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**ANSILA ENERGY NL**

ACN 150 624 169

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**NOTICE OF ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held at Level 1, 89 St Georges Terrace, Perth, Western Australia on Friday, 29 January 2021 at 4:00pm (WST).

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*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company Secretary on +61 8 9226 2011.***

# ANSILA ENERGY NL

ACN 150 624 169

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Ansila Energy NL (**Company**) will be held at Level 1, 89 St Georges Terrace, Perth, Western Australia on Friday, 29 January 2021 at 4:00 pm (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Wednesday, 27 January 2021 at 4.00 pm (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Section 14.

## AGENDA

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### Annual Report

To table and consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2020, which includes the Financial Report, the Directors' Report and the Auditor's Report.

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### 1. Resolution 1 – Adoption of Remuneration Report

To consider, and if thought fit, to pass with or without amendment, the following resolution as a non-binding resolution:

*"That, for the purposes of section 250R of the Corporations Act and for all other purposes, the Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."*

#### Voting Exclusion

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on this Resolution if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (c) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on this Resolution; or

- (d) the person is the Chair voting an undirected proxy which expressly authorises the Chair to exercise the proxy even if this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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## **2. Resolution 2 – Re-election of Mr Nathan Lude as a Director**

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That Mr Nathan Lude, who retires in accordance with Rule 7.3(a) of the Constitution, and being eligible and offering himself for re-election, is re-elected as a Director."*

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## **3. Resolution 3 – Approval of 10% Placement Facility**

To consider, and if thought fit, to pass with or without amendment, the following resolution as a special resolution:

*"That the Company have the additional capacity to issue Equity Securities provided for in Listing Rule 7.1A."*

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## **4. Resolution 4 – Renewal of Proportional Takeover Provisions in Constitution**

To consider, and if thought fit, to pass with or without amendment, the following resolution as a special resolution:

*"That, for the purposes of Rule 4.14 of the Constitution and section 648G of the Corporations Act, and for all other purposes, the Company renew the proportional takeover provisions contained in Rule 4.13 of the Constitution with effect from the date of this Resolution for a period of three years."*

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## **5. Resolution 5 – Amendment to Constitution**

To consider, and if thought fit, to pass with or without amendment, the following resolution as a special resolution:

*"That, for the purposes of section 136(2) of the Corporations Act, the Constitution of the Company be modified by making the amendment contained in the document tabled at the Meeting and signed by the Chair for the purposes of identification, with effect from the passing of this Resolution."*

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## **6. Resolution 6 – Adoption of Ansila Employee Securities Incentive Plan**

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.2 Exception 13(b), as an exception to Listing Rule 7.1, and for all other purposes, approval is given for the establishment of the "Ansila Employee Securities Incentive Plan" and the issue of up to a maximum of 180,500,000 securities under that plan on the terms and conditions set out in the Explanatory Memorandum."*

#### Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is eligible to participate in the Ansila Employee Securities Incentive Plan and their nominees or any associates of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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## 7. Resolution 7 – Approval to issue Consideration Shares to the Non-Related Party Vendors

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the issue of 658,072,273 Shares (**Non-Related Party Consideration Shares**) to the Non-Related Party Vendors (or their nominees) as part of the consideration for the Acquisition on the terms and conditions set out in the Explanatory Memorandum."*

#### Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Non-Related Party Vendors and their nominees and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder) or any associates of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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## 8. Resolution 8 – Approval to issue Consideration Shares to Mr Christopher Lewis and related parties

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rules 10.1 and 10.11, section 208 of the Corporations Act, and for all other purposes, Shareholders approve and authorize:*

- (a) *the acquisition of HRL Shares from Mr Christopher Lewis and relatives of Mr Christopher Lewis; and*
- (b) *the issue of 225,447,779 Shares to Mr Christopher Lewis and relatives of Mr Christopher Lewis,*

