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Hartshead Resources NL

ACN 150 624 169

Interim Report

for the half-year ended
31 December 2022

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Matthew Foy


REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS


333C, Charles Street
North Perth WA 6006
Telephone: +61 8 9226 2011
Web: www.hartshead-resources.com.au
Email: info@hartshead-resources.com

LONDON OFFICE

Suite 2.06
Bridge House
181 Queen Victoria Street
London EC4V 4EG
United Kingdom

For further information and to stay up to date with Company developments, please follow us on social media by clicking the links below:

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STOCK EXCHANGE LISTING

Australian Securities Exchange Limited
ASX Code – HHR

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: 1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

AUDITOR

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

DIRECTORS' REPORT

The Directors of Hartshead Resources NL (**Company, HHR or Hartshead**) and the entities it controls (**Consolidated Entity or Group**) present their report for the half-year ended 31 December 2022.

DIRECTORS

The names of the Directors in office during the financial period or since the end of the financial period are:

- 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, Company Secretary

PRINCIPAL ACTIVITIES

Hartshead Resources is an Australian-listed oil and gas exploration and development company. The Company's principal interest is in Seaward Production License P2607, located in the southern gas basin, offshore United Kingdom. The Company's strategy is to extract value from the Company's assets and to build a European-focussed gas development company over time.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the half-year (31 December 2021: Nil).

FINANCIAL SUMMARY

The Group made a net loss after tax of \$3,043,508 for the financial half-year ended 31 December 2022 (31 December 2021: loss \$1,721,432).

At 31 December 2022, the Group had net assets of \$11,587,521 (30 June 2022: \$3,914,699) and cash assets of \$8,886,807 (30 June 2022: \$2,500,537).

REVIEW OF OPERATIONS

OUTLOOK FOR 2023

HARTSHEAD REACHED A NUMBER OF IMPORTANT MILESTONES IN ITS PHASE I DEVELOPMENT OF THE ANNING AND SOMERVILLE GAS FIELDS DURING THE INTERIM PERIOD TO 31 DECEMBER 2022. THIS HAS POSITIONED THE COMPANY TO COMPLETE THE PHASE I CONCEPT DEFINE/FEED WORKSTREAMS AND TAKE A FINAL INVESTMENT DECISION (FID) TO EXECUTE THE DEVELOPMENT PLAN DURING 2023.

THE INDUSTRY PARTNERING PROCESS WHICH COMMENCED IN JUNE 2022 IS NEARING ITS CONCLUSION AND WILL FORM A CRITICAL COMPONENT OF THE DEVELOPMENT CAPITAL REQUIRED FOR THE PHASE I PROJECT AS WELL AS PROVIDING IMPORTANT INDUSTRY VALIDATION OF THE ANNING AND SOMERVILLE FIELD DEVELOPMENTS.

COMPLETION OF THE PHASE I BASIS OF DESIGN ENGINEERING STUDY WITH SHELL FOR THE PREFERRED EXPORT ROUTE AND TIE-IN OPTION TO SHELL'S SOUTHERN NORTH SEA INFRASTRUCTURE IS EXPECTED LATER IN 2023. DISCUSSIONS HAVE ALSO PROGRESSED ON THE COMMERCIAL GAS TRANSPORTATION AND PROCESSING AGREEMENTS AND KEY TERMS ARE EXPEDTED TO BE FINALISED IN 2023 WITH FULLY TERMED AGREEMENTS FOLLOWING.

HARTSHEAD'S OPERATING CAPABILITY ALSO CONTINUES TO GROW WITH THE RECRUITMENT OF NEW TEAM MEMBERS TO KEY ROLES AS THE COMPANY PROGSESSES THROUGH THE DEFINE STAGE INTO PROJECT EXECUTION. THIS HAS BEEN RECOGNISED WITH HARTHEAD'S RECENT APPROVAL AS A SUB-AREA OPERATOR OF SEAWARD PRODUCTION LICENSE P2607 BY THE UK NORTH SEA TRANSITION AUTHORITY (NSTA).

HARTHEAD'S PARTICIPATION IN THE UK 33RD OFFSHORE LICENSING ROUND HAS THE POTENTIAL TO EXPAND THE COMPANY'S PORTFOLIO FURTHER WITH ADDITIONAL LICENSE AWARDS DURING 2023. ANY NEW AWARDS WILL BUILD UPON THE COMPANY'S SUCCESSFUL GAS FIELD AGGREGATION STRATEGY, WHICH HAS BEEN CENTRAL TO LICENSE P2607.

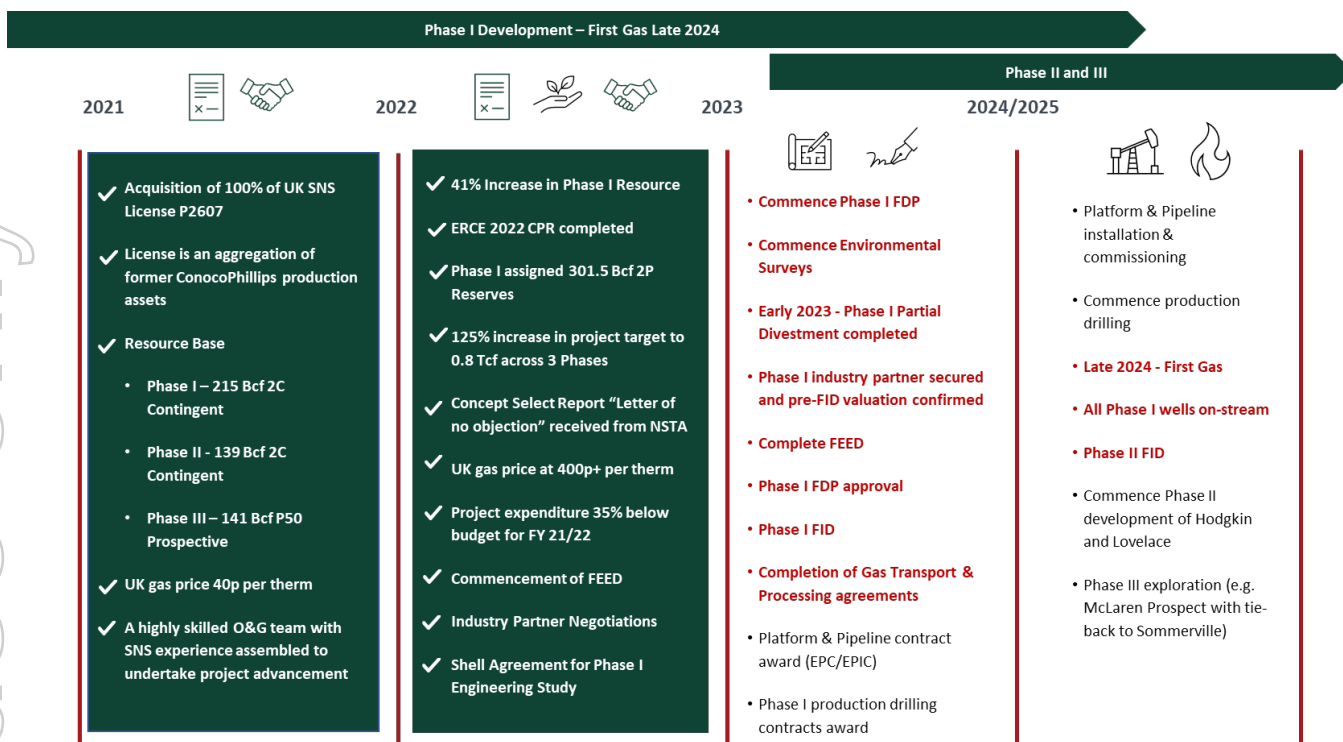


Figure 1. Key Milestones in the Phase I Development through to First Gas.

