36	**47**	60	0.43
Widdowson East	6	**29**	79	0.32
Widdowson Central	11	**21**	40	0.50
Lonsdale	5	**16**	31	0.50
Anderson	5	**12**	29	0.45
Garrod	16	**52**	125	0.50
Ayrton	25	**74**	146	0.41
Wenlock Prospect 1	4	**19**	55	0.36

[6] Prospective resources are estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. These prospective resources estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Wenlock Prospect 2	1	**5**	19	0.36
Wenlock Prospect 3	1	**5**	17	0.36
FFs Prospect 1	3	**11**	26	0.41
FFs Prospect 2	8	**19**	37	0.35
FFs Prospect 3	4	**9**	17	0.34
Arithmetic Total	**143**	**344**	**719**	

Table 3. Phase III exploration portfolio resource table highlighting 2U Prospective Resources.

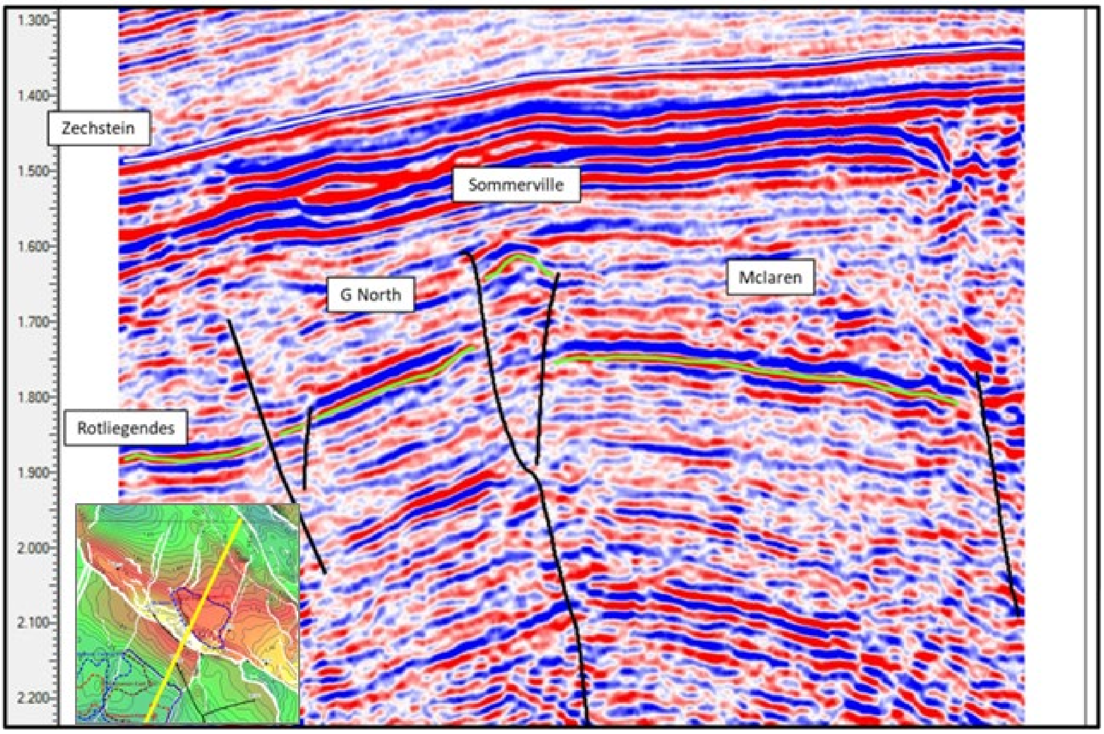

Figure 11. McLaren prospect seismic line showing its location adjacent to the Somerville field.

UK GAS MARKETS AND SECURITY OF SUPPLY

The conflict in Ukraine has led to widespread volatility and record pricing in European energy markets with security of supply now a priority for all European governments including the UK. Economic sanctions on Russia have resulted in material reductions of gas flows into European countries, including Nordstream-1 into Germany, which are now struggling to balanced demand with piped gas imports from other regions (e.g. Norway, North Africa) and LNG imports as far afield as Australia. As winter approached in the northern hemisphere there are increasing concerns regarding the potential for power rationing at peak periods and/or energy black-outs with several governments, including the UK, having recently introduced financial measures to assist residential and commercial end-users with energy costs.

UK security of supply concerns have led to a new British Energy Security Strategy being launched by the UK Government's Department for Business, Energy & Industry Strategy (BEIS) in April 2022 which potentially has positive implications for the UK North Sea Oil & Gas sector. A key part of the new strategy is a renewed focus on making the most of the United Kingdom's domestic oil and gas resources during the energy transition with the Southern Gas Basin being seen as a key component of the supply-side equation. Hartshead's Phase I Gas Development Project is one of the near-term projects that should benefit from this renewed focus on bringing new oil and gas developments on stream faster and more efficiently.

The European energy crisis has, in turn, led to super-normal profits for upstream oil & gas companies benefiting from elevated wholesale gas prices and oil prices in excess of US$100 per barrel and in May 2022 the UK Government introduced a "Windfall Tax" with the introduction of the UK Energy Levy.

Prior to the introduction of the new Windfall Tax the UK oil & gas fiscal regime consisted of three elements:

- Ring-Fenced Corporation Tax (RFCT) – 30%
- Supplementary Charge Tax (SCT) – 10%

The new Windfall Tax introduced an additional 25% tax, thereby taking the total combined tax rate to 65%. The Windfall Tax ends automatically on 31 December 2025.

Alongside the Windfall Tax the UK Government also put in place strong incentives in the UK oil & gas sector by effectively super-charging the tax relief available on capital expenditure and will appeal to companies who currently have UK production as it enables them to offset the impact of the Windfall Tax by investing their profits in oil & gas projects and gaining tax relief at a rate of £91.25 for every £100 of investment.

	TAX RATE	TAX RELIEF	RELIEF RATE	RELIEF PER £100 INVESTED
RING FENCE CORPORATION TAX	30%	First Year Capital Allowance	100%	£30
SUPPLEMENTARY CHARGE	10%	First Year Capital Allowance	100%	£30
SUPPLEMENTARY CHARGE	10%	Investment Allowance	62.5%	£6.25
TOTAL TAX RELIEF PREVIOUSLY				£46.25
ENERGY PROFITS LEVY	25%	First Year Capital Allowance	100%	£25
ENERGY PROFITS LEVY	25%	Investment Allowance	80%	£20
ADDITIONAL NEW TAX RELIEF				£45
TOTAL NEW TAX RELIEF				**£91.25**

Table 4. UK Upstream Tax Rates and Investment Allowances **Source: HM Treasury**

Energy supply concerns for the 2023 winter period are being reflected in the UK NBP forward price reaching in excess of 500 pence per therm[7] (p/therm) for January 2022 (Figure 12) compared to 47.5 p/therm at the time of the acquisition of HRL in February 2021. The UK gas futures also point to a winter 2024/25 price in excess of 200 p/therm. Concerns over the supply-side limitations have also been reflected in carbon credits pricing with European benchmark carbon contracts (EU ETS) currently trading at over €70 per tonne. Hartshead's internal economic evaluation of the Phase I development is based on a gas price assumption of 65 p/therm highlighting the potential for considerable economic upside should market conditions persist.

[7] Source: InterContinental Exchange (ICE).

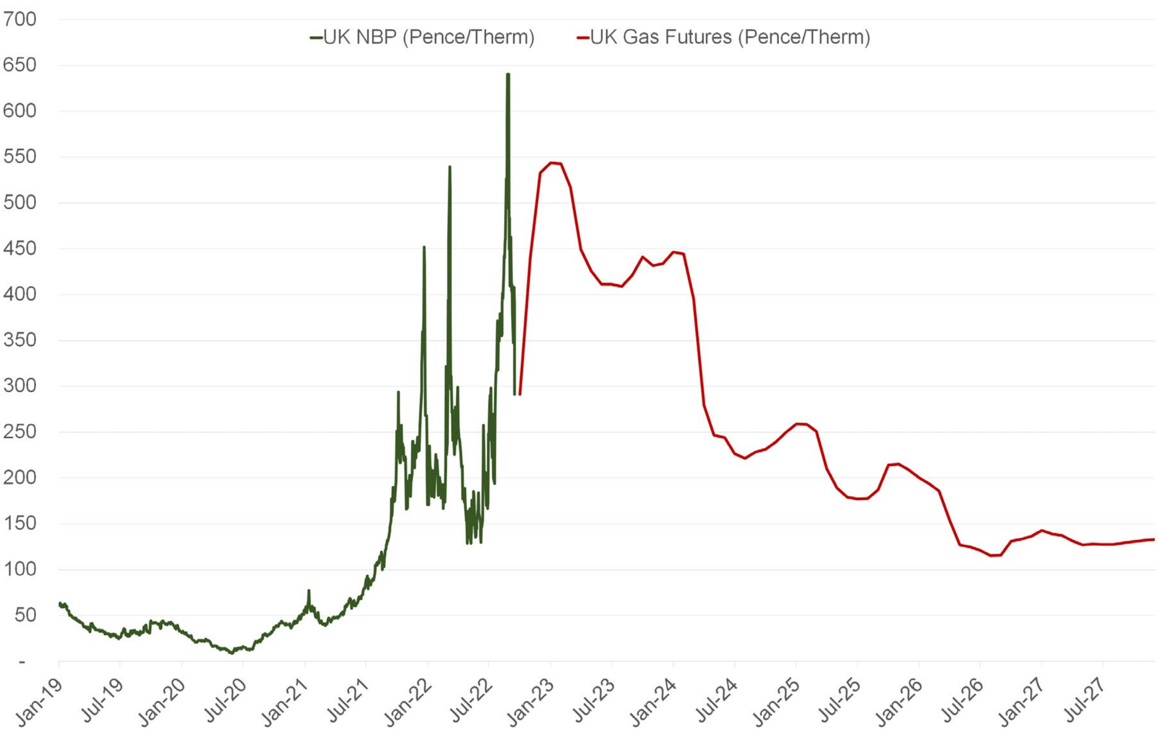

Figure 12. UK NBP historical and future pricing (Dated: 16 September 2022) Source: ICE, Factset

ENERGY TRANSITION

As a responsible and safe European focused energy business Hartshead is committed to its role in the UK's energy transition and to ensuring that the Company positively contributes to the UK's 2050 Net Zero target. As the Company progresses its Phase I development investors and other stakeholders will see Hartshead report on specific initiatives to develop its assets in a manner which mitigates carbon emissions and any environmental impact.

Hartshead has examined a number of options to develop its Phase I assets in a lower carbon setting as part of the Concept Select program and will refine these further during the Define stage of Front-End Engineering and Design (FEED) in an effort to minimise our carbon emissions prior to submission of the Phase I Field Development Plan (FDP).

During the financial period Hartshead announced that the Company had been selected to participate in several Special Interest Groups (SIGs) established by the North Sea Transition Authority (NSTA) as part of the Bacton Energy Hub initiative focussed on future hydrogen generation at the Bacton gas terminal, where Hartshead is likely to process its natural gas production.

The UK Southern Gas Basin, together with the Bacton gas terminal and offshore wind power infrastructure, form the Bacton Catchment Area (Figure 13). The area has been the focus of a recent study by the NSTA to consider how the Bacton Catchment Area could be developed into an energy and infrastructure hub for future hydrogen generation as part of the UK's decarbonisation efforts and 2050 net zero target. Hartshead's gas developments could potentially provide material volumes of natural gas feedstock into the Bacton Energy Hub for blue hydrogen generation and the Company's future offshore infrastructure potentially used in Carbon Capture & Storage and electrification projects thereby mitigating carbon emissions as part of the energy transition.

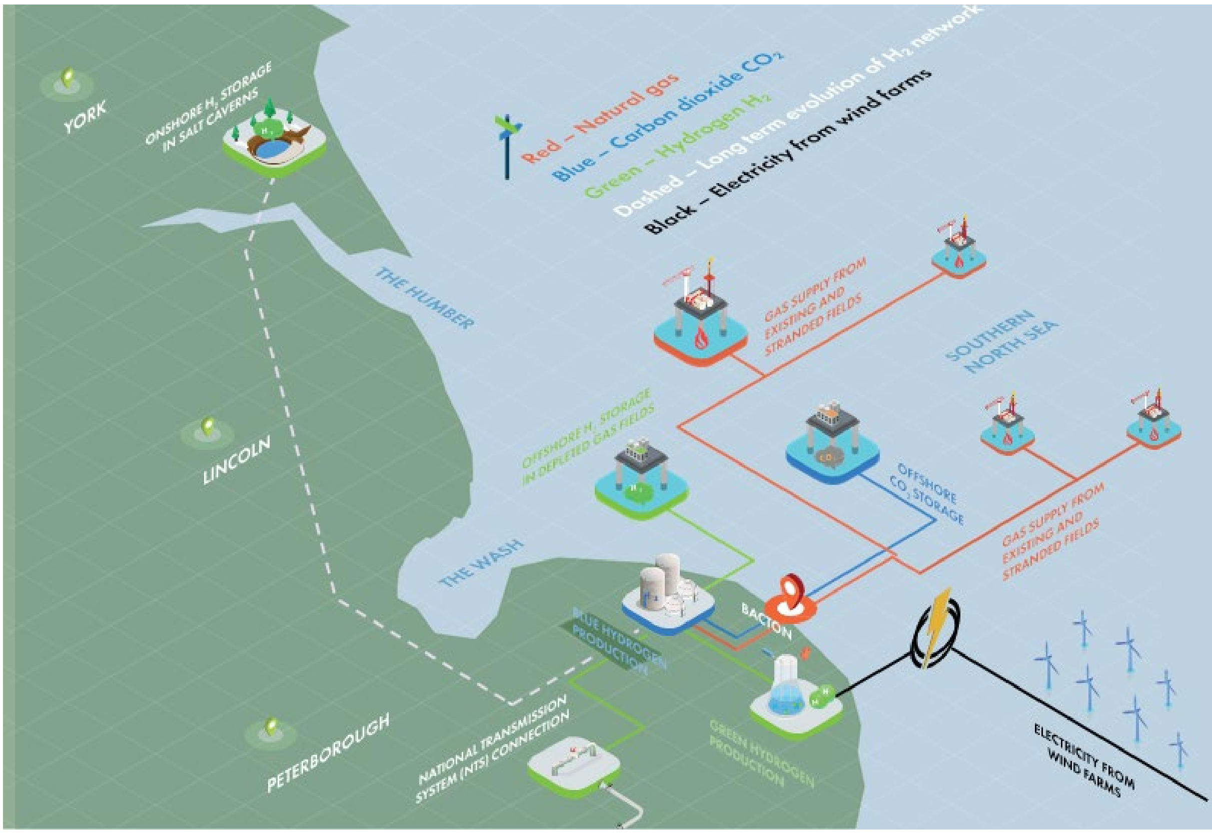

Figure 13. Bacton Catchment Area: Energy Hub integration with various offshore installations illustrating their potential role in future hydrogen generation. (Source: NSTA).

NEW VENTURES

The new UK Energy Security Strategy has revitalised the role of the Southern Gas Basin in the UK's security of energy supply providing an active arena for both corporate and asset-based transactions and therefore potential new venture opportunities. This area of the UK North Sea has witnessed a material increase in M&A activity during the last two years and remains a key basin of interest for incumbents as well as new entrants to the UKCS.

Hartshead's new ventures strategy is focused on specific Southern Gas Basin growth opportunities which complement the existing portfolio and provide exposure to discovered resources where commercial and development investment and work is required to deliver the full value of the assets. The UK's 33rd Offshore Licensing Round, which is expected to be launched by year-end 2022, will likely include new license opportunities in the UK SNS and will be under consideration by Hartshead once details are released by the NSTA.

CORPORATE & FINANCIAL

CORPORATE ACTIONS

On 1 September 2021, the Company announced that an agreement had been reached with the vendors of Hartshead Resources Ltd (UK) for the extension of their voluntary escrow period for a further 12 months, being from 3 February 2022 through to a new date of 3 February 2023.