*on the terms and conditions set out in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Mr Christopher Lewis and his relatives and their nominees and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder) or any associates of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**BDO has prepared an Independent Expert's Report on the proposed Acquisition for the purposes of Shareholder approval pursuant to Listing Rule 10.1 and has concluded that the proposal is not fair but reasonable to Shareholders whose votes are not to be disregarded on Resolutions 8 and 9. Shareholders should carefully consider the Independent Expert's Report, a copy of which is contained in Schedule 3.**

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## 9. Resolution 9 – Approval to issue Consideration Shares to Dr Andrew Matharu

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rules 10.1 and 10.11, section 208 of the Corporations Act, and for all other purposes, Shareholders approve and authorize:*

- (a) *the acquisition of HRL Shares from Dr Andrew Matharu; and*
- (b) *the issue of 116,479,948 Shares to Dr Andrew Matharu,*

*on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Dr Andrew Matharu and his nominees and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder) or any associates of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**BDO has prepared an Independent Expert's Report on the proposed Acquisition for the purposes of Shareholder approval pursuant to Listing Rule 10.1 and has concluded that the proposal is not fair but reasonable to Shareholders whose votes are not to be disregarded on Resolutions 8 and 9. Shareholders should carefully consider the Independent Expert's Report, a copy of which is contained in Schedule 3.**

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## **10. Resolution 10 – Approval to issue Placement Shares**

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the issue of up to 280,000,000 Shares each at an issue price of \$0.025 (**Placement Shares**) to the Placement Participants on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Placement Participants and their nominees and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder) or any associates of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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## 11. Resolution 11 – Approval to issue Adviser Shares

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the issue of 20,000,000 Shares (**Adviser Shares**) each at an issue price of \$0.00001 to CPS Capital (or its nominees) on the terms and conditions set out in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of CPS Capital and its nominees and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder) or any associates of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Dated 23 December 2020

### BY ORDER OF THE BOARD



Mr Nathan Lude  
Executive Director

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## **EXPLANATORY MEMORANDUM**

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**BDO has prepared an Independent Expert's Report on the proposed Acquisition for the purposes of Shareholder approval pursuant to Listing Rule 10.1 and has concluded that the proposal is not fair but reasonable to Shareholders whose votes are not to be disregarded on Resolutions 8 and 9. Shareholders should carefully consider the Independent Expert's Report, a copy of which is contained in Schedule 3.**

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### **1. Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 1, 89 St Georges Terrace, Perth, Western Australia on Friday, 29 January 2021 at 4:00 pm (WST).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

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### **2. Action to be taken by Shareholders**

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

#### **2.1 Proxies**

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.



## 2.2 Voting Prohibition by Proxy Holders

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote on the basis of that appointment on Resolution 1 if:

- (a) the person is either:
  - (i) a member of the Key Management Personnel of the Company; or
  - (ii) a Closely Related Party of such a member, and
- (b) the appointment does not specify the way the proxy is to vote on the Resolution.

However, the prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair of the Meeting to exercise the proxy even if Resolution 1 is connected directly or indirectly with remuneration of a member of the Key Management Personnel of the Company.

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## 3. Annual Report

Shareholders will be offered the opportunity to discuss the Annual Report at the Meeting. Copies of the report can be found on the Company's website [www.ansilaenergy.com.au](http://www.ansilaenergy.com.au) or by contacting the Company on (08) 9226 2011.

There is no requirement for Shareholders to approve the Annual Report.

Shareholders will be offered the following opportunities:

- (a) discuss the Annual Report;
- (b) ask questions about, or make comment on, the management of the Company;
- (c) ask questions about, or make comment on, the Remuneration Report;
- (d) ask the auditor questions about:
  - (i) the conduct of the audit;
  - (ii) the preparation and content of the Auditor's Report;
  - (iii) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
  - (iv) the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

- (e) the content of the Auditor's Report; and
- (f) the conduct of the audit of the Financial Report,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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## 4. Resolution 1 – Adoption of Remuneration Report

Section 250R(2) of the Corporations Act provides that the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive and non-executive directors.