The following activities being conducted across the Hartshead portfolio during the remainder of 2023 are:

PHASE I ACTIVITIES

- Completion of partial divestment and industry partnering process
- Finalise commercial terms for 3rd party host for infrastructure access, gas transportation and processing
- Completion of detailed engineering for platforms, pipelines and well planning (FEED)
- Completion of environmental surveys for pipeline route and platform locations
- Field Development Plan (FDP) submission and approval
- Final Investment Decision (FID) for development plan execution
- Entry into platforms and pipeline contracts (EPC/EPIC)
- Entry into drilling contract and ancillary services awards

PHASE II & PHASE III ACTIVITIES

- Entry into Phase II Field Development Planning (subject to results of current ongoing evaluation)
- Updated CPR audit of revised Contingent and Prospective Resources

REVIEW OF OPERATIONS

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 Bcf¹ of independently audited 2P Reserves and 139 Bcf² of 2C Contingent Resources within four existing discoveries.

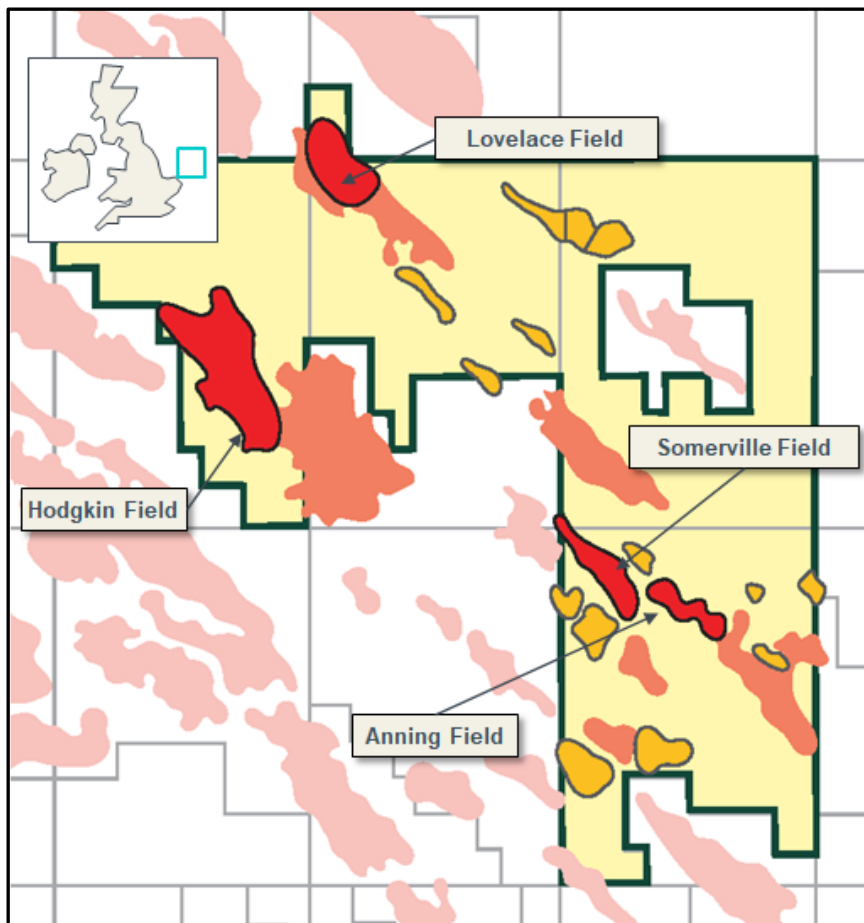


Figure 2. Location of the Hartshead Resources Seaward License P2607 in the Southern Gas Basin, United Kingdom.

During 2H 2022 Hartshead had made considerable progress with respect to the Phase I development of the Anning and Somerville gas fields as the development enters the Concept Define/FEED stage. Significant progress was also made in securing an industry partner for the development through a partial divestment of the asset. Importantly, Hartshead and Shell continued to move towards finalising commercial terms for the preferred export route of the Phase I field development via Shell's Southern Gas Basin infrastructure. This, coupled with the basis for design engineering study of the entire offtake system, will secure transportation and processing of Hartshead's gas to the UK market.

Preparations to contract geophysical and borehole vessels for mobilisation in Spring 2023 have also been progressed during the reporting period and it is anticipated that surveys will be carried out in 2023. The commencement of a Wells and Frac Placement multi-disciplinary study will refine the placement of fracs and wells and optimise the final development concept. Finally, the Company continues to recruit new team members to the key operational roles required to deliver the Phase I development.

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.

PHASE I DEVELOPMENT – ANNING AND SOMERVILLE GAS FIELDS

A major milestone in the Phase I Concept Select work program, covering the Anning and Somerville gas field developments with 2P reserves of 301.5¹ bcf (Figure 3), was achieved in July 2022 with the receipt of a “Letter of No Objection” from the NSTA following submission of the Phase I development Concept Select Report (CSR).

The selected development concept submitted within the CSR consists of six production wells from two Normally Unmanned Installation (NUI) platforms at Anning and Somerville. The two gas fields have been classified to hold combined 2P Reserves of 301.5 Bcf¹ (52 MMboe) of gas following an independent technical and commercial audit by ERC Equipiose. The platforms will connect via a subsea pipeline to third party infrastructure for onward transportation and processing to entry into the UK gas transmission network.

The letter acknowledged that the CSR was submitted in accordance with the NSTA’s “Requirements for the planning of and consent to UKCS field developments guidance” in May 2022 and indicated finalisation of the “Assessment Phase”, entry into the “Authorisation Phase” and provided no objection to the Company preparing a Field Development Plan (FDP) for the Anning and Somerville fields as described in the CSR.