The Company also announced that it had facilitated an off-market sale for un-related parties, with a shareholding of 20,864,790 shares by lifting the current voluntary escrow arrangements and then reapplying post transfer. The purchasers of these shares, none of whom are related parties, included the Hartshead Operations Manager, Commercial Manager, Company Secretary, and existing Vendors. All agreed to a voluntary escrow to 3 February 2023 on the same terms as the other Vendors.

On 19 November 2021, the Company announced that it had established a Share Sale Facility for holders of Unmarketable Parcels of shares in the Company with a market value of less than $500. Hartshead provided the Facility to enable Unmarketable Parcels to be sold without shareholders incurring any brokerage or handling costs. The Facility was open to all shareholders holding 25,000 shares or less in the Company, based on a closing price of $0.02 per share on the record date of 18 November 2021. On the closing date of the Facility, 7 January 2022, 710 shareholders had elected to sell a total of 7,502,862 shares at a price to be determined pursuant to the Company's constitution. The shares were purchased by members of the board and management team.

On 1 March 2022, it was announced that the Company had issued an Invitation to Tender (ITT) to a number of service providers in respect of the following workstreams:

- **Phase I Concept Select Peer Review:** An independent evaluation of the workstreams completed as part of the Phase I Concept Select, incorporating a Technical Audit of the resource estimates for Phase I and II fields and the Phase III exploration prospect inventory. A key deliverable from the Technical Audit will be a new CPR.
- **ESG Strategy and Reporting:** To assist Hartshead in developing its ESG strategy, including the establishment of an industry standard framework for the measurement and auditing of emissions, and a reporting system to integrate into existing ASX compliance and corporate governance requirements.

Following a technical and commercial bid evaluation process ERC Equipoise were selected and appointed to conduct a Peer Review of the Phase I and II field developments and Phase III exploration portfolio workstreams completed to date. ERCE will also conduct an Independent Technical and Commercial Audit of the reserves and resources on Seaward License P2607 associated with Phases I, II and III for the purposes of the compilation of a CPR.

Following the ITT issued in respect of ESG Strategy and Reporting the Company announced the appointment of sustain:*able* (**sustain:*able***) as ESG Strategy & Reporting Advisor to assist the Company in the development of its ESG strategy, related emission reduction initiatives and reporting frameworks.

sustain:*able* have been working with Hartshead since their appointment in developing the Company's ESG strategy & reporting in the following five key areas:

- An audit of Hartshead's current activities, including a thorough materiality assessment based on the GRI standards (GRI 11 - Oil & Gas Industry);
- Selection of an appropriate ESG framework based on the UN Sustainable Development Goals;
- Development of a full ESG company strategy;
- Implementation of the selected strategy and management/monitoring processes, including focus on building an ESG-aware company culture; and
- Reporting and ESG content for annual report inclusion.

MINORITY INVESTMENTS

Hartshead remains a holder of 69,637 shares in the capital of Gemini Resources Limited (GRL) (carrying value of $196,549), equating to 2.1% ownership in GRL as a result of the automatic conversion of the exclusivity fee payment (£250,000) at completion of the transaction with GRL announced in September 2019.

Hartshead is also a holder of 102,387 shares in SSH Group Limited (SSH) (carrying value of $18K) equating to 0.18% of the issued share capital following a capital reorganisation and ASX IPO of SSH in September 2021.

TREASURY

Hartshead's closing cash and cash equivalents at 30 June 2022 was $2.5 million.

ESG REPORT

Hartshead are pleased to be incorporating their first ESG Report into the Company's 2022 Annual Report & Accounts and look forward to providing shareholders with further initiatives underway by Hartshead as our operations progress in the UK Southern North Sea.

COMMITMENT STATEMENT FROM CEO

"*Hartshead is proud to be developing an impactful ESG strategy that applies across the entire business - building value for our stakeholders while delivering gas to the European market*."

Chris Lewis – Chief Executive Officer

COMMITMENT STATEMENT FROM BOARD

"Hartshead recognises the importance of its environmental and social responsibilities, which together with its compliance to the latest ASX guidance and reporting standards on corporate governance, are the basis of the Company's Environmental, Social and Governance (ESG) strategy. Our recent appointment of UK-based sustain:able to assist Hartshead with its ESG Strategy and Reporting is testament to the importance that the Board attaches to developing our ESG culture which is now a permanent agenda item at all Board meetings.

The Company regularly undertakes a review and update of all of its policies and procedures; including its corporate governance statement and adoption of the latest guidance issued by the ASX Corporate Governance Council. At the UK operating level our Business Management System (BMS) and Safety and Environmental Management System (SEMS) are constantly evolving and updated with new policies and procedures covering operations, risk, management and all aspects of HSE which adhere to the requirements of ISO45001 and ISO14001."

Bevan Tarratt – Non-Executive Chairman

ESG STRATEGY

Hartshead are focused on developing an ESG strategy that is relevant and achievable. We will continue to develop and evolve our ESG strategy as our company grows to ensure it remains integral to all we do. Establishing an ESG strategy and starting to integrate it now, as a young company, will help us to nurture an ESG-aware culture in our organisation.

Through our process to date, involving a thorough Materiality Assessment utilising the Global Reporting Initiative (GRI) 11, Oil and Gas sector-specific recommendations, we have identified 3 key pillars of focus, but recognise significant overlap as part of our business ecosystem:

- Environmental Stewardship
- Partner of Choice
- Strong Governance

Figure 14. The three identified pillars of ESG focus based on Hartshead's materiality assessment.

MATERIAL TOPICS

To ensure our ESG strategy is relevant and impactful, we carried out an in-depth review of our material topics utilising the Global Reporting Initiative (GRI) 11: Oil and Gas 2021 Sector Standard. This is the first step to ensure Hartshead can become fully aligned with the GRI protocols in the future, including our intention to carry out transparent reporting.

This initial Materiality Assessment involved a thorough internal review of the topics with subject matter experts from across the business, and utilising external expert advisors. Input and challenges were received from the various business leads, senior management team, and Executive Board.

Each topic was considered with respect to its impact on our stakeholders and then in relation to its impact on Hartshead's business in order to develop the materiality matrix (Figure 15) and identify the topics that are material to our business at this time.

Following on from the identification of the material topics, we linked and aligned these topics and our wider ESG strategy with the most relevant UN Sustainable Development Goals (UNSDGs). This process underpins all that we will be focusing on going forward to ensure our ESG strategy is relevant and impactful.

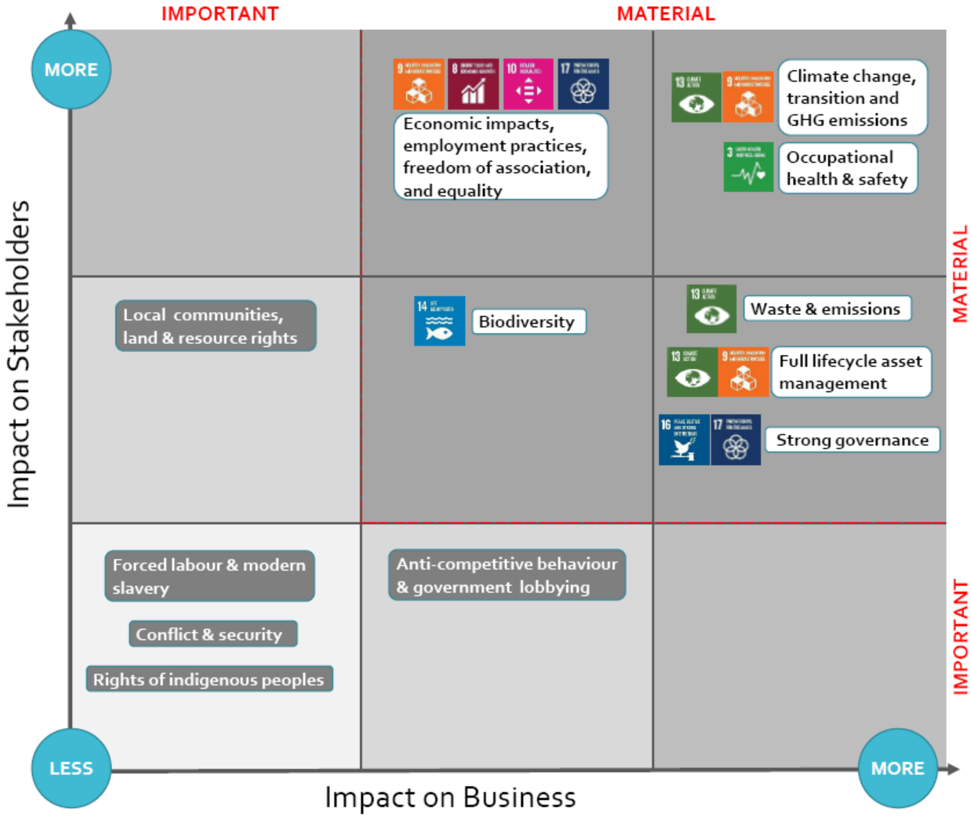

Figure 15. Hartshead ESG materiality matrix.

ESG VISION AND GOALS ALIGNED WITH OUR CORE VALUES

We have defined five core values which guide our operational practices and the ways in which we conduct our business, including informing our strategy and defining the culture of our company.

These core values are:

- to act fairly and ethically;
- to comply with the law at all times and act accordingly;
- to respect others, both inside and outside of our workplace;
- to promote diversity; and
- to be honest and transparent in our dealings

Our ESG strategy, based on the foundation of three pillars: Environmental Stewardship, Partner of Choice, and Strong Governance, strongly aligns with our core values.

Additionally, we have defined our visions and specific goals for making a positive impact within each of the three pillars to deliver a meaningful ESG strategy.

We are currently working to define relevant and specific measurable targets to enable us to monitor, report, and continually improve our performance and realise our aspirations.

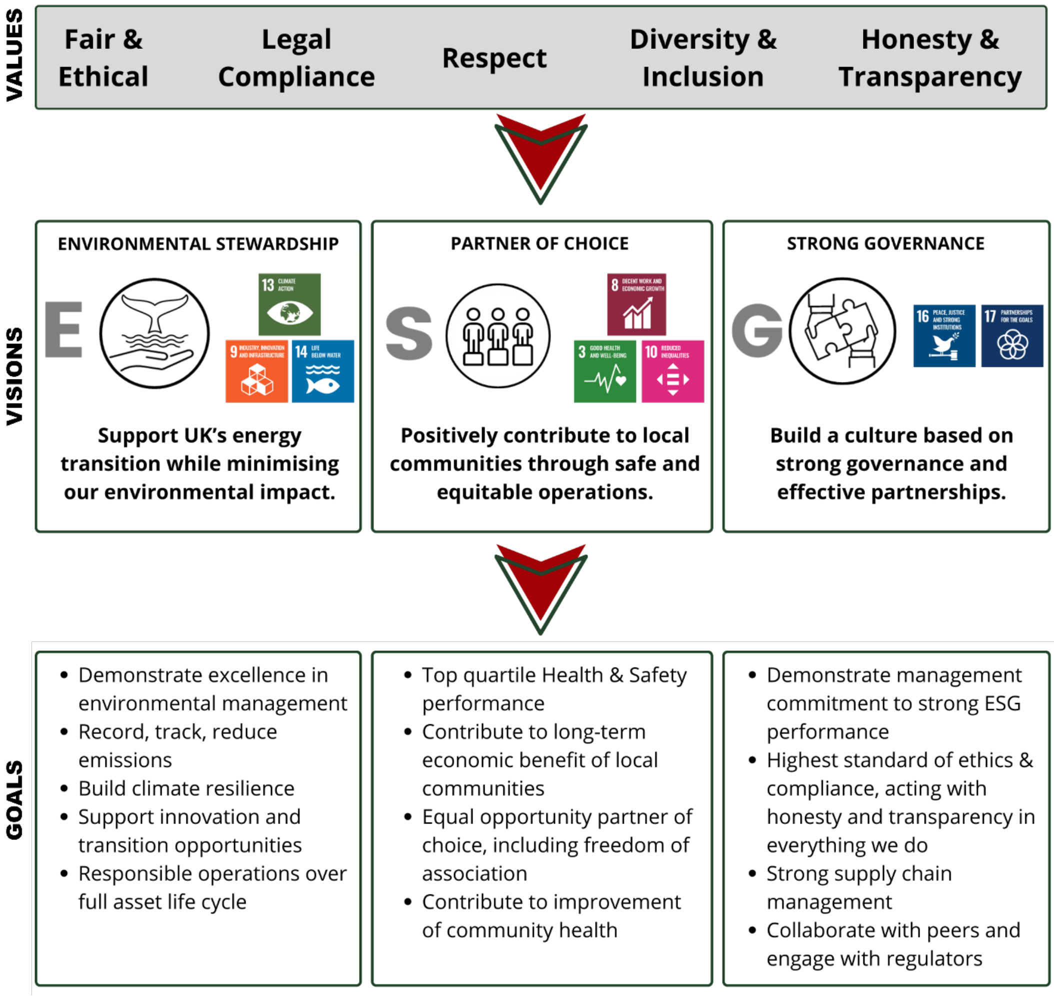

Figure 16. ESG visions and goals and core values alignment.

COMMITMENT TO BUILDING AN ESG-AWARE CULTURE

The Management and Board of Hartshead Resources are committed to the long-term journey of building an ESG-aware culture throughout the company.

We aim to demonstrate our commitment to stakeholders as a responsible energy partner through our actions, including striving for continuous improvement and transparently reporting what we do.

We are preparing to start reporting against the Taskforce for Climate Related Financial Disclosures (TCFD) framework in the 2022-23 financial year and will continue to build and expand our reporting disclosures in coming years to include the Global Reporting Initiative (GRI) as our gas development and operations progress.

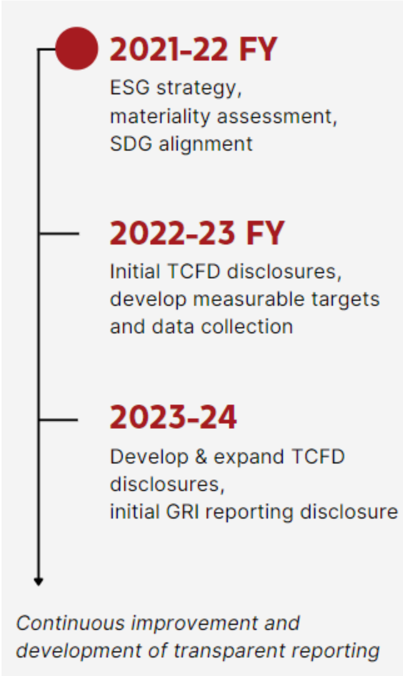

Figure 17. ESG strategy and reporting timeline.

Hartshead are committed to selecting development options with the lowest emissions and impact where practically possible. This has been implemented from the concept select report and will continue through the development planning stages. We plan to measure our emissions and regularly review them at the Senior Management and Board level, to enable us to then make plans to reduce them where possible. This extends to our wider ESG impacts from all operations and office activities. As our company grows, the level to which we report on our emissions will also grow.

PETROLEUM TENEMENTS HELD AS AT 30 JUNE 2022

	% Interest	Tenement	Location
Held at 30 June 2022	100%	Seaward Production License P2607	Offshore United Kingdom
	100%[8]	Nkembe Block	Offshore Gabon
	100%[9]	Ambilobe Block	Offshore Madagascar

PETROLEUM REPORTING STATEMENTS

UK SOUTHERN NORTH SEA SEAWARD PRODUCTION LICENSE P2607 – RESERVES, CONTINGENT AND PROSPECTIVE RESOURCES

Please refer to the qualified person's statement relating to the reporting of reserves on Hartshead Resources Southern North Sea License P2607 in Hartshead's ASX announcements dated 23 June 2022.

Please refer to the qualified person's statement relating to the reporting of contingent and prospective resources on Hartshead Resources Southern North Sea License P2607 in Hartshead's ASX announcements dated 6 April 2022 and 8 March 2022.

The Company is not aware of any new information or data that materially affects the information about the contingent resource or prospective resource estimates included in this report and all the material assumptions and technical parameters underpinning those estimates in this announcement continue to apply and have not materially changed.