Section 250R(3) of the Corporations Act provides that this Resolution is advisory only and does not bind the Directors of the Company. Of itself, a failure of Shareholders to pass this Resolution will not require the Directors to alter any of the arrangements in the Remuneration Report.

However, under sections 250U and 250Y of the Corporations Act, Shareholders have the opportunity to remove the Board if the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

At the Company's last annual general meeting, the Remuneration Report was approved by over 75% of Shareholders present and voting. In summary, if the Remuneration Report receives a 'no' vote of 25% or more at this Meeting Shareholders should be aware that if there is a 'no' vote of 25% or more at the next annual general meeting the consequences are that all Directors (other than the Managing Director) may be up for re-election.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chair of the Meeting intends to exercise all undirected proxies in favour of Resolution 1. If the Chair of the Meeting is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention.

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## 5. Resolution 2 – Re-election of Mr Nathan Lude as a Director

Rule 7.3(a) of the Constitution provides that no Director may hold office without re-election past the third annual general meeting following that Director's appointment or 3 years, whichever is longer (except a Managing Director). A Director who retires under Rule 7.3(a) of the Constitution is eligible for re-election.

Mr Nathan Lude, being last elected at the Company's annual general meeting held 30 November 2017, retires at this Meeting and, being eligible, seeks re-election.

Resolution 2 seeks Shareholder approval for the election of Mr Nathan Lude as a Director.

Mr Lude has broad experience working in asset management, mining and the energy industry. He operates a boutique advisory firm, Advantage Management Pty Ltd and work with private and public companies, focused on enhancing business growth and development through introducing new investors and capital. Mr Lude has worked in a business development

management role for a large Canadian energy company and previously held the Managing Director position for a listed ASX mining company. Since 2007, he has been involved in asset and fund management. His business network spreads across Australia and Asia and he has strong ties with Australian broking firms and institutions, and Asian investors and institutions.

The Board (excluding Mr Lude) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 2.

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## **6. Resolution 3 – Approval of 10% Placement Facility**

### **6.1 General**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25% (**10% Placement Facility**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. The Company is an eligible entity for these purposes. Based on the closing price of the Company's Shares on ASX on 3 September 2020 of \$0.036 (being the last available market price of Shares on ASX prior to the date of this Notice before the Company was suspended from trading), the Company's market capitalisation is approximately \$18 million.

Resolution 3 seeks shareholder approval by way of special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without shareholder approval.

If Resolution 3 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further shareholder approval.

If Resolution 3 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 6.2(c) below).

The Company intends to proceed with the Acquisition and continue to pursue and assess other potential acquisitions and business opportunities which are consistent with the Company's stated strategy and history of exploiting exploration, appraisal and development stage oil and gas assets. The Company may use the 10% Placement Facility for these purposes and for general working capital.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Directors believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 3.

## 6.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has one class of quoted Equity Securities, being the Shares (ASX Code: ANA).

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may, during the period of approval, issue or agree to issue, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue at the commencement of the relevant period:

- plus the number of Shares issued in the relevant period under an exception in Listing Rule 7.2 other than exception 9, 16 or 17;
- plus the number of Shares issued in the relevant period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where the convertible securities were issued/agreed to be issued before the commencement of the relevant period; or the issues/agreement to issue the convertible securities was approved or taken under the Listing Rules to have been approved under Listing Rules 7.1 or 7.4;
- plus the number of Shares issued in the relevant period under an agreement to issue securities within Listing Rule 7.2 exception 16 where the agreement was entered into before the commencement of the relevant period; or the agreement was approved or taken under the Listing Rules to have been approved under Listing Rules 7.1 or 7.4;
- plus the number of any other Shares issued in the relevant period with approval of holders of Shares under Listing Rule 7.1 or 7.4
- plus the number of partly paid shares that became fully paid in the relevant period;
- less the number of Shares cancelled in the relevant period.