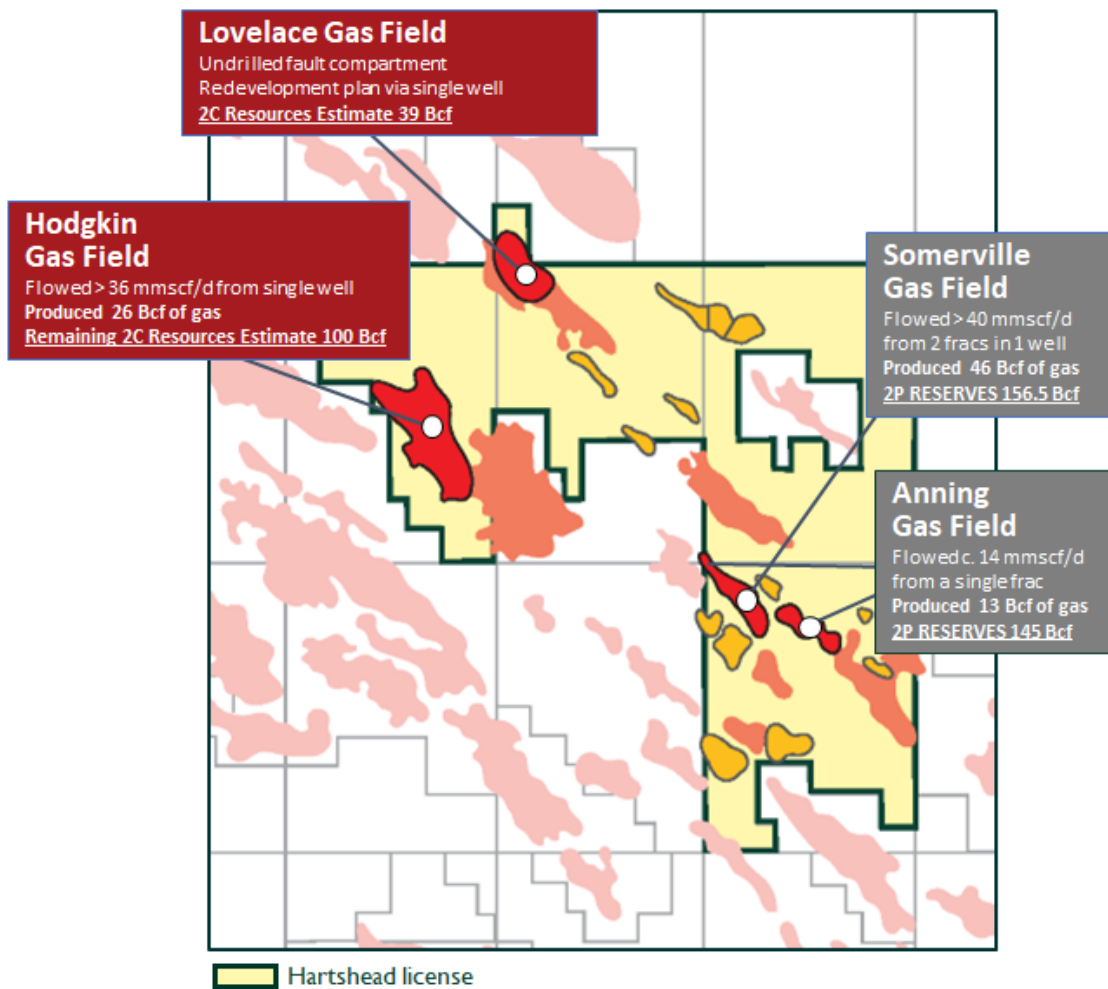


Figure 3. Hartshead Resources Seaward License P2607 holds Multiple Gas Fields and Prospects.

During the report period, Hartshead announced that it has entered into an agreement with Shell UK Exploration & Production Limited (Shell), to undertake an Engineering Study for tie-in of Hartshead’s Phase I gas field development to Shell’s infrastructure (Figure 4).

The Study agreement will provide a basis of design and cost estimate for the tie-in of facilities through Shell’s infrastructure detailing the required brownfield modifications as part of the gas offtake route for the Anning and Somerville gas fields. The

study work will be undertaken by Petrofac and managed by Hartshead. Shell will provide project assurance, prior to entering the next phase of engineering work, which is the Front-end Engineering and Design (FEED).

The Engineering Study with Shell will define Hartshead's route to transport its natural gas and condensate to the point of sale and is, therefore, a critical component of the future field development workstreams.

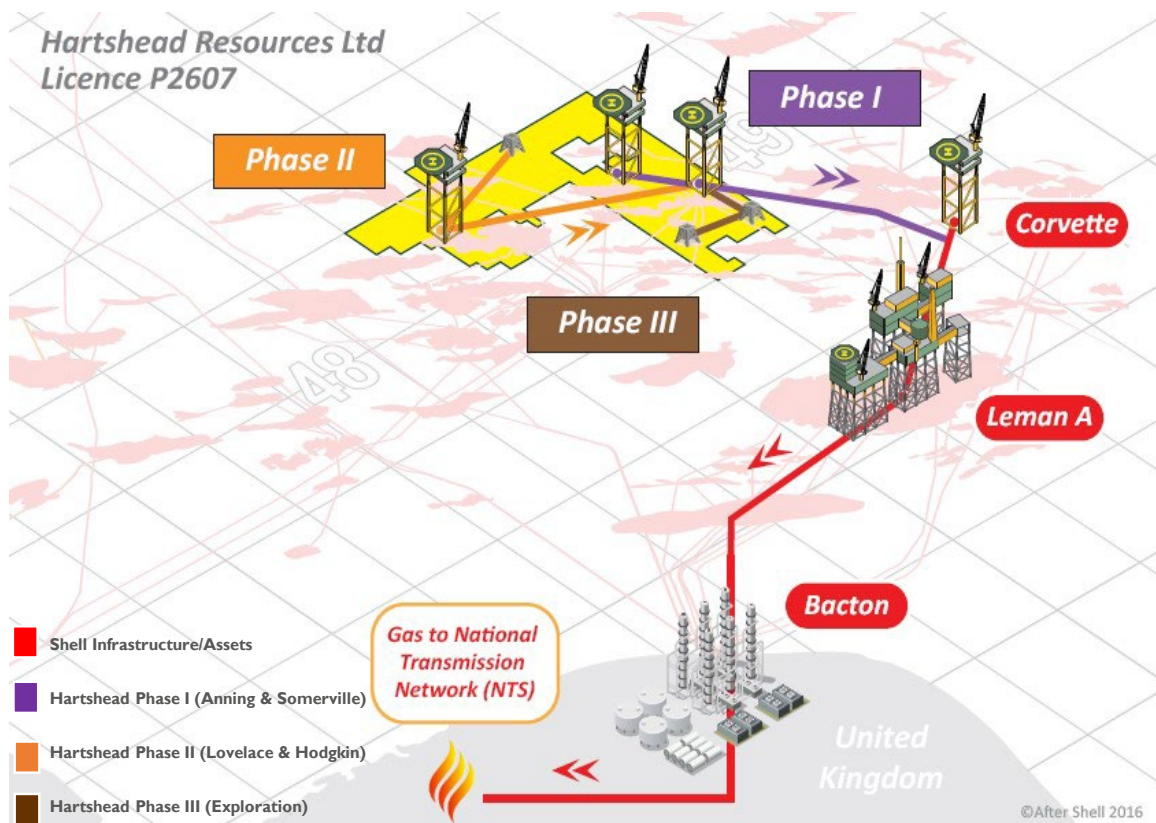


Figure 4. Schematic of Hartshead's License P2607 and Assets with proposed Gas Transportation Route via Shell's Southern North Sea Infrastructure to the Bacton Gas Processing Terminal.