Contingent resources reported herein have been estimated and prepared using the probabilistic method.

[8] Hartshead's interest is subject to the right of the State of Gabon to participate in any development for up to a 20% interest under the Nkembe PSC.

[9] Subject to relinquishment as per the terms of the Ambilobe PSC.

RESERVES[10]						
				1P	**2P**	**3P**
PHASE I	49/17b	**Anning**	Sales Gas (Bcf)	73	**145.0**	245
			Condensate (MMbbl)	0.081	**0.192**	0.375
	49/17b	**Somerville**	Sales Gas (Bcf)	107.0	**156.5**	213
			Condensate (MMbbl)	0.119	**0.208**	0.325
			Total (MMboe)	31.2	**52.4**	79.7

CONTINGENT RESOURCES[11] (BCF)			1C	2C	3C	GCoS
PHASE II	49/6c, 49/11c	**Lovelace**	14	**39**	70	100%
	48/15c	**Hodgkin**	35	**100**	387	100%

PROSPECTIVE RESOURCES[12] (BCF)			1U	**2U**	3U	**GCoS**
PHASE III EXPLORATION	49/17b	**Garrod**	16	**52**	125	50%
	49/17b	**Ayrton**	25	**74**	146	41%
	49/17b	**McLaren**	18	**27**	39	54%
	49/17b	**Stephenson**	36	**47**	60	43%
	49/17b	**Widdowson East**	6	**29**	79	32%
	49/17b	**Widdowson Central**	11	**21**	40	50%
	49/17b	**Lonsdale**	5	**16**	31	50%
	49/17b	**Anderson**	5	**12**	29	45%
	49/12d	**Wenlock Prospect 1**	4	**19**	55	36%
	49/12d	**Wenlock Prospect 2**	1	**5**	19	36%
	49/11c	**Wenlock Prospect 3**	1	**5**	17	36%
	49/11c	**FFs Prospect 1**	3	**11**	26	41%
	49/11c	**FFs Prospect 2**	8	**19**	37	35%
	49/11c	**FFs Prospect 3**	4	**9**	17	34%

[10] Reserves estimates are from ERC Equipoise Limited, Independent Competent Persons Report (CPR) entitled "Hartshead Resources NL Somerville and Anning Competent Persons Report" dated June 2022. See Qualified Persons Statement for reserves reporting notes.

[11] Hartshead management estimates

[12] Prospective resources are estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. These prospective resources estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

COMPETENT PERSONS STATEMENT

The Reserves estimated in this report have been made by Dr Adam Law, Director, ERC Equipoise (ERCE), a post-graduate in Geology, a Fellow of the Geological Society and a member of the Society of Petroleum Evaluation Engineers. Dr Adam Law is qualified in accordance with ASX listing rule 5.41 and has consented to the use of Reserves estimates, and to the form and context in which these statements appear.

ERC Equipoise Ltd. (ERCE) is a leading, employee owned, global energy consultancy headquartered in London with offices in Singapore, Kuala Lumpur and Perth. It's fully integrated team of Geoscientists, Engineers and Economists are specialists in Competent Persons reporting, reserves and resources auditing, technical services, commercial analysis and Expert advisory services. ERCE supports companies in traditional energy sectors as well as providing energy transition and sustainability services.

The Reserves estimates presented in this report were originally disclosed to the market in announcement released on 23 June 2022.

The information in this report that relates to Reserves estimates is based on information compiled or reviewed by Mr Christopher Lewis. Mr Lewis has consented to the form and context in which the estimated Reserves and the supporting material are presented.

Hartshead has prepared the Contingent Resource and Prospective Resource information in this announcement in accordance with the ASX Listing Rules and the 2007 Petroleum Resources Management System published by the Society of Petroleum Engineers (SPE-PRMS). The Contingent Resource estimates and Prospective Resource estimates presented in this report were originally disclosed to the market in announcement released on 14 December 2020 and updated 8 March 2022 and 6 April 2022. Hartshead confirms that it is not aware of any new information or data that materially affects the information included in the aforesaid market announcements and that all the material assumptions and technical parameters underpinning the estimates in the aforesaid market announcement continue to apply and have not materially changed. The information in this report that relates to Contingent Resource information in relation to the Phase II Hodgkin and Lovelace fields and the Prospective Resource information in relation to the Phase III exploration portfolio is based on information compiled by Mr Christopher Lewis and information complied by technical consultants contracted to Hartshead which has been subsequently reviewed by Mr Christopher Lewis. Mr Lewis has consented to the inclusion of such information in this report in the form and context in which it appears and the resources information in this report is based on, and fairly represents, information and supporting documentation reviewed by, or prepared under the supervision of, Mr Christopher Lewis.

Mr Lewis is a Director of Hartshead and holds a BSc from the Imperial College, University of London and is a member of The American Association of Petroleum Geologists (AAPG) and the European Association of Geoscientists and Engineers (EAGE). Mr Lewis is qualified in accordance with the requirements in ASX Listing Rule 5.41.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

The Board of Hartshead are committed to conducting its business in accordance with a high standard of corporate governance commensurate with its size, operations, and the industry within which it participates. The Directors of Hartshead are responsible for corporate governance of the Company and support the principles of the ASX Corporate Governance Council's Principles and Recommendations (4th edition – February 2019) published by the ASX Corporate Governance Council.

The Company's Corporate Governance Statement as at September 2022 was approved by the Board on the date of this report. The Company's Corporate Governance Statement can be viewed www.hartshead-resources.com.au under the Corporate menu tab.

Following completion of the HRL transaction, the Company undertook a review of all of its Corporate Governance policies, including Anti-Bribery & Corruption, Statement of Values and the Whistleblower Policy, to ensure that they remained current and compliant.

EVENTS AFTER THE REPORTING PERIOD

On 20 July 2022, the Company announced that it had received a "Letter of No Objection" from the NSTA in respect of the development concept for the Phase I development of the Anning and Somerville gas fields. The Letter of No Objection followed a review of the *"Concept Select Report - P2607 Phase I Development Anning & Somerville",* submitted to the NSTA (announced on 30 May 2022), and indicated the finalisation of the "Assessment Phase", entry into the "Authorisation Phase", and provided no objection to the Company preparing a Field Development Plan for the Anning and Somerville fields as described in the Concept Select Report. The Company notes that Letter of No Objection was received from the NSTA after a period of only six weeks following submission of the Phase I Concept Select Report.

Given the receipt of the Letter from the NSTA the Company looks forward to progressing its Phase I development through the Define stage and submission of a FDP prior to the Final Investment Decision.

Following the Letter of No Objection from the NSTA the Company then announced it had entered into an agreement with Shell UK Exploration & Production Limited (Shell), to undertake an Engineering Study for tie-in of the Phase I gas field development to Shell's infrastructure. The Study agreement provides a basis of design and cost estimate for the tie-in to Shell's infrastructure detailing the required brownfield modifications as part of the gas offtake route for the Anning and Somerville gas fields. The Engineering Study with Shell will define Hartshead's route to transport its natural gas and condensate to the points of sale and is, therefore, a key component of the FDP.

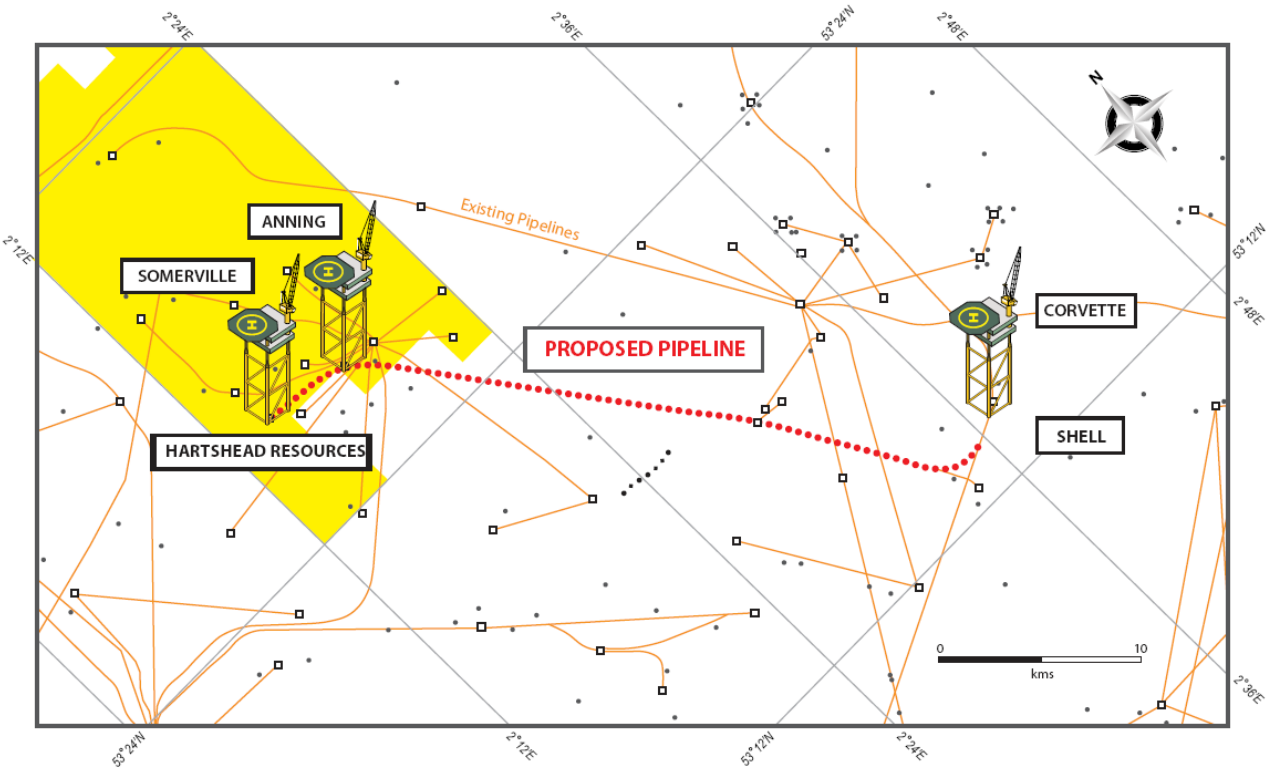

Figure 18. Preferred tie-in point of Anning and Somerville fields to Shell's infrastructure (Corvette and Leman-A platforms)

The study work is being undertaken by Petrofac and managed by Hartshead with Shell providing project assurance, prior to entering the next phase of engineering work, which is the FEED followed by FDP submission to the UK government.

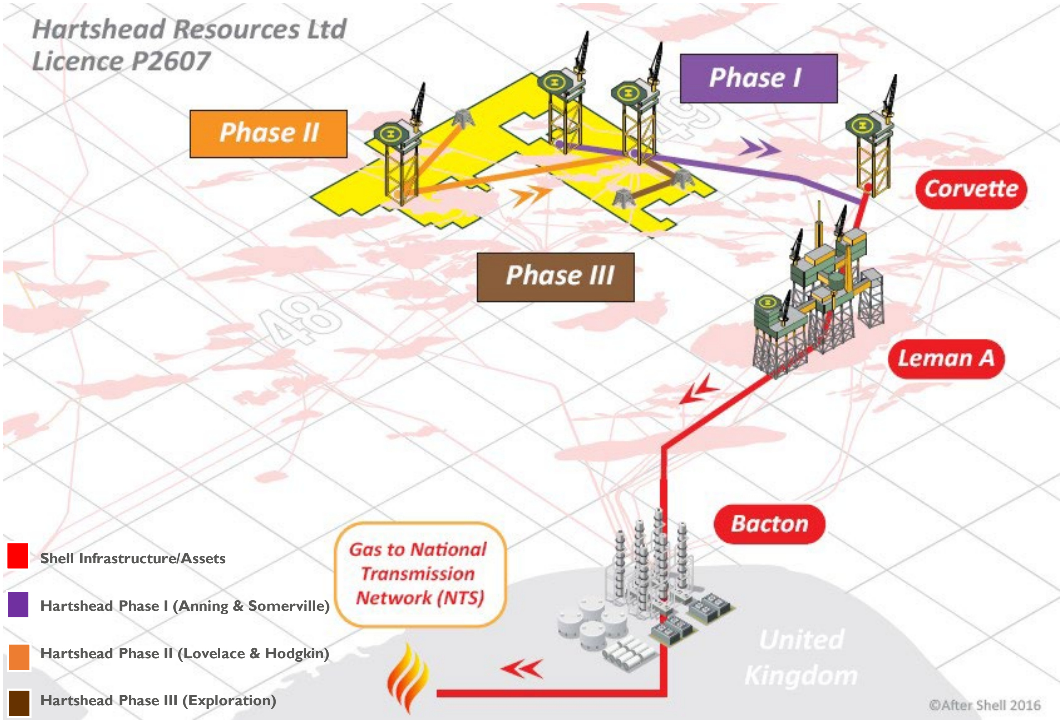

Figure 19. Schematic of Hartshead's License P2607 and Assets with proposed Gas Transportation Route via Shell's Southern North Sea Infrastructure to the Bacton Gas Processing Terminal.

The ability of the Company to fund the next steps of the Phase I field development were detailed on 25 August 2022 with an announcement, concurrent with the commencement of the Shell Engineering Study, of an over-subscribed Placement of $11 million (before costs) with the majority of the capital raise being applied to the Phase I field development costs as the Company enters the FEED stage of the Anning & Somerville gas field developments and for working capital purposes.

The Placement, by way of the issue of 400,000,000 new Shares at an issue price of $0.0275 per Share, was supported by a number of Australian institutional and UK family office and HNWI investors. Hartshead directors subscribed for a total of $500,000 of new shares at the issue price, subject to shareholder approval at the upcoming Annual General Meeting, signalling their continuing strong support for Hartshead.

Given the level of interest shown in the capital raise from a spectrum of UK investors and funds, management intends to explore the merits of a dual-listing of the Company's shares on the AIM market of the London Stock Exchange.

In the opinion of the Directors, no other event of a material nature or transaction, has arisen since year end and the date of this report that has significantly affected, or may significantly affect, the Company's operations, the results of those operations, or its state of affairs.

FINANCIAL PERFORMANCE

The Group made a net loss after tax of $3,670,239 for the year ended 30 June 2022 (30 June 2021: loss of $6,013,144).

At 30 June 2022, the Group had net assets of $3,914,699 (30 June 2021: $6,767,917) and cash assets of $2,500,537 (30 June 2021: $6,899,356).

PRINCIPAL ACTIVITIES

Hartshead is an Australian-listed oil and gas exploration and development company. The Company has an interest in the Seaward Production License P2607, offshore United Kingdom, the Nkembe block, offshore Gabon and the Ambilobe block, offshore Madagascar. The Company's strategy is to extract value from the Company's assets and to build a diversified portfolio of assets over time.

Other than those already noted in the report, there were no other significant changes in the nature of these activities during the year.

INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

Mr Bevan Tarratt, Non-Executive Chairman
BBus

Appointment date	24 May 2018
Experience and expertise	Mr Tarratt has an extensive background in the accounting industry primarily focused on small cap resource companies. This experience has allowed Mr Tarratt to develop an in-depth understanding of the resource sector within Western Australia and globally, allowing Mr Tarratt to systematically evaluate project and corporate opportunities. Mr Tarratt has extensive equity capital markets experience with Paterson's Securities Ltd.
Directorships held in other ASX listed entities	*Current directorships* None *Former directorships* - Fenix Resources Ltd – from August 2015 to December 2019 - Protean Energy Limited – from June 2007 to December 2020 - SSH Group Limited – from August 2018 to September 2021
Committee Memberships	None
Interest in shares, options, performance rights	Fully paid ordinary shares 8,721,789 Partly paid shares 1,075,000 Performance rights 5,000,000

Mr Chris Lewis, Executive Director and Chief Executive Officer
BSc

Appointment date	23 September 2019 (appointed Chief Executive Officer on 3 February 2021)
Experience and expertise	Mr Lewis is a geophysicist with over 28 years' experience in the oil and gas industry having worked for major E&P companies, junior and small cap companies and service companies and was the Chief Executive Officer of Hartshead Resources Limited. Over the last 17 years Mr Lewis has held a variety of executive and senior management positions, has managed oil and gas operations in Europe and Africa and has been instrumental in the start-up and rejuvenation of multiple small companies. Mr Lewis has been involved in multiple, small oil and gas ventures including successful exits from: • Zeta Petroleum: Built a portfolio of assets in Romanian and sold to GMI Limited (CEO: 2005-2009); • Centric Energy: Awarded license in the Kenya Tertiary Rift Basin, farmed out to Tullow Oil and then sold to Africa Oil (VP Exploration: 2010); • Lion Petroleum: The company had two blocks onshore Kenya and was successfully reversed into TSX listed Taipan Resources (VP Exploration: 2011); • Black Star Petroleum: Awarded exploration licenses offshore Guinea Bissau and Namibia and sold company to Impact Oil and Gas (Co-Founder: 2013-2014). Mr Lewis's technical strengths are in exploration and development subsurface management and delivering effective and valuable sub-surface projects. Commercially he has been involved in license applications, negotiations with government bodies, new ventures transactions and capital raising for a variety of organisations
Directorships held in other ASX listed entities	None
Committee Memberships	None

Interest in shares, options, performance rights	Fully paid ordinary shares	231,159,026
	Performance rights	8,089,161

Dr Andrew Matharu, Executive Director and Chief Financial Officer
BEng(Hons), PhD, CEng

Appointment date	23 September 2019 (appointed Chief Financial Officer on 3 February 2021)
Experience and expertise	Dr Matharu has over 27 years' experience in the oil and gas industry and equity capital markets having commenced his career as a Petroleum Engineer with Chevron and Kerr McGee in the UK North Sea and was the Chief Financial Officer of Hartshead Resources Limited. Following a move into investment banking he focused on oil & gas equity research and corporate finance within roles at Cazenove, Bridgewell Securities, Numis and Westhouse Securities where he advised a number of AIM listed companies. Dr Matharu has a wide experience of financing private and publicly listed small and mid-cap companies in the oil and gas sector and also served as Vice President of Corporate Development at AIM-listed Tower Resources plc where he was involved in a series of corporate and asset transactions and capital raisings. Andrew holds a BEng(Hons) degree in Chemical Engineering from the University of Sheffield, a PhD in Chemical Engineering from the University of Cambridge and is a Chartered Engineer.
Directorships held in other ASX listed entities	None
Committee Memberships	None

Interest in shares, options, performance rights	Fully paid ordinary shares	122,191,195
	Performance rights	8,089,161

Mr Nathan Lude, Executive Director
BBus, Msud

Appointment date	Appointed Non-Executive Director 16 May 2016, assumed Executive role 1 May 2017
Experience and expertise	Mr Lude has broad experience working in Asset Management, Mining and the Energy Industry, and is well experienced in project identification and project development across multiple ASX listed companies. He is the founding Director of corporate advisory firm Advantage Management which specialises in business growth and project development of ASX listed companies or private companies aspiring to become listed. Previously Nathan worked for ATCO Gas Australia and has previously held Executive and Managing Director positions for various ASX listed companies. Nathan is currently the Chairman for ASX listed, GTI Resources. Since 2007 Mr Lude been involved in Asset and Fund Management and formerly operated a publicly unlisted business development fund. Nathan's business network spreads across Australia and Asia and has strong ties with Australian broking firms, institutions and also Asian Investors. Nathan has completed a Masters of Asset Management at Bond University, a Post Graduate Diploma in Asset Management and has a Bachelor of Business degree.
Directorships held in other ASX listed entities	*Current directorships* - GTI Resources Limited – from July 2018 *Former directorships* - Frontier Resources Limited – from July 2019 to May 2020
Committee Memberships	None

Interest in shares, options, performance rights	Fully paid ordinary shares	16,099,091
	Performance rights	5,000,000

Company Secretary

Mr Matthew Foy, Appointed 11 December 2020
BCom, GradDipAppFin, GradDipACG, SAFin, AGIA, ACIS

Mr Foy is a contract Company Secretary and active member of the WA State Governance Council of the Governance Institute Australia (GIA). He spent four years at the ASX facilitating the listing and compliance of companies and possesses core competencies in publicly listed company secretarial, operational and governance disciplines

Directors' Meetings

The table sets out the number of Directors' meetings (including meetings of committees of the Board of Directors of Hartshead) held during the financial year, which each Director of the Company was eligible to attend, and the number of meetings attended by each Director of the Company (while they were a Director or committee member).

Directors	Board of Directors	
	Held	Attended
B Tarratt	6	6
N Lude	6	6
A Matharu	6	6
C Lewis	6	6

Audit Committee

At the date of this report, the Company does not have a separately constituted Audit Committee as all matters normally considered by an audit committee are dealt with by the full Board.

Remuneration and Nomination Committee

At the date of this report, the Company does not have separately constituted Remuneration and Nomination Committees and as such, no separate committee meetings were held during the year. All resolutions made in respect of remuneration and nomination matters were dealt with by the full Board.

INDEMNIFYING OFFICERS AND AUDITOR

During the financial year, the Company paid a premium in respect of a policy insuring the Company's Directors, Secretaries, Executive Officers and any related body corporate against a liability incurred as such a Director, Secretary or Officer to the extent permitted by the *Corporations Act 2001*. The policy of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has entered into Deeds of Indemnity, Insurance and Access with the Company's Directors, Secretary, and Executive Officers.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any of the related body corporates against a liability incurred as such an officer or 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.

DIVIDENDS AND DISTRIBUTIONS

No dividends or distributions have been declared, recommended, provided for or paid in respect of the financial year or prior financial year.

OPTIONS OVER UNISSUED SHARES

The Company has the following options on issue as at the date of this report and has not issued any shares as a result of the exercise of options during or since the end of the reporting period.

Number	Exercise Price	Expiry Date	Listed / Unlisted
20,000,000	$0.04	31 December 2022	Unlisted

CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in this report or the financial statements.

PROCEEDINGS ON BEHALF OF COMPANY

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

No proceedings have been brought or intervened in on behalf of Hartshead with leave of the Court under section 237 of the *Corporations Act 2001*.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company intends to continue its present range of activities during the forthcoming year. In accordance with its strategy, the Company may participate in exploration and appraisal wells and new projects and may grow its exploration portfolio by farming into or acquiring new exploration licenses. There are no likely developments of which the Directors are aware other than that disclosed in this report which could be expected to significantly affect the results of the Company's operations in subsequent financial periods not otherwise disclosed in this report.

REMUNERATION REPORT (Audited)

The Directors of Hartshead Resources NL (**Company** or **Hartshead**) present the Remuneration Report of the Company and the entities it controlled (**Consolidated Entity** or **Group**) for the year ended 30 June 2022. The report outlines the remuneration arrangements for the Company's key management personnel (**KMP**) in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

This report is presented in the following sections:

1. Introduction
2. Governance
3. Key Management Personnel
4. 2022 Remuneration
   - Remuneration related to Performance
   - Non-Executive Directors' Remuneration Structure
5. Executive Service Agreements
6. Details of Remuneration
7. Share-Based Compensation
8. Other Transactions
9. Voting and Comments – 2021 Annual General Meeting

1. INTRODUCTION

Remuneration paid to Directors and Officers of the Company is set by reference to such payments made by other ASX listed companies of a similar size and operating in the oil and gas exploration industry. In addition, reference is made to the specific skills and experience of the Directors and Officers.

The objective of the Company's reward structure is to ensure reward for performance is competitive and appropriate for the results delivered. The structure aligns individual reward with achievement of strategic objectives and the creation of value for shareholders and reflects current market practice for delivery of reward.

REMUNERATION REPORT (Audited) **(continued)**

The Board aims to ensure that individual reward practices are aligned with the following key criteria:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives, and the creation of shareholder value; and
- transparent.

Details of the nature and amount of remuneration of each Director, and other Key Management Personnel if applicable, are disclosed annually in the Company's Annual Report.

2. GOVERNANCE

The Board has adopted the Formal Remuneration Committee Charter which provides a framework for the consideration of remuneration matters.

The Company did not have a separate Remuneration Committee for the full year and as such all remuneration matters are considered by the Board as a whole, with no Member deliberating or considering such matter in respect of their own remuneration.

In the absence of a separate Remuneration Committee, the Board is responsible for:

1. Setting remuneration packages for Executive Directors, Non-Executive Directors and other Key Management Personnel; and
2. Implementing employee incentive and equity-based plans and making awards pursuant to those plans.

3. KEY MANAGEMENT PERSONNEL

The KMP disclosed in this report are as follows:

Executive

- C Lewis – appointed 23 September 2019
- A Matharu – appointed 23 September 2019
- N Lude – appointed 1 May 2017

Non-Executive Directors

- B Tarratt (Chairman) – appointed 24 May 2018

4. 2022 REMUNERATION

The Board remuneration policy is to ensure that packages offered properly reflect a person's duties and responsibilities and that remuneration is competitive and attracts, retains, and motivates people of the highest quality. The Board has consciously focused on conserving funds and the remuneration policy reflects this.

Remuneration related to Performance

Given the Company's size, stage of development, and the need to attract and retain Directors of high calibre, whilst still maintaining cash reserves the Board may from time to time consider the issue of equity instruments to Directors, subject to shareholder approval.

The Consolidated Entity's earnings results and shareholders' returns for this reporting period and the previous two reporting periods, against which key management personnel remuneration and the Consolidated Entity's remuneration principles and policies can be discussed, are detailed below.

	30 June 2022 $	30 June 2021 $	30 June 2020 $
Revenue	3,164	6,044	-
Net profit loss after income tax	(3,670,239)	(6,013,144)	(467,430)
Dividends	-	-	-
Share price changes	0.025	0.016	-

REMUNERATION REPORT (Audited) **(continued)**

Non-Executive Directors' Remuneration Structure

While noting that corporate governance principles recommend that Non-Executive Directors be remunerated solely by way of fees and statutory superannuation. The annual fee is set to reflect current market levels based on the time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board.

Non-Executive Directors' fees and payments are reviewed annually by the Board and for the year ended 30 June 2022, is $25,000 per annum, excluding superannuation. Fees provided to Non-Executive Directors are exclusive of superannuation. There are no termination or retirement benefits paid to Non-Executive Directors (other than statutory superannuation). The aggregate amount of remuneration for Non-Executive Directors approved by shareholders at the 2014 Annual General Meeting is $400,000 per annum.

In addition, the Directors are entitled to receive additional remuneration at a rate of $1,000 per day or part thereof (or as otherwise approved by the Board) in addition to their fees for performing additional duties as requested by the Board.

Participation in equity-based remuneration schemes by Non-Executive Directors is subject to consideration and approval by the Company's shareholders.

5. EXECUTIVE SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. The service agreements specify the components of remuneration, benefits, and notice periods. Participation in the share and performance rights plans are subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below. Termination benefits are within the limits set by the *Corporations Act 2001* such that they do not require shareholder approval.

Contractual arrangement with key management personnel

Executives – Current

Name	Effective date	Term of agreement	Notice period	Base per annum [1] $	Termination payments
C Lewis [2], Chief Executive Officer	1-Jun-21	No fixed term	6 months	380,768	6 months
A Matharu [3], Chief Financial Officer	1-Jun-21	No fixed term	6 months	285,576	6 months

1 *GBP:AUD exchange rate of 1.7628 as at 30 June 2022 has been used to calculate the base.*
2 *Mr Lewis, Executive Director, is a Director of Lewis Petroleum Consulting Limited which received Mr Lewis's Director fees during the period.*
3 *Dr Matharu, Executive Director, is a Director of Firmitas Energy Advisers Limited, which received Dr Matharu's Director fees during the period.*

The Company has agreed to pay Dr Matharu and Mr Lewis a guaranteed fixed retainer amount per calendar month equivalent to 120 hours. The retainer is payable regardless of the hours worked. Any hours worked in excess of 120 hours in any calendar month will be charged at the contractual rates. The fees payable are deemed to be inclusive of all other amounts in respect of wages, superannuation, bonuses and other costs associated.

Nathan Lude – Executive Director

Mr Lude supports the company in the areas of strategy, business development and investor relations in his role as an Executive Director of the Company. Mr Lude is entitled to receive $1,000 per day or part thereof for his Executive duties in addition to his Non-Executive Director fees.

REMUNERATION REPORT (Audited) **(continued)**

6. DETAILS OF REMUNERATION

Remuneration of KMP for the 2022 financial year is set out below:

Short-term benefits			Post-employment benefits		Share-based payments	Total remuneration	Performance related
Cash salary	Additional fees (1)	Non-cash benefit (2)	Super-annuation	Termination			
$	$	$	$	$	$	$	%
Executive Directors – Current							
N Lude							
25,000	164,000	1,975	19,045	-	30,038	240,058	13%
A Matharu							
329,054	-	-	-	-	48,596	377,650	13%
C Lewis							
533,484	-	-	-	-	48,596	582,080	8%
Non-Executive Directors – Current							
B Tarratt							
25,000	166,000	1,975	19,255	-	30,038	242,268	12%
912,538	330,000	3,950	38,300	-	157,268	1,442,056	

1 *Mr Lude and Mr Tarratt are entitled to receive additional remuneration at a rate of $1,000 per day or part thereof (or as otherwise approved by the Board) in addition to their fees for performing additional duties as requested by the Board.*

2 *Other benefits include the provision Working Directors' Personal Accident & Sickness insurance.*

Remuneration of Hartshead Resources NL, KMP for the 2021 financial year is set out below:

Short-term benefits			Post-employment benefits		Share-based payments	Total remuneration	Performance related
Cash salary	Additional fees (1)	Non-cash benefit (2)	Super-annuation	Termination			
$	$	$	$	$	$	$	%
Executive Directors – Current							
N Lude							
25,000	186,000	1,600	20,045	-	30,038	262,683	11%
A Matharu							
272,027	-	-	-	-	48,596	320,623	15%
C Lewis							
328,301	-	-	-	-	48,596	376,897	13%
Non-Executive Directors – Current							
B Tarratt							
25,000	186,000	1,600	20,045	-	30,038	262,683	11%
650,328	372,000	3,200	40,090	-	157,268	1,222,886	

1 *Mr Lude and Mr Tarratt are entitled to receive additional remuneration at a rate of $1,000 per day or part thereof (or as otherwise approved by the Board) in addition to their fees for performing additional duties as requested by the Board.*

2 *Other benefits include the provision Working Directors' Personal Accident & Sickness insurance.*

REMUNERATION REPORT (Audited) (continued)

The following table sets out a reconciliation of each KMP's relevant interest in ordinary shares and options, performance rights and retention rights to acquire shares in the Company:

KMP	Balance at start of the year	Granted	Acquired [1]	Exercised	Lapsed	Balance at year end
Executive - current						
N Lude						
Fully paid ordinary shares	9,072,660	-	4,526,431	2,500,000	-	16,099,091
Performance rights	7,500,000	-	-	(2,500,000)	-	5,000,000
A Matharu						
Fully paid ordinary shares	122,191,195	-	-	-	-	122,191,195
Performance rights	8,089,161	-	-	-	-	8,089,161
C Lewis						
Fully paid ordinary shares	231,159,026	-	-	-	-	231,159,026
Performance rights	8,089,161	-	-	-	-	8,089,161
Non-Executive Directors - Current						
B Tarratt						
Fully paid ordinary shares	1,895,358	-	4,326,431	2,500,000	-	8,721,789
Partly paid shares	1,075,000	-	-	-	-	1,075,000
Performance rights	7,500,000	-	-	(2,500,000)	-	5,000,000

1 *Shares purchased as part of unmarketable share sale facility and on-market.*

7. SHARE-BASED COMPENSATION

Performance rights

The following table reflects performance rights that were granted in prior years which impact current or future years. No performance rights were granted during the year ended 30 June 2022:

Grant date	Grant value [1] $	Number granted	Balance at start of the year	Number vested during the year	Balance at end of the year	Expense recognised during the year [2]	Maximum value yet to expense $
N Lude - *Executive Director*							
02-Sep-19	138,750	7,500,000	7,500,000	-	5,000,000	30,037	7,571
A Matharu - *Executive Director*							
02-Sep-19	224,474	12,133,741	8,089,161	-	8,089,161	48,596	12,249
C Lewis – *Technical Director*							
02-Sep-19	224,474	12,133,741	8,089,161	-	8,089,161	48,596	12,249
B Tarratt - *Non-Executive Director*							
02-Sep-19	138,750	7,500,000	7,500,000	-	5,000,000	30,037	7,571

1 *The value of performance rights is calculated as the fair value of the rights at grant date and allocated to remuneration equally over the period from grant date to expected vesting date.*

2 *Expense recognised reflects the portion of the vesting period, over which the expense has been recognised, that the person was a Director.*

REMUNERATION REPORT (Audited) (continued)

8. OTHER TRANSACTIONS

During the period, the following related party transactions have occurred:

Payment of fees – Hartshead Resources NL

Dr Andrew Matharu, Executive Director, is a Director of Firmitas Energy Advisers Limited, which received Dr Matharu's Director fees during the period. At year end the Company had an outstanding balance payable of $33,776 (30 June 2021: $24,875).