Prior to the end of the reporting period Hartshead announced the award of key contracts for Platforms and Pipeline Front-End Engineering Design (FEED) in preparation of the Field Development Plan (FDP).

Petrofac Facilities Management Limited (Petrofac), a leading international service provider to the energy industry, were awarded two contracts in respect of:

- I. the Platforms FEED contract for the Anning and Somerville unmanned minimum facilities jackets and topsides and;
- II. the Subsea FEED contract for the interconnecting subsea-pipelines connecting to the Shell Corvette export system with onward gas transport to the Leman-A complex, associated risers via the Anning platform.

The award of the FEED contracts signals a significant milestone as the Phase I development progresses into Concept Define prior to entering the execution phase at FID which is expected to occur in 2023.

TelosNRG Limited (Telos), a UK based consultancy that provide technical, QHSE and management advisory services across the energy and renewables sectors, were appointed to assist and advise Hartshead with the preparation of the Phase I FDP which is expected to be submitted to the NSTA during Q1 2023.

Hartshead continues to evaluate contracts for geotechnical and geophysical surveys to cover the Anning and Somerville field developments with a view to securing vessels for deployment in Q2/Q3 2023. The main objectives of the survey are to

DIRECTORS' REPORT

provide the Company with an interpretation of the seabed geomechanical and soil conditions at the Anning and Somerville field locations and along the pipeline route. The results of the surveys will form a critical component of the Environmental Statement. Understanding of the seabed conditions at the Phase I field locations and along the pipeline route are also required for completing the subsea and platform FEED design assumptions.

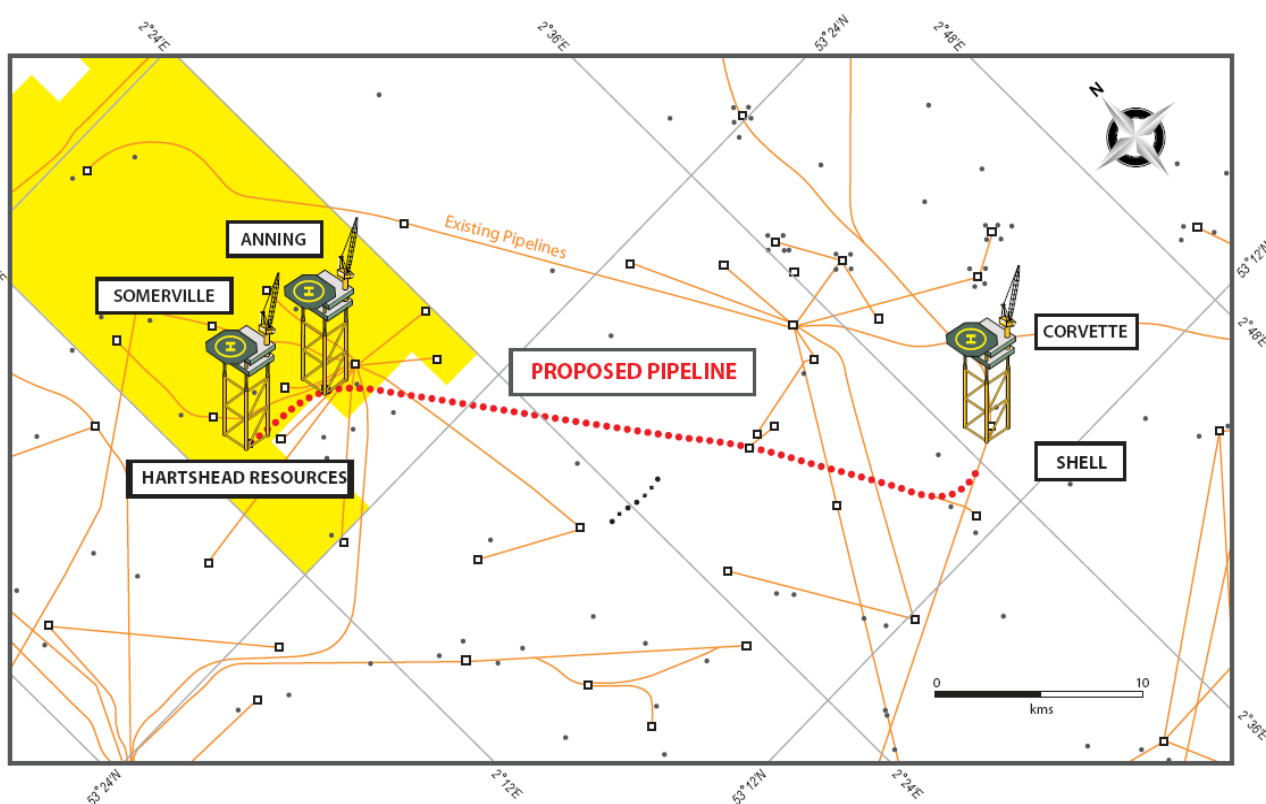


Figure 5. Phase I Development Proposed Pipeline Route and Tie-in to Shell's Lemman-Corvette Export System.

INVESTMENT PROCESS FOR INDUSTRY PARTNERING

On 27 June 2022, Hartshead announced the appointment of 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 on industry partnering for its Phase I development in the UK Southern Gas Basin.

During the reporting period the initial phase of a partial divestment process was completed with interest from a number of potential industry partners, a sub-set of which entered the next stage of the process involving further due diligence and negotiations. The objective of the process is to secure an industry partner and funding for the development of the Phase I Anning and Somerville gas fields.

Although the Company remains confident of a successful outcome to the LAB Energy farm-out/partnering process given the high level of interest shown in Hartshead's Phase I assets, uncertainty inevitably remains with respect to ultimately securing an industry partner subject to continuing discussions and negotiations, which the Company hopes to successfully conclude by the end of Q1 2023.

RECRUITMENT

Hartshead entry into the FEED stage of the Phase I development requires several key appointments to the developments team. In November 2022, the Company announced the appointment of Stephen McCraith as Wells Manager within the Phase I development project management team.

As a highly experienced Well Engineering and Drilling Manager with over 33 years' UK North Sea experience Stephen has an impressive track record of delivering major drilling programmes in the upstream oil & gas sector and brings a wealth of operating experience to Hartshead as the Company. Stephen will be responsible for delivering the six horizontal multi-frac well programme for the Phase I development and successful execution of this well programme will be a key value driver in the Phase I development.