Mr Christopher Lewis, Executive Director, is a Director of Lewis Petroleum Consulting Limited which received Mr Lewis's Director fees during the period. At year end the Company had an outstanding balance payable of $41,061 (30 June 2021: $37,035).

There are no other outstanding loans or other transaction arising to or from with key management personnel during the year related parties (30 June 2021: Nil).

9. VOTING AND COMMENTS - 2021 ANNUAL GENERAL MEETING

At the 2021 Annual General Meeting (AGM) held on 24 November 2021, the adoption of the remuneration report for the year ended 30 June 2021 was carried and received more than 99.7% of 'yes' votes. There were no comments made on the remuneration report at the Company's last AGM.

This concludes the Remuneration Report which has been audited.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2022 has been received and can be found on page 38.

NON-AUDIT SERVICES

From time to time the Consolidated Entity may decide to employ an external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important.

The Board is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed below do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocates for the Company or jointly sharing economic risks and rewards.

During the year ended 30 June 2022, the following amounts were paid or payable for non-audit services provided to the Group by the auditor:

	2022 $	2021 $
Taxation services		
Tax compliance services	11,330	4,223
Total remuneration for taxation services	11,330	4,223
Other services		
Remuneration advice	-	12,750
Total remuneration for other services	-	12,750

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

On behalf of the Directors

Bevan Tarratt
Non-Executive Chairman

Perth, Western Australia
30 September 2022

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Australia

DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF HARTSHEAD RESOURCES NL

As lead auditor of Hartshead Resources NL for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hartshead Resources NL and the entities it controlled during the period.

Ashleigh Woodley

Director

BDO Audit (WA) Pty Ltd

Perth

30 September 2022

	Note	2022 $	2021 $
Income from continuing operations			
Interest income		3,164	6,044
Total income		3,164	6,044
Expenses			
Exploration and evaluation expenditure	3	(739,511)	(876,596)
Depreciation expenses		(9,398)	(4,153)
Administrative expenses	3	(1,908,705)	(774,908)
Finance costs		(1,483)	-
Share-based payments expense	3	(974,468)	(267,300)
Unrealised foreign exchange gain/(loss)	3	(39,838)	3,541
Cost of listing	2	-	(4,099,772)
Loss before income tax		(3,670,239)	(6,013,144)
Income tax expense	4	-	-
Loss attributable to the owners of the Company		(3,670,239)	(6,013,144)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(165,060)	20,364
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income (FVOCI)		(10,817)	10,005
Other comprehensive income for the year, net of tax		(175,877)	30,369
Total comprehensive loss for the year attributable to the owners of Hartshead Resources NL		(3,846,116)	(5,982,775)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders			
Basic and diluted loss per share (cents per share)	17	(0.20)	(0.57)

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

	Note	2022 $	2021 $
Current assets			
Cash and cash equivalents	5	2,500,537	6,899,356
Other receivables	6	184,655	85,255
Total current assets		2,685,193	6,984,611
Non-current assets			
Plant and equipment		12,591	15,311
Financial assets at FVOCI	8	215,079	207,465
Exploration assets	9	1,871,665	432,769
Total non-current assets		2,099,335	655,545
Total assets		**4,784,528**	**7,640,156**
Current liabilities			
Trade and other payables	10	869,829	872,239
Total current liabilities		869,829	872,239
Total liabilities		**869,829**	**872,239**
Net assets		**3,914,699**	**6,767,917**
Equity			
Issued capital	12(a)	12,950,822	12,950,822
Share-based payment reserve	12(c)	1,241,768	267,300
Financial assets at FVOCI reserve	12(c)	17,619	10,005
Foreign exchange reserve	12(c)	(144,697)	20,364
Accumulated losses	12(b)	(10,150,813)	(6,480,574)
Total equity		**3,914,699**	**6,767,917**

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

	Issued capital $	Reserves $	Accumulated loss $	Total equity $
Balance at 1 July 2020	**590,714**	**-**	**(467,430)**	**123,284**
Loss for the year	-	-	(6,013,144)	(6,013,144)
Other comprehensive income for the year	-	30,369	-	30,369
Total comprehensive profit/(loss) for the year	-	30,369	(6,013,144)	(5,982,775)
Transactions with owners in their capacity as owners				
Contributed equity	13,344,608	-	-	13,344,608
Share issue costs	(984,500)	-	-	(984,500)
Performance rights expense recognised during the year	-	267,300	-	267,300
Balance at 30 June 2021	**12,950,822**	**297,669**	**(6,480,574)**	**6,767,917**
Loss for the year	-	-	(3,670,239)	(3,670,239)
Other comprehensive loss for the year	-	(157,447)	-	(157,447)
Total comprehensive loss for the year	-	(157,447)	(3,670,239)	(3,827,686)
Transactions with owners in their capacity as owners				
Contributed equity	-	-	-	-
Share issue costs	-	-	-	-
Performance rights expense recognised during the year	-	974,468	-	974,468
Balance at 30 June 2022	**12,950,822**	**1,114,690**	**(10,150,813)**	**3,914,699**

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

	Note	2022 $	2021 $
Cash flows from operating activities			
Payments to suppliers, consultants, and employees		(2,751,020)	(799,963)
Payments for exploration and evaluation expenditure		(232,235)	(516,433)
Interest received		3,164	6,044
Net cash outflow from operating activities	14	(2,980,091)	(1,310,352)
Cash flows from investing activities			
Plant and equipment		(7,249)	(12,927)
Payments for exploration and evaluation expenditure		(1,390,839)	(432,769)
Cash acquired on reverse acquisition		-	982,314
Net cash (outflow)/inflow from investing activities		(1,398,088)	536,618
Cash flows from financing activities			
Proceeds from issue of shares	12	-	8,000,000
Share issue costs		-	(484,500)
Net cash inflow from financing activities		-	7,515,500
Net increase in cash and cash equivalents		(4,378,179)	6,741,766
Cash and cash equivalents at the beginning of the year		6,899,356	148,785
Effects of exchange rate changes on cash and cash equivalents		(20,640)	8,805
Cash and cash equivalents at the end of the year	5	2,500,537	6,899,356

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

1. SEGMENT INFORMATION

Management has determined that the Group has three reportable segments. The first being an interest to develop and explore for gas fields in the UK North Sea in Seaward Production License P2607. Hartshead's Seaward Production License P2607 was formally awarded in January 2021, with an effective date of 1st December 2020. The second being an interest to explore for oil in acreage known as, the Nkembe block, located at offshore Gabon. The third interest being at the Ambilobe block, located at offshore Madagascar. This determination is based on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources. As the Group is focused on oil and gas development and exploration, the Board monitors the Group based on actual versus budgeted development and exploration expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing development and exploration activities, while also taking into consideration the results of development and exploration work that has been performed to date. During the prior period, the company had a fourth segment being an interest to appraise and explore for gas fields in acreage in Poland.

	UK $	Poland (1) $	Gabon $	Madagascar $	Other corporate activities $	Total $
For the year ended 30 June 2022						
Income from external sources						
	-	-	-	-	3,164	3,164
Reportable segment profit/(loss)						
	(1,481,826)	5,716	(2,294)	(18,400)	(2,173,435)	(3,670,239)
Reportable segment assets (2)						
	3,537,364	-	40,622	12,764	1,193,778	4,784,528
Reportable segment liabilities						
	(208,109)	-	-	(426,658)	(235,062)	(869,829)
For the year ended 30 June 2021						
Income from external sources						
	-	-	-	-	6,044	6,044
Reportable segment profit/(loss) (3)						
	(972,534)	(4,228)	(1,166)	(8,760)	(5,026,455)	(6,013,143)
Reportable segment assets (4)						
	2,142,332	-	44,398	6,501	5,446,925	7,640,156
Reportable segment liabilities						
	(320,971)	-	(16,233)	(396,029)	(139,006)	(872,239)

1 *On 1 June 2021, Hartshead, through its wholly owned subsidiary, Gora Energy Australia Pty Ltd, announced its withdrawal from its 35% interest in the Gora concession (Gora), onshore Poland. This withdrawal completes a strategic exit of Hartshead from onshore Poland.*
2 *Other corporate activities includes cash held of $929,610.*
3 *Other corporate activities included cost of listing expense on reverse acquisition of Hartshead Resources Limited (see Note 1).*
4 *Other corporate activities includes cash held of $5,221,352.*

2. LISTING FEES

	2022 $	2021 $
Listing expense on reverse acquisition of Hartshead Resources Limited	-	4,099,772

On 3 February 2021, Hartshead Resources NL, the legal parent and legal acquirer completed the acquisition of Hartshead Resources Limited. The transaction created a one-off non-cash expense arising from the treatment of the acquisition of Hartshead Resources NL in accordance with Australian Accounting Standards, which was records as a listing expense in Statement of Profit or Loss and Other Comprehensive Income during the period year.

3. EXPENSES

	Note	2022 $	2021 $
Loss before income tax includes the following specific items:			
Exploration and evaluation expenditure			
Polish project (1)		(5,716)	4,228
UK project (2)		745,227	872,368
Total exploration and evaluation expenditure		739,511	876,596
Share-based payments expenses			
Performance rights	13	974,468	267,300
Total share-based payments expenses		974,468	267,300
Administrative expenses			
Employee benefits expense		432,178	140,472
PR and marketing		128,722	42,558
Advisory		156,447	33,371
Compliance		196,602	340,154
Consultants		730,937	166,814
Office costs		166,547	25,273
Insurance		54,067	20,336
Travel and accommodation		37,593	331
Other expenses		5,612	5,599
Total administrative expenses		1,908,705	774,908
Foreign exchange loss/(gain) (3)		39,838	(3,541)

1 *Refund of funds following withdrawal from the Polish project.*
2 *Group has capitalised exploration and evaluation expenditure for the UK project on the basis that this is expected to be recouped through future successful development (or alternatively sale. Corporate overhead costs allocated to exploration activities are ineligible to be capitalised per AASB 6.*
3 *Foreign exchange gain was recognised upon cash held and payments of United States dollar, Pound sterling and Euro dollar denominated balances.*

4. TAXATION

	2022 $	2021 $
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) Reconciliation of income tax to prima facie tax payable		
(Loss) before income tax	(3,670,239)	(6,013,143)
Income tax (benefit)at 30% (30 June 2021: 30%)	(1,101,072)	(1,803,943)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	292,340	133,653
Other	4,814	1,136,166
Deferred tax assets relating to tax losses and timing differences not recognised	803,918	534,124
Timing differences previously unrecognised now recognised	-	-
Total income tax expense	-	-
Unrecognised deferred tax assets		
Deferred tax assets and liabilities not recognised relate to the following:		
Tax loss	2,968,191	2,164,475
Exploration assets	-	-
Other temporary differences	290,786	287,515
Net deferred tax assets unrecognised	3,258,977	2,451,990

Significant accounting judgment

Deferred tax assets

The Group expects to have carried forward tax losses, which have not been recognised as deferred tax assets, as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions. The utilisation of the tax losses is subject to the Group passing the required Continuity of Ownership and Same Business Test rules at the time the losses are utilised. Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary difference can be utilised.

Income taxes

The Group is subject to income taxes in Australia and overseas and at times significant judgement is required in determining the Group's provision for income taxes. The Group estimates its tax liabilities based on the Group's understanding of the tax law in the local jurisdiction in which it operates. During the prior period, the Group has treated the cash component with respect to the Mazagan farmout as being non-assessable based upon tax advice received from its Moroccan tax advisors. Should the final tax outcome of these matters be different from the initial assessment, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

5. CASH AND CASH EQUIVALENTS

(a) Risk exposure

Refer to Note 16 for details of the risk exposure and management of the Group's cash and cash equivalents.

(b) Deposits at call

Deposits at call are presented as cash equivalents if they have a maturity of three months or less and include the term deposit held by the company as an office bond. Refer Note 26(m) for the Group's other accounting policies on cash and cash equivalents. Deposits at call held with Australian banks and financial institutions and are bearing interest rates at 0.15%.

	2022 $	2021 $
Cash at bank	2,460,537	6,859,356
Deposits at call	40,000	40,000
	2,500,537	6,899,356

6. OTHER RECEIVABLES

The Group has no impairments to other receivables or have receivables that are past due but not impaired. Refer to Note 16 for detail of the risk exposure and management of the Group's other receivables.

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

	2022 $	2021 $
Other receivables	128,434	66,523
Prepayments	56,221	18,732
	184,655	85,255

7. JOINTLY CONTROLLED OPERATIONS

At the reporting date, the Group has operator working interests in the following projects:

		Working interest [1]			
		Exploration phase		Exploitation phase	
Project	Activity	2022 %	2021 %	2022 %	2021 %
UK North Sea	Development/Exploration	100	100	100	100
Ambilobe block (Madagascar)	Exploration	100	100	100	100
Nkembe block (Gabon)	Exploration	100	100	100 [2]	100 [2]
Gora concession (Poland)	Exploration	-	-	-	-

1 *Working interest denotes the percentage share of costs to be borne by the Group in relation to its interests in the projects.*
2 *Subject to the right of the State of Gabon to participate in any development for up to a 20% interest under the Production Sharing Contract.*

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Significant accounting estimates, assumptions, and judgements

Classification of financial assets at fair value through other comprehensive income

Investments are designated at fair value through other comprehensive income where management have made the election in accordance with *AASB 9: Financial Instruments*.

Fair value for financial assets at fair value through other comprehensive income

Information about the methods and assumptions used in determining fair value is provided in Note 11.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Financial assets at fair value through other comprehensive income (FVOCI) comprise of unlisted equity securities.

	2022 $	2021 $
Unlisted equity securities		
Opening balance	207,465	-
Assets acquired on reverse acquisition	-	197,461
Movement in fair value	7,614	10,004
Closing balance	215,079	207,465

On disposal of these equity investments, any related balance within the FVOCI reserve remain within other comprehensive income.

9. EXPLORATION AND EVALUATION ASSETS

	Note	2022 $	2021 $
UK North Sea			
Opening balance		432,769	-
Exploration expenditure incurred		1,511,545	432,769
Foreign exchange movements		(72,649)	-
Closing balance		1,871,665	432,769

Significant accounting estimates and assumptions

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

The carrying values of items of exploration and evaluation expenditure are reviewed for impairment indicators at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. There were no impairment indicators or impairment for the year ended 30 June 2022.

Significant accounting judgement

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis that this is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped. Refer to Note 26(l) for the Group's accounting policy on exploration and evaluation expenditure.

10. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Trade payables	784,517	737,567
Other payables	85,312	134,672
	869,829	872,239

All amounts recognised as trade and other payables, but not yet invoiced, are expected to settle within 12 months.

Refer to Note 16 for details of the risk exposure and management of the Group's trade and other payables.

11. FAIR VALUE MEASUREMENTS

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report.

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2022 and 30 June 2021 on a recurring basis.