DIRECTORS' REPORT

The majority of Stephen's career was spent with Shell International and Shell UK Exploration and Production in Rig Superintendent and Drilling Operations Manager roles where he was responsible for all types drilling operations, including exploration and development drilling, infill drilling, well testing, coiled tubing operations and other well intervention services. Stephen has also worked for other UK North Sea Operators and service companies, such as Talisman Energy, Premier Oil/Harbour Energy and KCA Deutag Drilling.

PHASE II DEVELOPMENT – HODGKIN AND LOVELACE GAS FIELDS

Further subsurface work has been progressed on the Phase II development of the Hodgkin and Lovelace fields during 2H 2022. Hartshead have reviewed work completed by Xodus on the revised Hodgkin volumes and Lovelace mapping and completed an in-house Gas-Initially-In-Place (GIIP) analysis with the aim of reducing volumetric uncertainty.

The next steps will include a 2C Contingent Resource assessment and audit for inclusion in a new Competent Persons Report (CPR).

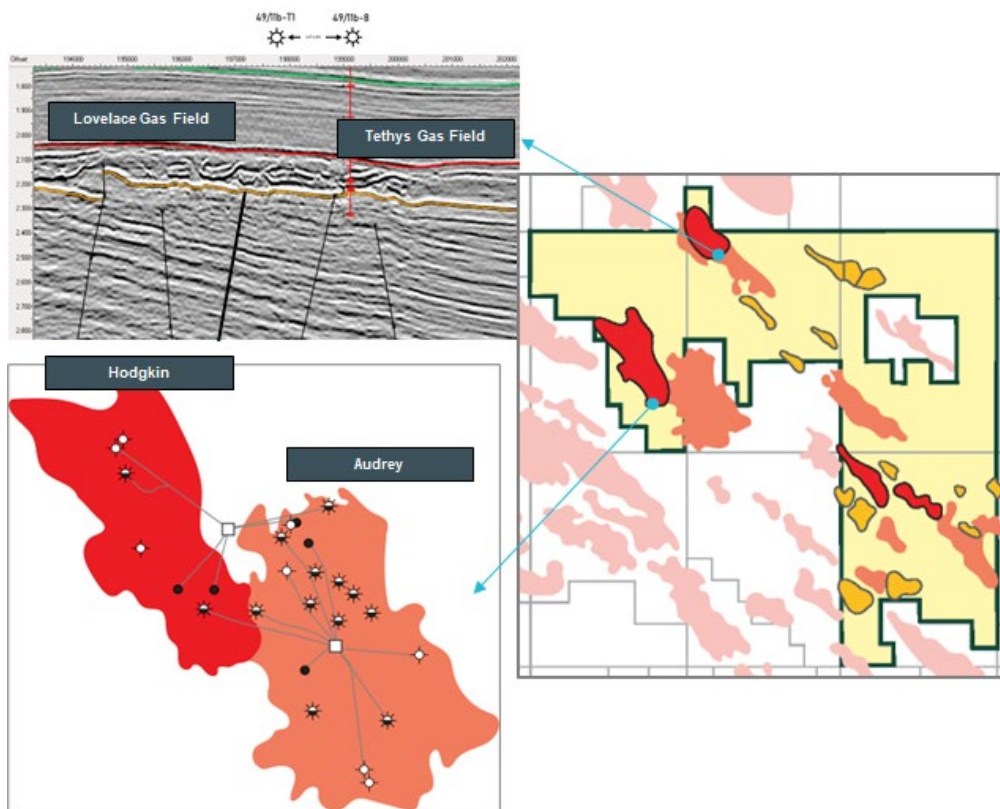


Figure 6. Location of the Phase II development Hodgkin and Lovelace fields within the License P2607 area.

PHASE III DEVELOPMENT – EXPLORATION PORTFOLIO

Following the generation of a revised exploration inventory containing 14 prospects (Figure 7) with unrisks 2U prospective resources of 344 Bcf^{3,4} the top four prospects have been identified (Ayrton, Garrod, McLaren and Stephenson) with a combined P50 recoverable volume of 200 Bcf^{3,4}.

Scoping economics for each of the four prospects have been completed and any future development scenario is likely to leverage the Phase I infrastructure planned for the Anning and Somerville field developments given the proximity and therefore represents highly value accretive additions to the Hartshead portfolio.

³ Hartshead management estimates

⁴ 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.

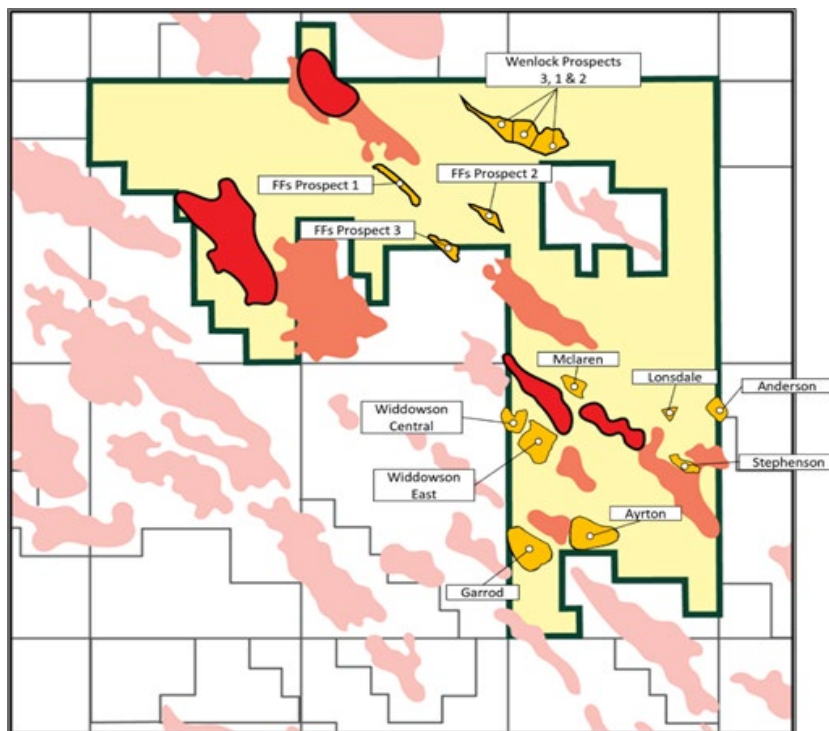


Figure 7. Phase III exploration portfolio prospects and leads map.

NEW VENTURES

Hartshead confirmed that the Company participated in the UK 33rd Offshore Licensing Round which was announced by the NSTA during the Autumn of 2022. The closing date for the submission of applications was 12 January 2023 and the results of the licensing round together with awards is expected later in 2023.

CORPORATE & FINANCIAL

CAPITAL RAISINGS

During the reporting period, the Company completed an over-subscribed Placement of A\$11 million (before costs) by way of issue of 400,000,000 new Shares at an issue price of A\$0.0275 per Share. The Placement was supported by a number of Australian institutional and UK family office and HNWI investors. Hartshead directors, demonstrating their strong support for the Company, subscribed for a total of A\$500,000 of new shares at an issue price of A\$0.0275.

The majority of the capital raise has been 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.

CPS Capital Group Pty (**CPS Capital**) acted as Lead Manager and Broker to the placement and received a fee of 6% on the total amount raised by CPS Capital.

CORPORATE ACTIONS

At the Company's Annual General Meeting (AGM) held on 31 October 2022 all resolutions were duly passed including the ordinary resolutions for the re-election of Mr Christopher Lewis and Dr Andrew Matharu as Directors.

INVESTOR RELATIONS

An updated corporate presentation was released via the ASX on 31 August 2022 which focussed on Hartshead's Phase I Concept Select Report (CSR) "Letter of No Objection" from the NSTA, the 2P Reserves assigned to the Anning and Somerville field following the technical audit completed by ERC Equipoise and the export route identified with Shell Exploration & Production (UK) Limited via the Leman-A and Corvette platforms. The updated presentation also addressed the new UK Energy Security Strategy and the development of domestic UK resources to address security of supply risks.

DIRECTORS' REPORT

TREASURY

Hartshead's closing cash and cash equivalents at 31 December 2022 was \$8.9 million.

PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2022

	% Interest	Tenement	Location
Held at 30 December 2022	100%	Seaward Production License P2607	Offshore United Kingdom
	100% ⁵	Nkembe Block	Offshore Gabon
	100% ⁶	Ambilobe Block	Offshore Madagascar

There was no change in the Company's interests in the above tenements during the half-year reporting period.

PETROLEUM REPORTING STATEMENTS

SOUTHERN NORTH SEA LICENSE P2607 (UNITED KINGDOM) – 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 announcement 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.

RESERVES ⁷						
PHASE I	49/17b	Anning				
			1P	2P	3P	
			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 ⁸ (BCF)				1C	2C	3C	GCoS
PHASE II	49/6c, 49/11c	Lovelace		14	39	70	100%
	48/15c	Hodgkin		35	100	387	100%

⁵ 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

⁶ Subject to relinquishment as per the terms of the Ambilobe PSC

⁷ 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.

⁸ Hartshead management estimates

PROSPECTIVE RESOURCES ^{6,9} (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%

COMPETENT PERSONS STATEMENT

The Reserves estimated in this announcement 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 announcement 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

⁹ 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.

DIRECTORS' REPORT

parameters underpinning the estimates in the aforesaid market announcement continue to apply and have not materially changed. The information in this announcement 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 compiled 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 announcement 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 30 September 2021 was approved by the Board on 29 September 2021. The Company's Corporate Governance Statement can be viewed on the Company's website www.hartshead-resources.com.au under the Corporate menu tab.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

On 17 January 2023, the Company announced the expiry of 20 million share options (without exercise) with an expiry date of 31 December 2022. The Company has no further share options in issue.

On 3 February 2023, Hartshead advised that 1 billion ordinary shares were being released from voluntary escrow following the end of the restriction period on the shares. The shares comprised of the original Hartshead Resources Limited vendor shareholders stock which was escrowed following the acquisition of Hartshead Resources Limited by Ansila Energy NL in February 2021.

On 6 February 2023, the Company announced that HRL had been approved as Sub-Area operator to License P2607 by the UK NSTA. As Operator Hartshead will select and appoint a competent company as Well Operator and as the Phase I field development continues into the execution phase and select and appoint competent companies to act as Installation Operator and Pipeline Operator, whilst Hartshead retains the overall responsibility as Licensee and Field Operator.

Throughout February and March 2023, Hartshead made several appointments aimed at strengthening the operational capability of the Company. On 15 February 2023, the appointments of Dave Fowler as Contracts & Procurements Manager and Denis Danchenko as Geophysicist were announced and on 26 February 2023, Anne-Michele Vignaroli's appointment as Chief Operating Officer was announced. On 7 March 2023, Simon Haworth's appointment as the Subsurface Team Lead and Geologist was announced.

On 20 February 2023, a contract award for the platform location and inter-field pipeline seabed geophysical survey to GEOxyz UK Limited was announced with an expected mobilisation date of April 2023.

On 24 February 2023, the pre-qualification process for the Phase I development platform and jacket EPIC contract was announced with a "long list" of eight contractors identified with specific project knowledge of the UK Southern Gas Basin. The award of the platform and jacket EPIC contract is expected in Q3 2023.

In the opinion of the Directors, no other events of a material nature or transaction, has arisen since period 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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on the following page of the interim half-year report.

On behalf of the Directors



Bevan Tarratt

Non-Executive Chairman

Perth, Western Australia

15 March 2023

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

As lead auditor for the review of Hartshead Resources NL for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

15th March 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 \$	31 December 2021 \$
Revenue from continuing operations			
Interest income		27,429	2,358
Total income		27,429	2,358
Expenses			
Project costs	2	(487,026)	(29,382)
Depreciation expenses		(22)	(1,585)
Administrative expenses	2	(2,390,534)	(1,113,000)
Share-based payments expense	2	(186,157)	(572,643)
Unrealised foreign exchange gain/(loss)	2	(7,198)	(7,180)
Loss before income tax		(3,043,508)	(1,721,432)
Income tax expense		-	-
Loss after income tax attributable to the owners of the Company		(3,043,508)	(1,721,432)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		5,031	41,762
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income (FVOCI)		119	(381)
Other comprehensive income for the half-year, net of tax		5,150	41,381
Total comprehensive income/(loss) for the half-year attributable to the owners of the Company		(3,038,358)	(1,680,051)
		Cents	Cents
Earnings per share for the half-year attributable the owners of the Company			
Basic and Diluted loss per share		(0.15)	(0.09)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 December 2022 \$	30 June 2022 \$
Current assets			
Cash and cash equivalents		8,886,807	2,500,537
Other receivables		442,086	184,655
Total current assets		9,328,893	2,685,193
Non-current assets			
Plant and equipment		17,342	12,591
Financial assets at FVOCI		215,198	215,079
Exploration assets	4	3,142,870	1,871,665
Total non-current assets		3,375,410	2,099,335
Total assets		12,704,303	4,784,528
Current liabilities			
Trade and other payables	5	1,116,782	869,829
Total current liabilities		1,116,782	869,829
Total liabilities		1,116,782	869,829
Net assets		11,587,521	3,914,699
Equity			
Issued capital	6	23,475,845	12,950,822
Share-based payment reserve		1,427,925	1,241,768
Financial assets at FVOCI		17,737	17,619
Foreign exchange reserve		(139,665)	(144,697)
Accumulated losses		(13,194,321)	(10,150,813)
Total equity		11,587,521	3,914,699