	Level 1 $	Level 2 $	Level 3 $	Total $
As at 30 June 2022				
Financial assets at FVOCI – Equity securities	18,430	196,649	-	215,079
As at 30 June 2021				
Financial assets at FVOCI – Equity securities	-	207,465	-	207,465

There were no transfers between levels during the year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at balance date.

The fair value of financial assets and liabilities held by the Group must be estimated for recognition, measurement and/or disclosure purposes. The Group measures fair values by level, per the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation techniques used to determine fair values

The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and short-term trade and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these payments.

Financial assets at fair value through other comprehensive income – equity securities

Fair Value in Active Market (Level 1)

The fair value of the equity holdings held in ASX listed companies are based on the quoted market prices from the ASX on the last traded price prior to year-end.

11. FAIR VALUE MEASUREMENTS (continued)

Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of a recent share price from completed or planned capital raising that provides a reliable estimate of prices obtained in actual market transactions.

12. ISSUED CAPITAL

(a) Contributed equity

	2022 Securities	2021 Securities	2022 $	2021 $
Fully paid ordinary shares	1,854,772,127	1,849,772,127	12,893,786	12,893,786
Partly paid ordinary shares	5,703,550	5,703,550	57,036	57,036
			12,950,822	12,950,822

(i) Fully paid ordinary shares

Fully paid ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. At 30 June 2022, there are no ordinary shares subject to escrow (30 June 2021: Nil).

Movement in fully paid ordinary shares

	Date	Number of Securities	Issue price $	$
Balance at 1 July 2020		**166,667**		**590,714**
Elimination of Hartshead Resources Limited share on acquisition	3-Feb-21	(166,667)		-
Hartshead Resources NL shares on acquisition	3-Feb-21	508,772,127		-
Consideration shares to vendors of Hartshead Resources NL	3-Feb-21	1,000,000,000	-	4,787,572
Issue of shares - placement	3-Feb-21	320,000,000	0.025	8,000,000
Share based payment - advisory fee (1)	3-Feb-21	20,000,000	0.025	500,000
Issue of shares - conversion of performance rights	12-Feb-21	1,000,000	-	-
Share issue costs				(984,500)
Balance at 30 June 2021		**1,849,772,127**		**12,893,786**
Issue of shares - conversion of performance rights	12-Feb-21	5,000,000	-	-
Share issue costs				-
Balance at 30 June 2022		**1,854,772,127**		**12,893,786**

1 *Share-based payment on the settlement of advisory fee, made at the value of the benefit, see Note 13(c).*

12. ISSUED CAPITAL (continued)

(ii) Partly paid ordinary shares

Partly paid ordinary shares have an issue price of $0.20 of which $0.01 is paid. The balance of the issue price is payable at the election of the holder at any time by the issue of a payment notice in writing and delivered to the registered office of the Group. Partly paid shares participate in any dividends on the same basis as if the partly paid share were fully paid and are not listed.

Movement in partly paid shares

	Date	Number of securities	Issue price $	$
Balance at 1 July 2020		**-**		**-**
Hartshead Resources NL shares on acquisition	3-Feb-21	5,703,550	-	57,036
Balance at 30 June 2021		**5,703,550**		**57,036**
		-	-	-
Balance at 30 June 2022		**5,703,550**		**57,036**

(iii) Options

Information relating to the Hartshead Incentive Option Scheme, including details of options issued, exercised, and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 13.

(iv) Performance rights and Retention rights

Information relating to the Hartshead Performance Rights Plan, including details of performance and retention rights issued, vested, and lapsed during the financial year and rights outstanding at the end of the reporting period, is set out in Note 13.

(b) Accumulated losses

	2022 $	2021 $
Balance at 1 July	(6,480,574)	(467,430)
Net loss attributable to owners of the Company	(3,670,239)	(6,013,144)
Balance at 30 June	(10,150,813)	(6,480,574)

(c) Reserves

The following table shows a breakdown of the reserves and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided.

		2022 $	2021 $
Foreign currency translation reserve			
Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 26(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.	Balance at 1 July	20,364	-
	Currency translation differences arising during the year	(165,061)	20,364
	Balance at 30 June	(144,697)	20,364

12. ISSUED CAPITAL (continued)

		2022 $	2021 $
Share-based payments reserve			
The share-based payments reserve is used to recognise: (a) the grant date fair value of options issued to employees and directors but not exercised; (b) the grant date fair value of market-based performance rights granted to employees but not yet vested; and (c) the fair value non-market based performance and retention rights granted to employees but not yet vested.	Balance at 1 July	267,300	-
	Performance rights expense	974,468	267,300
	Balance at 30 June	1,241,768	267,300
Fair value through other comprehensive income reserve			
The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in Note 8. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised	Balance at 1 July	10,005	-
	Movement during the year	7,614	10,005
	Balance at 30 June	17,619	10,005

13. SHARE-BASED PAYMENT TRANSACTIONS

Share-based payment transactions are recognised at fair value in accordance with AASB 2.

	Note	2022 $	2021 $
As part of share-based payments expense:			
Performance rights issued	13(b)	974,468	267,300
As part of capital raising costs with equity:			
Shares issued	13(c)	-	500,000
		974,468	767,300

During the year, the Group had the following share-based payments arrangements:

(a) Share options

Hartshead Resources NL share options are used to reward Directors, Employees, Consultants and Vendors for their performance and to align their remuneration with the creation of shareholder wealth through the performance requirements attached to the options. Options are granted at the discretion of the Board of Directors and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options granted to Directors are approval from the shareholders.

The options are not listed and carry no dividend or voting right. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

13. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Set out below are summaries of options granted:

	2022		2021	
	Average exercise price per option	Number of options	Average exercise price per option	Number of options
Opening balance	$0.040	20,000,000	-	-
Granted during the year	-	-	-	-
Options on reverse acquisition	-	-	$0.040	20,000,000
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Closing balance	$0.040	20,000,000	$0.040	20,000,000
Vested and exercisable	$0.040	20,000,000	$0.040	20,000,000

	Grant date [1]	Expiry date	Exercise price	2022 Number of options	2021 Number of options
(i)	14-Oct-19	31-Dec-22	$0.040	20,000,000	20,000,000
				20,000,000	20,000,000
Weighted average remaining contractual life of options outstanding at the end of the year:				0.5 years	1.5 years

1 *The securities issued during the year were approved on the 29 November 2019 at the Company's Annual General Meeting.*

The fair value of option issued is measured by reference to the value of the goods or services received. The fair value of services received in return for share options granted to Directors, Employees and Consultants is measured by reference to the fair value of options granted. The fair value of services received by advisors could not be reliably measured and are therefore measured by reference to the fair value of the equity instruments granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology. The life of the options including early exercise options are built into the option model. The fair value of the options are expensed over the expected vesting period.

No expense arose from the options issued during the reporting period (30 June 2021: nil).

(b) Performance rights

Performance Rights Plan

Performance rights are issued under the long-term incentive plan and will vest as an entitlement to one fully paid ordinary share provided that certain performance milestones are met. If the performance milestones are not met, the performance rights will lapse, and the eligible participant will have no entitlement to any shares.

During the prior year, the Company granted performance rights as a long-term incentive to Employees and Advisors which have been issued under the Company's Performance Rights Plans approved by shareholders on 2 September 2011 and 31 October 2014. Each performance right will vest as an entitlement to one fully paid ordinary share upon achievement of certain performance milestones. If the performance milestones are not met, the performance rights will lapse, and the eligible participant will have no entitlement to any shares.

Performance rights are not listed and carry no dividend or voting rights. Upon exercise each right is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

13. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Movement in the performance rights for the current year is shown below:

Grant date	Expiry date	Exercise price	Opening balance	Granted during the year	Converted during the year	Balance at year end	Vested at year end
02-Sep-19 [(1)]	30-Sep-22	-	63,844,991	-	(5,000,000)	58,844,991	-
21-May-21	02-Jun-24	-	45,000,000	-	-	45,000,000	15,000,000
Total			108,844,991	-	(5,000,000)	103,844,991	15,000,000

1 *Performance rights granted to Directors, Employees and Advisors; the securities were approved on the 2 September 2019 at the Company's General Meeting.*

Key inputs used in the fair value calculation of the performance rights which have been granted during the year ended 30 June 2021 were as follows:

Number granted	Exercise price	Expected vesting dates	Expiry date	Fair value per performance right	Total fair value
Grant date: 21-May-21 [(1)]					
45,000,000	-	23-Jun-22 to 31-Dec-22	02-Jun-24	$0.018	$810,000

1. *Upon achieving either Milestone 1, Milestone 2, Milestone 3, Milestone 4, Milestone 5 or Milestone 6, a third of the Performance Rights will be eligible to be converted into Shares upon exercise by the holder.*
Milestones are as follows:
Milestone 1 *Final Selection of preferred development concept and offtake route for the Somerville and Anning Gas Field Development and a positive decision to proceed through the Concept Select Stage Gate;*
Milestone 2 *Oil and Gas Authority (OGA) approval of the Concept Select Report detailing the selected development concept and offtake route for the Somerville and Anning Gas Fields Development;*
Milestone 3 *Updated Competent Persons Report (CPR) for the Somerville and Anning Gas Field Development demonstrating that this development project is commercially viable and justified for development;*
Milestone 4 *Award of Front-End Engineering and Design (FEED) Contract for the Somerville and Anning Gas Field Development;*
Milestone 5 *Award of Drilling Management Contract Somerville and Anning Gas Field Development; and*
Milestone 6 *Execution of Third Party Agreements for transportation of produced gas from Hartshead owned Infrastructure to an onshore gas sales point.*

Milestone 3 was achieved on 23 June 2022. As at 30 June 2022, management believe that the remaining performance and service hurdles will be met and accordingly have recognised a share-based payment expense over the expected vesting periods.

Key inputs used in the fair value calculation of the performance rights which have been granted during the year ended 30 June 2020 were as follows:

Number granted	Exercise price	Expected vesting dates	Expiry date	Fair value per performance right	Total fair value
Grant date: 02-Sep-19 [(1)]					
88,267,482	-	17-Dec-19 to 30-Sep-22	30-Sep-22	$0.0185	$1,632,948

1. *Upon achieving either Milestone 1, Milestone 2, Milestone 3, Milestone 4, Milestone 5, Milestone 6 or Milestone 7, a third of the Performance Rights will be eligible to be converted into Shares upon exercise by the holder.*
Milestones are as follows:
Milestone 1 *Completion of an initial feasibility study that derives a Net Present Value (NPV) (utilising a discount rate of 10%) of the Gora project of not less than based on a 2C Contingent Resource;*
Milestone 2 *Securing necessary funding to undertake the drilling of an additional well at the Gora project or Nowa Sol project, including via equity or debt (or a combination of both) or other funding mechanism such as joint farm-out or forward payments on a supply venture, agreement;*

13. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Milestone 3	*The Company's VWAP over 10 consecutive trading days being at least $0.05;*
Milestone 4	*The Company's VWAP over 10 consecutive trading days being at least $0.08;*
Milestone 5	*Securing necessary funding to commence production at the Gora project or Nowa Sol project, including via equity or debt (or a combination of both) or other funding mechanism such as joint venture, farm-out or forward payments on a supply agreement;*
Milestone 6	*Execution of a binding gas sale agreement on the Gora project or oil sale agreement on the Nowa Sol project with a third party; or*
Milestone 7	*Successful completion of Fracking and/or Flow Testing on the Gora and Nowa Sol project, including flowing of oil and gas to surface and all necessary data acquisition for project evaluation.*

The Board determined that Milestone 1 was achieved in December 2019 and a third of the rights vested.

Following the Group's exit of the Polish project, Milestones 2, 5, 6 and 7 are no longer eligible to be met.

As at 30 June 2022, management believe that the service hurdles for Milestone 3 and 4 will be met and accordingly have recognised a share-based payment expense over the respective vesting periods.

The total expense arising from performance rights transactions recognised during the year were as follows:

	2022 $	2021 $
Performance rights issued under the Performance Rights Plan	974,468	267,300
	974,468	267,300

(c) Share capital to vendors

During the prior financial year:

- On 3 February 2021, 20,000,000 shares were issued in consideration for facilitating the capital raising. The fair value of the shares recognised was by direct reference to the fair value of service received. This was determined by the fair value of the equity instruments issued amounted to $500,000. This amount has been recognised in the Consolidated Statement of Changes in Equity as a capital raising cost.

Significant accounting estimates and assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and vendors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes or Monte-Carlo model taking into account the assumptions detailed within this note.

Probability of vesting conditions being achieved

Inputs to pricing models may require an estimation of reasonable expectations about achievement of future vesting conditions. Vesting conditions must be satisfied for the counterparty to become entitled to receive cash, other assets, or equity instruments of the entity, under a share-based payment arrangement.

Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time).

The Company recognises an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

The achievement of future vesting condition is reassessed every reporting period.

14. RECONCILATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Note	2022 $	2021 $
Loss for the year		(3,670,239)	(6,013,143)
Add/(Less) non-cash items:			
Depreciation		9,398	4,153
Share-based payments	13	974,468	267,300
Cost of listing	2	-	4,099,772
Unrealised foreign exchange gain		20,640	(8,805)
Changes in assets and liabilities during the financial year:			
Increase in receivables		(99,401)	(31,846)
Decrease in payables		(214,957)	372,217
Net cash outflow from operating activities		(2,980,091)	(1,310,352)

15. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity and items which are more likely to be materially adjusted. Detailed information about each of these estimates and judgements is included in the notes together with information about the basis of calculation for each affected line item in the financial statements.

Significant accounting estimates and judgements

The areas involving significant estimates or judgements are:

- recognition of deferred tax asset for carried forward tax losses – Note 4;
- income taxes – Note 4;
- classification of financial assets – Note 8;
- estimation of fair value of financial assets – Note 8;
- estimation of fair value of share-based payments – Note 13;
- estimation of probability of vesting conditions being satisfied – Note 13;
- disclosure of commitments – Note 19; and
- disclosure of contingencies – Note 20.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

There have been no actual adjustments this year as a result of an error and of changes to previous estimates.

16. FINANCIAL AND CAPITAL RISK MANAGEMENT

Overview

The financial risks that arise during the normal course of the Group's operations comprise market risk, credit risk and liquidity risk. In managing financial risk, it is policy to seek a balance between the potential adverse effects of financial risks on financial performance and position, and the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various risk management methods available to manage them.

General objectives, policies, and processes

The Board is responsible for approving policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal control. The Board receives reports as required from the Chief Financial Officer and Chief Executive Officer in which they review the effectiveness of the processes implemented and the appropriateness of the objectives and policies it sets. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced.

These disclosures are not, nor are they intended to be an exhaustive list of risks to which the Group is exposed.

Financial Instruments

The Group has the following financial instruments:

	2022 $	2021 $
Financial assets		
Cash and cash equivalents	2,500,537	6,899,356
Other receivables	128,434	66,523
Financial assets at FVOCI	215,079	207,465
	2,844,050	7,173,344
Financial liabilities		
Trade and other payables	869,829	872,239
	869,829	872,239

(a) Market Risk

Market risk can arise from the Group's use of interest-bearing financial instruments, foreign currency financial instruments and exposure to commodity prices. It is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rate (currency risk), equity securities price risk (price risk) and fluctuations in commodity prices (commodity price risk).

(i) Interest rate risk

As at the year ended 30 June 2022, the Group has interest-bearing assets and liabilities being liquid funds on deposit and unsecure funds. As such, the Group's income and operating cash flows (other than interest income from funds on deposit and interest expense from the senior secured revolving credit facility) are somewhat dependent on changes in market interest rates. The Board manages the Group's exposure to interest rate risk by regularly assessing exposure, taking into account funding requirements and selecting appropriate instruments to manage its exposure.

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Sensitivity analysis

Based on the financial instruments held at the reporting date, with all other variables assumed to be held constant, the table sets out the notional effect on consolidated profit after tax for the year and on equity at the reporting date under varying hypothetical changes in prevailing interest rates.