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Issued capital \$	Reserves \$	Accumulated gain/(loss) \$	Total equity \$
Balance at 1 July 2021	12,950,822	297,669	(6,480,574)	6,767,917
Loss for the half-year	-	-	(1,721,432)	(1,721,432)
Other comprehensive income/(loss) for the half-year	-	41,381	-	41,381
Total comprehensive income/(loss) for the half-year	-	41,381	(1,721,432)	(1,680,051)
Transactions with owners in their capacity as owners				
Retention and performance rights expense recognised during the half-year	-	572,643	-	572,643
Balance at 31 December 2021	12,950,822	911,693	(8,202,006)	5,660,509
Balance at 1 July 2022	12,950,822	1,114,690	(10,150,813)	3,914,699
Loss for the half-year	-	-	(3,043,508)	(3,043,508)
Other comprehensive income/(loss) for the half-year	-	5,150	-	5,150
Total comprehensive income/(loss) for the half-year	-	5,150	(3,043,508)	(3,038,358)
Transactions with owners in their capacity as owners				
Contributed equity	11,217,525	-	-	11,217,525
Share issue costs	(692,502)	-	-	(692,502)
Retention and performance rights expense recognised during the half-year	-	186,157	-	186,157
Balance at 31 December 2022	23,475,845	1,305,997	(13,194,321)	11,587,521

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Note	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities		
Payments to suppliers, consultants and employees	(2,733,519)	(1,591,787)
Interest received	27,429	2,358
Net cash outflow from operating activities	(2,706,090)	(1,589,429)
Cash flows from investing activities		
Payments for plant and equipment	(4,539)	(4,550)
Payments for capitalised exploration	(1,232,649)	(606,779)
Net cash outflow from investing activities	(1,237,188)	(611,329)
Cash flows from financing activities		
Proceeds from issue of shares	11,025,025	-
Share issue costs	(692,503)	-
Net cash inflow/(outflow) from financing activities	10,332,522	-
Net increase/(decrease) in cash and cash equivalents	6,389,244	(2,200,758)
Cash and cash equivalents at the beginning of the half-year	2,500,537	6,899,356
Effects of exchange rate changes on cash and cash equivalents	(2,974)	5,366
Cash and cash equivalents at the end of the half-year	8,886,807	4,703,964

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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 was only corporate in nature as the business searches for viable tenements/operations.

	Income from external sources \$	Reportable segment profit/(loss) ⁽¹⁾ \$	Reportable segment assets ⁽²⁾ \$	Reportable segment liabilities \$
For the half-year ended 31 December 2022				
<i>Exploration activities</i>				
United Kingdom	-	(1,543,596)	6,762,853	(529,108)
Gabon	-	(989)	41,093	(537)
Madagascar	-	(294)	8,503	(431,240)
<i>Other corporate activities</i>	27,429	(1,498,629)	5,891,854	(155,897)
Total	27,429	(3,043,508)	12,704,303	(1,116,782)
For the half-year ended 31 December 2021				
<i>Exploration activities</i>				
United Kingdom	-	(308,604)	3,537,364	(208,109)
Gabon	-	(1,034)	40,622	-
Madagascar	-	2,023	12,764	(426,658)
<i>Other corporate activities</i>	2,358	(1,413,817)	1,193,778	(235,062)
Total	2,358	(1,721,432)	4,784,528	(869,829)
As at 30 June 2022				

1 Included within the segment activities is a portion of Directors time relating to project activities.

2 As at 31 December 2022 Other corporate activities includes cash held of \$5,623,503, as at 30 June 2022 Other corporate activities includes cash held of \$929,610.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

2. EXPENSES

	31 December 2022 \$	31 December 2021 \$
Profit/(Loss) before income tax includes the following specific items:		
<u>Project costs</u>		
Polish JV costs	-	(3,868)
Southern North Sea costs	487,026	33,250
Total project costs	487,026	29,382
<u>Share-based payments expense</u>		
Performance rights expense -issued to Directors and employees	136,692	473,713
Performance rights expense -issued to Advisors	49,465	98,930
Total share-based payments expenses	186,157	572,643
<u>Administrative expense includes</u>		
Employee benefits expense ⁽¹⁾	1,107,569	554,914
Advisory and audit fees	464,908	199,769
Other expenses	818,057	358,317
Total administrative expense	2,390,534	1,113,000
<u>Unrealised foreign exchange loss/(gain) ⁽²⁾</u>	7,198	7,810

1 Included within the segment activities is a portion of Directors time relating to project activities.

2 Foreign exchange gain was recognised in relation to the retranslation of British Pound, United States and Euro dollar denominated balances.

3. DIVIDENDS

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2022 (31 December 2021: Nil).

4. EXPLORATION AND EVALUATION ASSETS

	31 December 2022 \$	30 June 2022 \$
<i>UK North Sea</i>		
Opening balance	1,871,665	432,769
Exploration expenditure incurred	1,241,536	1,511,545
Foreign exchange movements	29,669	(72,649)
Closing balance	3,142,870	1,871,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

4. EXPLORATION AND EVALUATION ASSETS (continued)

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 period ended 31 December 2022.

Significant accounting judgement

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure pertaining to its UK North Sea area of interest 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.

5. TRADE AND OTHER PAYABLES

	31 December 2022 \$	30 June 2022 \$
Trade and other payables	1,061,860	784,517
Other payables	54,922	85,312
	1,116,782	869,829

Trade and other payables are normally settled within 30 days from receipt of invoice. All amounts recognised as trade and other payables, but not yet invoiced, are expected to settle within 12 months.

The carrying value of trade and other payables are assumed to be the same as their fair value, due to their short-term nature.

6. ISSUED CAPITAL

	31 December 2022 Securities	31 December 2021 Securities	31 December 2022 \$	31 December 2021 \$
Fully paid ordinary shares	2,292,682,128	1,849,772,127	23,418,809	12,893,786
Partly paid ordinary shares	5,703,550	5,703,550	57,036	57,036
			23,475,845	12,950,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

6. ISSUED CAPITAL (continued)

Movement in fully paid ordinary shares

	Date	Number of Securities	Issue price \$	\$
Balance at 1 July 2022		1,854,772,127		12,893,786
Issue of shares - placement	2-Sep-22	382,728,181	0.0275	10,525,025
Issue of shares - conversion of performance rights	30-Sep-22	30,000,000	-	-
Issue of shares – placement – Directors	2-Nov-22	18,181,820	0.0275	500,000
Share based payment - advisory fee ⁽¹⁾	2-Nov-22	7,000,000	0.0275	192,500
Share issue costs				(692,502)
Balance at 31 December 2022		1,849,772,127		23,418,809

1 *Share-based payment on the settlement of advisory fee, made at the value of the benefit, see Note 7.*

Movement in partly paid shares

There has been no movement in the partly paid shares during the half-year period.

7. SHARE BASED PAYMENTS

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

The total movement arising from share-based payment transactions recognised during the half-year were as follows:

	Note	31 December 2022 \$	31 December 2021 \$
As part of share-based payment expense:			
Performance rights issued	9(a)	186,157	572,643
		186,157	572,643

During the half-year the Group had the following share-based payments:

(a) 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.

No performance rights have been issued during the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

7. SHARE BASED PAYMENTS (continued)

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

Grant date	Expiry date	Exercise price	Balance on reverse acquisition	Expired during the period	Converted during the period	Balance at end of period	Vested at end of period
02-Sep-19 ⁽¹⁾	30-Sep-22	-	58,844,991	(58,844,991)	-	-	-
21-May-21	02-Jun-24	-	45,000,000	-	(30,000,000)	15,000,000	15,000,000
Total			103,844,991	(58,844,991)	(30,000,000)	15,000,000	15,000,000

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	Share price at grant date	Fair value per performance right	Total fair value
Grant date: 21-May-21 ⁽¹⁾						
45,000,000	-	31-Mar-22 to 31-May-22	02-Jun-24	\$0.018	\$0.018	\$810,000

- 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 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.

During the prior period, Milestone 3 was achieved on 23 June 2022. During the current period, Milestone 1 was achieved on 20 July 2022 and Milestone 4 was achieved on 11 December 2022. As three milestones have been met, all share-based payment expense has been recognised.

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	Share price at grant 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	\$0.0185	\$1,632,948

- 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;

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

7. SHARE BASED PAYMENTS (continued)

- 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.

On 30 September 2022, Milestones 3 and 4 had not been met and the rights expired.

(b) Share capital to vendors

During the period:

- On 2 November 2022, 7,000,000 shares were issued in consideration for corporate advisory services. The fair value of the shares recognised was by direct reference to the fair value of service received. This was determined by the invoices issued and amounted to \$192,500. This amount has been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as an administrative expense.

8. RELATED PARTY TRANSACTIONS

Issue of share capital

On 31 October 2022, at the Annual General Meeting shareholder approved the participation of Directors in the Company Placement. Mr Bevan Tarratt, Mr Christopher Lewis, Mr Andrew Matharu and Mr Nathan Lude were issue 4,545,455 Shares at 2.75 cents per share.

Short-term incentive payment

During the period, the Board approved a Short-Term Incentive Payments comprising \$125,000 to each Director.

The STIP was related to the work attributed in the successful approval of the Concept Select Report by NSTA and the delivery of 2P Reserves associated with the Phase 1 Resources and Reserves for P2607.

Related party services

A related party of Mr Christopher Lewis was employed by the Group during the period. Payments made during the period are £16,231 (AU\$ 28,459) and an amount outstanding at period end was £4,775 (AU\$ 8,479).

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. There have been no changes other than those noted above to related party transactions since the last annual reporting date, 30 June 2022.

9. COMMITMENTS

There have been no changes to commitments since the last annual reporting date, 30 June 2022.

(a) Capital 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.

9. COMMITMENTS (continued)

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.

Hartshead has received legal advice that its obligations to make the fund contributions (refer Note 10) 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 Madagascar 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 (30 June 2022: US\$2.5 million).

10. CONTINGENCIES

There have been no material changes to the contingencies disclosed at 30 June 2022, there are no other contingent assets or liabilities as at 31 December 2022.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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 31 December 2022 and 30 June 2022 on a recurring basis:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 31 December 2022				
Financial assets at FVOCI – Equity securities	-	215,198	-	215,198
As at 30 June 2022				
Financial assets at FVOCI – Equity securities	18,430	215,079	-	215,079

There were no transfers between levels during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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 31 December 2022, being the last traded price prior to half-year end.

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 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide a full understanding of financial performance, financial position and financing and investing activities of the consolidated entity as full year financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Hartshead Resources NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 \$2,706,090 and had a net loss of \$3,043,508.

As at 31 December 2022, Pura Vida Mauritius (a subsidiary of the Company) had commitments with an estimated value of \$3.67 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, and the company is continuing its discussions with OMNIS regarding the 2nd special two (2) year extension of the PSC.

Hartshead is currently in a dispute with the Gabonese Government with regards to the Nkembe PSC, (refer to Note 9 and 10 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 believes there are sufficient funds to meet the consolidated entity's working capital requirements at the date of this report for the following reasons:

- At 31 December 2022, the consolidated entity had \$8.9 million of cash and a current working capital position of \$8.2 million;
- the Group is progressing realisation of the value of the consolidated entity's Seaward Production License P2607 in the Southern North Sea; and
- the Group has claimed force majeure in relation to the Nkembe PSC since 1 April 2018 (refer note 9 and 10 for details) and continues to consider its options to resolve the Gabonese dispute.

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. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

13. EVENTS OCCURRING AFTER REPORTING DATE

On 17 January 2023, the Company announced the expiry of 20 million share options (without exercise) with an expiry date of 31 December 2022. The Company has no further share options in issue.

On 3 February 2023, Hartshead advised that 1 billion ordinary shares were being released from voluntary escrow following the end of the restriction period on the shares. The shares comprised of the original Hartshead Resources Limited vendor shareholders stock which was escrowed following the acquisition of Hartshead Resources Limited by Ansila Energy NL in February 2021.

On 6 February 2023, the Company announced that HRL had been approved as Sub-Area operator to License P2607 by the UK NSTA. As Field Operator Hartshead will select and appoint a competent company as Well Operator and as the Phase I field development continues into the production phase and select and appoint competent companies to act as Installation Operator and Pipeline Operator, whilst Hartshead retains the overall responsibility as Licensee and Field Operator.

Throughout February and March 2023, Hartshead made several appointments aimed at strengthening the operational capability of the Company were announced. On 15 February 2023, the appointments of Dave Fowler as Contracts & Procurements Manager and Denis Danchenko as Geophysicist were announced and on 26 February 2023 Anne-Michele Vignaroli's appointment as Chief Operating Officer was announced. On 7 March 2023, Simon Haworth's appointment as the Subsurface Team Lead and Geologist was announced.

On 20 February 2023, a contract award for the platform location and inter-field pipeline seabed geophysical survey to GEOxyz UK Limited was announced with an expected mobilisation date of April 2023.

On 24 February 2023, the pre-qualification process for the Phase I development platform and jacket EPIC contract was announced with a "long list" of eight contractors identified with specific project knowledge of the UK Southern Gas Basin. The award of the platform and jacket EPIC contract is expected in Q3 2023.

In the opinion of the Directors, no other events of a material nature or transaction, has arisen since period 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.

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 31 December 2022 and its performance for the half-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.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Bevan Tarratt

Non-Executive Chairman

Perth, Western Australia

15 March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hartshead Resources NL

Report on the Half-Year Financial Report

Qualified conclusion

We have reviewed the half-year financial report of Hartshead Resources NL (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, except for the possible effects of the matter described in the *Basis for qualified conclusion* section, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for qualified conclusion

As disclosed in Note 9 and Note 10 to the financial statements, there is a dispute over the commencement date of Hartshead Resources 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 31 December 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 31 December 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 2022 was also modified with respect to this matter.

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We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty related to going concern

We draw attention to Note 12 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 assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink. The signature starts with the letters 'BDO' in a stylized, blocky font. Below this, there is a cursive signature that appears to read 'Ashleigh Woodley'. The signature is written over a faint, larger 'BDO' watermark.

Ashleigh Woodley
Director

Perth

15th March 2023

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