	2022 $	2021 $
Impact on post-tax profits and equity		
Hypothetical basis points increase in interest	3,659	24,211
Hypothetical basis points decrease in interest	(3,659)	(24,211)

A hypothetical change of 50 basis points was used to calculate the Group's sensitivity to future interest rate movements as this figure approximates the movement in bond yields published by the Reserve Bank of Australia for bonds with a 12-month maturity.

The weighted average effective interest rate of funds on deposit is 0.11% (30 June 2021: 0.11%).

(ii) Currency risk

The Group operates in the UK, Poland, Madagascar and Gabon, however, maintains a corporate listing in Australia. As a result of various operating locations, the Group is exposed to foreign exchange risk arising from fluctuations in primarily the British pounds and US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Group manages risk by matching receipts and payments in the same currency and monitoring movements in exchange rates. The exposure to risks is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting year, expressed in Australian dollars, was as follows:

	GBP $	US $	Euro $	XAF $	Other $	Total $
At 30 June 2022						
Financial assets						
Cash	1,641,579	7,573	-	40,622	179	1,689,953
Other receivables	128,140	-	-	-	-	128,140
Financial liabilities						
Trade and other payables	290,550	484,341	-	-	-	774,891
At 30 June 2021						
Financial assets						
Cash	1,940,121	9,414	24	44,398	142	1,994,099
Other receivables	66,873	-	-	-	-	66,873
Financial liabilities						
Trade and other payables	381,237	412,262	-	-	-	793,499

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Sensitivity analysis

The following table demonstrates the estimated sensitivity to a 10% increase/decrease in the GBP/Australian dollar exchange rate and a 10% increase/decrease in the US$/Australian dollar exchange rate, with all variables held consistent, on post tax profit and equity. These sensitivities should not be used to forecast the future effect of movement in the Australian dollar exchange rate on future cash flows.

	2022		2021	
	%	$	%	$
Impact on post-tax profits and equity				
GBP/A$ + %	10	83,910	10	88,193
GBP/A$ - %	10	(83,910)	10	(88,193)
US$/A$ + %	10	(32,855)	10	(30,237)
US$/A$ - %	10	32,855	10	30,237

A hypothetical change of 10% in the GBP and US dollar exchange rates was used to calculate the Group's sensitivity to foreign exchange rate movements as the Company's estimate of possible rate movements over the coming year taking into account current market conditions and past volatility.

(iii) Price risk

The Group holds two equity investments, one is in a private company and the other is publicly traded on the ASX.

To manage its price risk arising from investments in equity securities, management monitors the price movements of the investment and ensures that the investment risk falls within the Group's framework for risk management.

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value (Note 8).

Sensitivity analysis

The following table demonstrates the estimated sensitivity to a 10% increase/decrease in the share price of investments in equity securities, with all variables held consistent, on post tax profit and equity. These sensitivities should not be used to forecast the future effect of movement in the share price of investments on future cash flows.

A hypothetical change of 10% in share price of investments was used to calculate the Group's sensitivity to price risk as the Company's estimate of possible rate movements over the coming year taking into account current market conditions and past volatility.

Impact on post-tax profits and equity	%	$
30 June 2022		
+ %	10	21,508
- %	10	(21,508)
30 June 2021		
+ %	10	20,747
- %	10	(20,747)

(iv) Commodity price risk

As the Group has not yet entered into production, the risk exposure to changes in commodity price is not considered significant.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with financial institutions, as well as trade receivables. Credit risk is managed on a Group basis. For cash balances held with bank or financial institutions, independently rated parties with a minimum rating of 'A' are preferred.

The Board are of the opinion that the credit risk arising as a result of the concentration of the Group's assets is more than offset by the potential benefits gained.

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised, none of which are impaired or past due.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2022 $	2021 $
Cash and cash equivalents	2,500,537	6,899,356
Other receivables	128,434	66,523
	2,628,971	6,965,879

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2022 $	2021 $
Cash at bank and short-term deposits		
Held with Australian banks and financial institutions		
AA S&P rating	2,452,161	6,845,375
A S&P rating	5,218	5,923
B S&P rating	40,622	44,398
Unrated	2,536	3,660
Total	2,500,537	6,899,356
Other receivables		
Counterparties with external credit ratings	-	-
Counterparties without external credit ratings[1]		
Group 1	-	-
Group 2	128,434	66,523
Group 3	-	-
Total	128,434	66,523

1 *Group 1 — new customers (less than 6 months).*
Group 2 — existing customers (more than 6 months) with no defaults in the past.
Group 3 — existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Through continuous monitoring of forecast and actual cash flows the Group manages liquidity risk by maintaining adequate reserves to meet future cash needs. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months $	6 - 12 months $	1 - 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount liabilities $
At 30 June 2022						
Trade and other payables	869,829	-	-	-	869,829	869,829
At 30 June 2021						
Trade and other payables	872,239	-	-	-	872,239	872,239

(d) Capital risk management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern. This is to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board monitors capital on an ad-hoc basis. No formal targets are in place for return on capital, or gearing ratios, as the Group has not derived any income from exploration.

(e) Fair value measurements

The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and short-term trade and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these payments.

Fair value hierarchy

The fair value of financial assets and liabilities held by the Group must be estimated for recognition, measurement and/or disclosure purposes. The Group measures fair values by level, per the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17. LOSS PER SHARE

	2022	2021
Basic and diluted loss per share		
Net loss after tax attributable to the members of the Company	($ 3,670,239)	($ 6,013,144)
Weighted average number of ordinary shares	1,857,489,377	1,054,524,993
Basic loss per share (cents)	(0.20)	(0.57)

No dilutive calculation has been performed for the current year. As a result of the loss position of the Group the diluted earnings per share is equal to the basic earnings per share.

17. LOSS PER SHARE (continued)

Information concerning the classification of securities

(i) Partly paid ordinary shares

Partly paid ordinary shares carry the right to participate in dividends and have been recognised as ordinary share equivalents in the determination of earnings per share.

(ii) Options

Options granted to employees and Directors under the Incentive Option Scheme are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 13.

(iii) Deferred shares

Rights to deferred shares granted to employees under the Performance Rights Plan are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the rights is provided in Note 13.

18. DIVIDENDS

No dividend has been paid or is proposed in respect of the year ended 30 June 2022 (30 June 2021: Nil).

19. COMMITMENTS

(a) Capital commitments

UK North Sea, Seaward Production License P2607

The Group has certain obligations to perform minimum work on tenements held. These obligations may vary over time, depending on the Group's work programmes and priorities. As at reporting date, there are no minimum financial commitments.

Gabon, Nkembe block

The Group is currently in the first exploration phase of the Block, which initially covered a period of four years. On 3 November 2016, Hartshead was granted a 12-month extension of the current exploration phase with no additional work commitments. A dispute has arisen with the Directeur Général des Hydrocarbures (DGH) as to whether the first exploration stage commenced when the Nkembe PSC was signed, on 11 January 2013 or on the date of issue of the Presidential Decree, 4 December 2014. As a consequence of this dispute Hartshead has claimed force majeure in relation to the Nkembe PSC since 1 April 2018 until such time as the dispute is resolved. In the meantime, the Nkembe PSC remains on foot.

The work commitments for the first exploration stage under the Nkembe PSC includes the acquisition and processing of 3D seismic data and an exploration well. The Nkembe PSC included an estimate of US$17 million for the work commitments for the first exploration phase and Hartshead has expended approximately US$1.4 million towards these work commitments. Separately to the committed work program an additional US$8.6 million of allowable costs have been incurred during the first exploration phase. The effect of the dispute with the DGH has meant that Hartshead has been unable to make any progress with potential funding partners for an exploration well. Accordingly, until such time as the dispute is resolved it is not possible to quantify the likely commitment and/or payable (if any) in relation to the Nkembe PSC.

19. COMMITMENTS (continued)

Hartshead has received legal advice that its obligations to make the fund contributions (refer Note 20) under the Nkembe PSC commenced on the issue of the Presidential Decree, being 4 December 2014. Based on this advice, no fund contributions are outstanding. This issue, however, remains unresolved between Hartshead and the DGH and accordingly until this matter is resolved the Board believe it is prudent to disclose a contingent liability.

Madagascar, Ambilobe block

The third phase of the Ambilobe block began in January 2017, the work commitments for the third phase includes drilling one exploration well (to be funded by a future farminee) prior to the expiry of the third phase which reached its anniversary in July 2019. The third phase may be extended, at Hartshead's option, to July 2021, a representative of the Company's subsidiary has presented the final relinquishment proposal to the Madagascan Government (OMNIS) and the Company has applied for the 2nd special two (2) year extension of the Ambilobe PSC. Discussions with OMNIS are ongoing and at the date of this report the Company has not reached agreement with OMNIS on the terms of the 2nd special two (2) year extension of the Ambilobe PSC.

The Ambilobe PSC includes an estimate of US$2.5 million for the work commitments of the third phase. The remaining portion of the work commitment as at the reporting date has been included in the table below (30 June 2021: US$2.5 million).

The capital expenditure estimated within the PSC's noted above, less any amounts already spent, for the end of the reporting period but not recognised as a liability are as follows:

	2022 (1) $	2021 (2) $
Within one year	-	-
Later than one year but no later than five years	3,627,778	3,330,749
Later than five years	-	-
	3,627,778	3,330,749

1 *The US$ commitments have been translated at a rate of 0.6891 to AUD*
2 *The US$ commitments have been translated at a rate of 0.7506 to AUD*

20. CONTINGENCIES

(a) Contingent liabilities

Gabon, Nkembe block

A dispute has arisen with the Directeur Général des Hydrocarbures (DGH) as to whether the first exploration stage commenced when the Nkembe PSC was signed, on 11 January 2013 or on the date of issue of the Presidential Decree, 4 December 2014. As a consequence of this dispute Hartshead has claimed force majeure in relation to the Nkembe PSC since 1 April 2018 until such time as the dispute is resolved. In the meantime, the Nkembe PSC remains on foot, which the DGH has recently confirmed.

Hartshead has received legal advice that its obligations to make the fund contributions under the Nkembe PSC commenced on the issue of the Presidential Decree, being 4 December 2014. Based on this advice, no fund contributions are outstanding and consequently have not been provided for on the statement of financial position as at 30 June 2022. During a prior period, an amount was previously recorded as a payable to the Directeur Général des Hydrocarbures (DGH) in Gabon in relation to fund contributions pursuant to the Nkembe PSC for approximately US$2.91 million, based on the liability for fund contributions commencing on the date on which the Nkembe PSC was signed, being 11 January 2013. This issue, however, remains unresolved between Hartshead and the DGH and this payable was derecognised. The potential undiscounted amount of the total payments that the Group could be required to make if there was an adverse decision is estimated to be up to US$2.91 million.

20. CONTINGENCIES (continued)

Moroccan settlement

During a prior period, the Group completed a settlement agreement with Freeport-McMoRan and the Moroccan regulatory authorities which resulted in the Company receiving US$7 million and taking possession of surplus drilling inventory in January 2017. There is a potential liability attached to this payment however no provision has been booked at 30 June 2022 as the Company is currently seeking advice in relation to the matter.

The Group currently has no other contingent liabilities as at 30 June 2022.

(b) Contingent assets

The Group has no contingent assets as at 30 June 2022 (30 June 2021: Nil).

Significant judgments

Contingencies & commitments

As the Group is subject to various laws and regulations in the jurisdictions in which it operates, significant judgment is required in determining whether any potential contingencies are required to be disclosed and/or whether any capital or operating leases require disclosure (refer to Note 20).

21. RELATED PARTY TRANSACTIONS

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entities

The ultimate parent entity and ultimate controlling party is Hartshead Resources NL (incorporated in Australia) which at 30 June 2022 owns 100% of the issued ordinary shares of the subsidiaries set out in Note 22.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 22.

(c) Key management personnel compensation

	2022 $	2021 $
Short-term employee benefits	1,246,488	1,022,328
Post-employment benefits	38,300	43,290
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	157,268	157,268
	1,442,056	1,222,886

Detailed remuneration disclosures are provided within the Remuneration Report.

(d) Transaction with other related parties

Payment of fees

Dr Andrew Matharu, Executive Director, is a Director of Firmitas Energy Advisers Limited, which received Dr Matharu's Director fees during the period. At year end the Company had an outstanding balance payable of $33,776 (30 June 2021: $24,875).

21. RELATED PARTY TRANSACTIONS (continued)

Mr Christopher Lewis, Executive Director, is a Director of Lewis Petroleum Consulting Limited which received Mr Lewis's Director fees during the period. At year end the Company had an outstanding balance payable of $41,061 (30 June 2021: $37,035).

Purchases of services – prior year

The Group acquired the following services from entities in which the group's key management personnel have an interest:

- Corporate development and advisory services,
- Project Management services,
- Commercial services,
- Geoscience and Engineering services, and
- Share office services.

A Director, Dr Matharu is a Director of Firmitas Energy Advisers Limited. Firmitas Energy Advisers Limited have been a partner to Hartshead in providing corporate development, advisory and commercial services and support. All services provided have been on normal commercial terms and conditions. The amount recognised as an expense during the prior year was $80,275.

A Director, Mr Lewis is a Director of Lewis Petroleum Consulting. Lewis Petroleum Consulting have been a partner to Hartshead in providing corporate development, advisory, project management, commercial, geoscience and engineering, services and support. All services provided have been on normal commercial terms and conditions. The amount recognised as an expense during the prior year was $125,554.

(e) Outstanding balances arising from sales/purchases of goods and services

There are no other outstanding balances arising from sales/purchases of goods and services (30 June 2021: Nil).

(f) Loan to/from related parties

There are no outstanding loans arising to or from related parties (30 June 2021: Nil).

22. CONSOLIDATED ENTITIES

(a) Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in Note 26(a):

Name of entity	Country of incorporation	2022 Equity holding	2021 Equity holding
Pura Vida Mazagan Pty Ltd	Australia	100%	100%
Pura Vida Nkembe Pty Ltd	Australia	100%	100%
Pura Vida Energy Sdn Bhd	Malaysia	100%	100%
PVD Exploration Morocco SARL AU	Morocco	100%	100%
PVD Gabon SARL	Gabon	100%	100%
Pura Vida Africa Pty Ltd	Australia	100%	100%
Pura Vida Mauritius	Mauritius	100%	100%
Pura Vida Gabon SARL	Gabon	100%	100%
Ansila Energy Polska Pty Ltd (1)	Australia	-	100%
Gora Australia Pty Ltd	Australia	100%	100%
Hartshead Resources Limited	UK	100%	100%

1 *Dormant subsidiary deregistered on 20 Oct 2021.*

23. REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related parties and non-related audit firms:

	2022 $	2021 $
(a) BDO Australia		
Audit and assurance services		
Audit and review of financial statements	42,760	23,028
Taxation services		
Tax compliance services	11,330	4,223
Total remuneration for taxation services	54,090	27,251
Other services		
Remuneration Advice	-	12,750
Total remuneration for BDO Australia	54,090	40,001
(b) Network firms of BDO [1]		
Audit and assurance services		
Audit and review of financial statements	6,152	12,504
Tax Compliance Advice	-	4,847
Total auditors' remuneration	60,242	57,352

1 *Fees incurred from BDO PLT in relation to the audit of the Groups Malaysian subsidiary's and BDO UK in relation to tax compliance of stamp duty.*

From time to time the Consolidated Entity may decide to employ an external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important. These assignments are principally tax advice and due diligence on acquisitions, which are awarded on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects. The Board is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

24. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Hartshead Resources NL as at 30 June 2022. The information presented here has been prepared using consistent accounting policies as presented in Note 26.

(a) Summary of financial information

The individual aggregate financial information for the parent entity is shown in the table.

	Company	
	2022 $	**2021 $**
Financial position		
Current assets	978,579	5,221,352
Total assets	4,550,385	7,053,065
Current liabilities	654,116	552,911
Total liabilities	654,116	552,911
Equity		
Contributed equity	12,950,822	12,950,822
Reserves	1,261,320	297,669
Accumulated losses	(10,315,873)	(6,748,337)
Total equity	3,896,269	6,500,154
Financial performance		
Loss for the year	(3,567,536)	(2,281,161)
Total comprehensive loss	(3,567,536)	(2,281,161)

(b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 30 June 2022 or 30 June 2021.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

(d) Contractual commitments for the acquisition of property, plant, and equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2022 or 30 June 2021.

25. EVENTS OCCURRING AFTER REPORTING DATE

- On 20 July 2022, the Company announced that it had received a “Letter of No Objection” from the NSTA in respect of the development concept for the Phase I development of the Anning and Somerville gas fields. The Letter of No Objection followed a review of the “Concept Select Report - P2607 Phase I Development Anning & Somerville”, submitted to the NSTA (announced on 30 May 2022), and indicated the finalisation of the “Assessment Phase”, entry into the “Authorisation Phase”, and provided no objection to the Company preparing a Field Development Plan for the Anning and Somerville fields as described in the Concept Select Report.

  Given the receipt of the Letter from the NSTA the Company looks forward to progressing its Phase I development through the Front-End Engineering & Design stage and submission of a FDP prior to the final investment decision.

- On 2 September 2022, the Company issues 400,000,000 fully paid ordinary shares following the completion of a placement. The shares were issued at a price of $0.0275 per Share and was supported by a number of Australian institutional and UK family office and HNWI investors. Hartshead directors subscribed for a total of $500,000 of new shares at the issue price, subject to shareholder approval at the upcoming Annual General Meeting, signalling their continuing strong support for Hartshead.

In the opinion of the Directors, there are no events of a material nature or transaction has arisen since year-end and the date of this report that has significantly affected, or may significantly affect, the Group’s operations, the results of those operations, or its state of affairs in subsequent financial years.

26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hartshead Resources NL (**Company** or Hartshead) is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Hartshead is the ultimate parent entity of the Group.

The consolidated financial statements of Hartshead Resources NL for the year ended 30 June 2022 comprise the Company and its controlled subsidiaries (together referred to as the **Group** and individually as **Group entities**).

Statement of compliance

This general-purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Company Interpretations and the *Corporations Act 2001*. Hartshead is a for-profit entity for the purpose of preparing the financial statements.

The financial statements of the Company also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis of preparation

The financial statements of the Group are presented in Australian dollars, which is the Company's functional currency.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Critical accounting estimates and significant judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within Note 15.

New and amended standards adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current annual reporting period.

IFRIC has published two agenda decisions clarifying how arrangements in respect of a specific part of cloud technology, Software-as-a-Service (SaaS), should be accounted for. The Company has taken the guidance for cloud computing into account for the year ended 30 June 2022 with no significant impact on the current or prior periods

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior years.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting period and in the foreseeable future.

Accounting policies

In order to assist in the understanding of the accounts, the following summary explains the principle accounting policies that have been adopted in the preparation of the financial report. These policies have been applied consistently to all of the periods presented, unless otherwise stated.

(a) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of subsidiaries of the Company at the end of the reporting period. Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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. Where a subsidiary has entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of subsidiaries is contained in Note 23 to the financial statements.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Going concern

The Directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

During the year the Group incurred cash outflows from operating activities of $2,980,091;

As at 30 June 2022 Pura Vida Mauritius (a subsidiary of the Company) had commitments with an estimated value of $3.63 million (US$2.5 million) pertaining to the current exploration phase of the Ambilobe PSC. The third phase ended in July 2019 and may be extended to July 2021, and the company is continuing its discussions with OMNIS regarding the 2nd special two (2) year extension of the PSC to July 2021; and

Hartshead is currently in a dispute with the Gabonese Government with regards to the Nkembe PSC, (refer to Note 20 for details on the dispute). Until such a time as the dispute is resolved it is not possible to quantify the likely commitments and/or payable (if any) in relation to the Nkembe PSC.

In the event the Company is unable to secure funding to complete the current exploration phase in Madagascar and resolve the dispute with the Gabonese Government the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its asset and discharge its liabilities in the normal course of business.

Management believe there are sufficient funds to meet the consolidated entity's working capital requirements at the date of this report for the following reasons:

- at 30 June 2022 the consolidated entity had $2.5 million of cash and a current working capital position of $2.0 million;
- subsequent to year end the company completed a placement raising up to $11 million;
- the Company is progressing realisation of the value of the consolidated entity's assets in the UK North Sea.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

(c) Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint operations.

Joint operations

The Group recognises its direct right to, and its share of jointly held assets, liabilities, revenues, and expenses of joint operations. These have been incorporated into the financial statements under the appropriate headings. Details of joint operations are set out in Note 8.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

No dividends were paid or proposed during the period.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision marker, which has been identified by the Group as the Executive Director and other members of the Board.

(f) Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured it is probable that future economic benefits will flow to the entity.

Revenue for other business activities is recognised on the following basis:

Recharge income

Revenue from consulting services is recognised in the accounting period in which the services are rendered.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Settlement income

Revenue from settlement is recognised in the accounting period in which the settlement occurred.

(g) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's values in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had the impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(h) Inventory

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Property, plant, and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the diminishing value or straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Office furniture and equipment 4 - 15 years
- Computer software and equipment 2 - 4 years

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset carrying amount is written down immediately to its recoverable amount if the assets carrying value is greater than its estimated recoverable amount (Note 26(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statements of profit or loss.

(j) Income tax and other taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(k) Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Exploration and evaluation expenditure

The Group expenses exploration and evaluation expenditure as incurred in respect of each identifiable area of interest until a time where an asset is in development.

Exploration and Evaluation expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area as well as the determination of the technical feasibility and commercial viability of extracting mineral resource.

UK North Seas

Exploration lease acquisition costs relating to exploration provinces are initially capitalised and then amortised over the shorter term of the lease or the expected life of the project.

All other exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are charged as expenses as incurred except where:

- such evaluation costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Areas of interest are recognised at permit level. Subsequent to the recognition of an area of interest, all further costs relating to the Area of Interest are initially capitalised. Each area of interest is reviewed at least bi-annually to determine whether economic quantities of reserves exist or whether further exploration and evaluation work is required to support the continued carry forward of capitalised costs. To the extent it is considered that the relevant expenditure will not be recovered, it is written off.

In the statement of cash flows, those cash flows associated with the capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities exploration and evaluation expenditure expensed is classified as cash flows used in operating activities.

Other Projects

Exploration and evaluation expenditure are expensed to the profit or loss as incurred except when existence of a commercially viable oil and/or gas reserve has been established and it is anticipated that future economic benefits are more likely than not to be generated as a result of the expenditure.

(m) Cash and cash equivalents

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

(n) Investments and other financial assets

Classification

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.

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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Investments in equity instruments

The Group subsequently measures all equity investments at fair value.

Fair value in active market (Level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of a recent share price from capital raising and option pricing models that provides a reliable estimate of prices obtained in actual market transactions.

Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Recognition and de-recognition

Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method and available for sale assets are carried at fair value.

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

(p) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including short-term incentive payments, non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Other long-term employee benefits

Provision is made for long service leave and annual leave estimated to be payable to employees on the basis of statutory and contractual requirements. The liability for long service leave and annual leave which is not expected to be settled within twelve months after the end of the period in which the employees render the related service is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Share-based payments

The Group has provided benefits to its employees (including key management personnel) in the form of share-based payments, whereby services were rendered partly or wholly in exchange for shares or rights over shares. The Remuneration Committee has also approved the grant of options, retention rights or performance rights as incentives to attract executives and to maintain their long-term commitment to the Company. These benefits were awarded at the discretion of the Board or following approval by shareholders.

The costs of these equity settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. Retention rights and performance rights granted under the Hartshead performance rights plans are determined at their fair value and can be valued by either using the share price of the Company as at the date of grant, a Monte-Carlo simulation valuation model, or other appropriate valuation methodologies. The fair value of options granted is determined by using the Black-Scholes option pricing technique. Further details of options and performance rights granted are disclosed in Note 13.

The cost of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period).

At each subsequent reporting date until vesting, the cumulative charge to the profit or loss is the product of: (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is valued as if it will vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

The dilutive effect, if any, of outstanding performance rights and options is reflected as additional share dilution in the computation of diluted earnings per share (refer Note 18).

(q) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the operating loss attributable to the equity holders of the Company after income tax by the weighted average number of ordinary shares outstanding during the period.

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.

(r) Trade and other receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less loss allowances. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months.

(s) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(t) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Transaction costs are included in borrowings and measured at amortised cost using the effective interest rate method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, and therefore are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(u) Parent entity financial information

The financial information for the parent entity, Hartshead Resources NL, disclosed in Note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries, associates, and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements, and accompanying notes set out above, are in accordance with the *Corporations Act 2001* and:

    (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

    (b) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and its performance for the financial year ended on that date.

2. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable; and

3. the financial statements and accompanying notes are presented in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board, as stated in Note 27 to the financial statements.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors

Bevan Tarratt
Non-Executive Chairman

Perth, Western Australia
30 September 2022

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INDEPENDENT AUDITOR'S REPORT

To the members of Hartshead Resources NL

Report on the Audit of the Financial Report

Qualified opinion

We have audited the financial report of Hartshead Resources NL (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other 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 report, including a summary of significant accounting policies and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, 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 ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for qualified opinion

As disclosed in Note 19 and Note 20 to the financial statements, there is a dispute over the commencement date of Hartshead Resources NL (formerly Ansila Energy NL) obligations under the Nkembe Production Sharing Contract (PSC), which has prevented Hartshead Resources NL progressing funding discussions to meet its obligations under the PSC and has therefore resulted in force majeure being claimed by the Company. The Company has stated that until such time as the dispute is resolved, it is not possible to quantify the likely commitment and/or payable (if any) under the PSC. As such management were unable to provide support as to its commitment or obligation under the PSC as at 30 June 2022 and we were unable to obtain sufficient appropriate evidence to determine whether any adjustments to the commitments or other payables note disclosure was necessary.

Consequently, we were unable to determine whether any adjustments might have been necessary in respect of the carrying amount of other payables as at 30 June 2022, and the elements making up the statement of profit or loss and other comprehensive income.

Our audit opinion for the year ended 30 June 2021 was also modified with respect to this matter.

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 Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (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 is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to note 26(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its as sets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. Other than the matters described in the *Basis for qualified opinion* and *Material uncertainty related to going concern* sections, we have determined that there are no other key audit matters to be communicated in our report.

Other information

The directors are responsible for the other information. The other information comprises the information 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 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 (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 31 to 36 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Hartshead Resources NL, 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.

BDO Audit (WA) Pty Ltd

BDO

Ashleigh Woodley

Director

Perth

30 September 2022

ADDITIONAL INFORMATION

The following additional information is required by ASX in respect of listed public companies only.

Information as at 2 September 2022

1 Distribution of shareholders

	Ordinary Shares		Partly Paid Shares	
Category	**Holders**	**% of securities in class**	**Holders**	**% of securities in class**
1 - 1,000	32	0.00	-	-
1,001 - 5,000	28	0.00	-	-
5,001 - 10,000	19	0.01	-	-
10,001 - 100,000	864	1.95	2	2.96
100,001 and above	1,072	98.04	10	97.04
Total	**2,015**	**100**	**12**	**100**

The number of shareholders holding less than marketable parcel at a share price of $0.033 is 115.

Distribution of unlisted equity holders

	Unlisted Options with an exercise price of $0.04 and expiring 31 December 2022		Performance Rights expiring 30/09/2022		Performance Rights expiring 02/06/2024	
Category	**Holders**	**% of securities in class**	**Holders**	**% of securities in class**	**Holders**	**% of securities in class**
1 - 1,000	0	0.00	0	0.00	0	0.00
1,001 - 5,000	0	0.00	0	0.00	0	0.00
5,001 - 10,000	0	0.00	0	0.00	0	0.00
10,001 - 100,000	1	0.25	2	0.00	0	0.00
100,001 and above	19	99.75	13	100.00	3	100.00
Total	**20**	**100.00**	**13**	**100.00**	**3**	**100.00**

2 Voting rights

The voting rights attached to each class of equity security are as follows:

Fully paid ordinary shares	Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
Partly paid shares	The holder will be entitled to exercise any vote attaching to a partly paid share at general meetings of members in accordance with the Constitution of the Company. Under the Constitution, on a poll, partly paid shares have a vote pro rata to the proportion of the total issue price paid up. Amounts paid in advance of a call will be ignored when calculating the proportion.
Options	There are no voting rights attached to any class of options on issue.
Performance rights	There are no voting rights attached to any class of performance right on issue.

3 20 largest shareholders - ordinary shares as at 2 September 2022

	Name	Number of Fully Paid Ordinary Shares	% Issued Ordinary Capital
1	MR CHRISTOPHER LEWIS	211,249,233	9.44
2	DR ANDREW MATHARU	122,191,195	5.46
3	JALBAR PTY LTD	92,488,606	4.13
4	GULF NATURAL RESOURCES PTY LTD	87,670,170	3.92
5	ALITIME NOMINEES PTY LTD	84,080,589	3.76
6	MR DONALD FERGUSON	81,028,026	3.62
7	MR JONATHAN JAMES TREEN	79,340,526	3.55
8	CITICORP NOMINEES PTY LIMITED	45,027,402	2.01
9	CITYSCAPE ASSET PTY LTD <CITYSCAPE FAMILY A/C>	40,000,000	1.79
10	MR MARK BRACEWELL	39,666,435	1.77
11	MR STEPHEN SMITH	39,666,434	1.77
12	J & TW DEKKER PTY LTD <J & TW DEKKER FAMILY A/C>	30,085,701	1.34
13	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	28,375,784	1.27
14	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	19,291,819	0.86
15	BUSHWOOD NOMINEES PTY LTD	16,195,851	0.72
16	BARCLAY WELLS LTD <NOMINEE A/C>	16,000,000	0.72
16	EPIC HEALTH HOLDINGS PTY LTD	16,000,000	0.72
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	15,408,387	0.69
19	T C RICE PTY LTD	15,078,820	0.67
20	NUTHATCH SNS INVESTMENTS	15,016,579	0.67
Totals: Top 20 holders of Ordinary Fully Paid Shares (Total)		**1,088,150,310**	**48.63**
Total Remaining Holders Balance		**1,149,349,998**	**51.37**
Total		**2,237,500,308**	**100.00**

4 Substantial Shareholders of Ordinary Shares

As at 2 September 2022 the following shareholders held more than 5% of issued capital in the company as per substantial shareholder notices lodged with ASX:

Holder of Fully Paid Ordinary Shares	Nº of Shares	% held
MR CHRISTOPHER LEWIS	231,159,026	10.33
DR ANDREW MATHARU	122,191,195	5.46

5 The following securities are subject to voluntary escrow

	Nº of Shares	Escrowed Until
Fully Paid Ordinary Shares	1,000,000,000	03/02/2023

6 Unquoted securities on issue at 2 September 2022

1. 5,703,550 Partly paid shares with an issue price of $0.20 of which $0.01 was paid upon issue
2. 20,000,00 Unlisted Options with an exercise price of $0.04 and expiring 31 December 2022
3. 53,844,991 Performance Rights expiring 30/09/2022
4. 45,000,000 Performance Rights expiring 02/06/2024

7 Unquoted equity securities holders with greater than 20% of an individual class

As at **2 September 2022**, the following classes of unquoted securities had holders with greater than 20% of the class on issue.

Partly paid shares

Holder	Nº securities held	% held
David Ormerod <Ormerod Family Inv A/C>	2,225,000	39.01

***Options** – exercise price $0.04*

Expiry date	Holder	Nº securities held	% held
31 December 2022	BATTLER INVESTMENT CORPORATION PTY LTD	4,547,715	22.74

Performance Rights

Expiry date	Holder	Nº securities held	% held
2 June 2024	JEFF BARNES	15,000,000	33.33
2 June 2024	NEIL MARCUS	15,000,000	33.33
2 June 2024	STEVE ROSER	15,000,000	33.33

8 Other

The Company is not currently conducting an on-market buy-back. There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed. No securities were purchased on-market during the reporting period in respect of an employee incentive scheme. There are no holders with a substantial holding in the Company.

9 Corporate Governance

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report. The Company's Corporate Governance Statement is available on the Company's website at: https://hartshead-resources.com.au/corporate-governance/