Where the **relevant period** means the 12 month period preceding the date of the issue/agreement to issue the Equity Securities.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the relevant period where the issue or agreement has not been subsequently approved by Shareholders under Listing Rule 7.4.

### 6.3 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) Period for which 10% Placement Facility will be valid

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A will be valid from the date of the Meeting and will expire on the earlier to occur of:

- (i) the date that is 12 months after the date of the Meeting;
- (ii) the time and date of the Company's next annual general meeting; or
- (iii) the time and date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

**(10% Placement Period).**

(b) Minimum price

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in subparagraph (i) above, the date on which the Equity Securities are issued.

(c) Purpose of funds raised

The Company may only seek to issue the Equity Securities under the 10% Placement Facility for cash consideration. The Company intends to use the funds raised towards expanding or accelerating the Company's existing business activities including to fund expenses for its activities on its existing and new assets and for general working capital.

(d) Risk of economic and voting dilution

If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:

- (i) the market price for the Company's Equity Securities in that class may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (iii) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (iv) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

| Variable 'A' in Listing Rule 7.1A2                                      |                           | Potential Dilution                        |                        |                                            |
|-------------------------------------------------------------------------|---------------------------|-------------------------------------------|------------------------|--------------------------------------------|
|                                                                         |                           | \$0.018<br>50% decrease in<br>Issue Price | \$0.036<br>Issue Price | \$0.072<br>100% increase in<br>Issue Price |
| Current<br>Variable A<br>508,772,127<br>Shares                          | 10%<br>voting<br>dilution | 50,887,213                                | 50,887,213             | 50,887,213                                 |
|                                                                         | Funds<br>raised           | \$915,790                                 | \$1,831,580            | \$2,747,369                                |
| 50% increase<br>in current<br>Variable A<br>763,158,189<br>Shares       | 10%<br>voting<br>dilution | 76,315,819                                | 76,315,819             | 76,315,819                                 |
|                                                                         | Funds<br>raised           | \$1,373,685                               | \$2,747,369            | \$4,121,054                                |
| 100%<br>increase in<br>current<br>Variable A<br>1,017,544,252<br>Shares | 10%<br>voting<br>dilution | 101,754,425                               | 101,754,425            | 101,754,425                                |
|                                                                         | Funds<br>raised           | \$1,831,580                               | \$3,663,159            | \$5,494,739                                |

The table has been prepared on the following assumptions:

- (v) The Company issues/agrees to issue the maximum number of Equity Securities available under the 10% Placement Facility.

- (vi) The issue/agreement to issue Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes listed Options, it is assumed that those listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) No Options are exercised, no Performance Rights are converted into Shares and no partly-paid Shares become fully paid up before the date of the issue/agreement to issue the Equity Securities.
- (viii) At the date of this Notice, there are currently 508,772,127 Shares on issue. The effects of the Acquisition (including the Placement) is not shown in the table.
- (ix) The current market price is \$0.036 being the closing price of Shares on ASX on 3 September 2020 (being the last available market price of Shares on ASX before the Company was suspended from trading).

Also note that in the table:

- (x) The 10% voting dilution reflects the aggregate percentage dilution against the issued Share capital at the time of issue/agreement to issue. This is why the voting dilution is shown in each example as 10%.
- (xi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (xii) The table shows only the effect of issues/agreements to issue Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

(e) Allocation Policy

The Company's allocation policy for issues of Equity Securities under the 10% Placement Facility is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the recipients of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the purpose of the issue;
- (ii) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the financial situation and solvency of the Company; and
- (v) advice from corporate, financial and broking advisers (if applicable).

The recipients of Equity Securities issued under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

- (f) Previous issues under the 10% Placement Facility

In the 12 months preceding the date of the Meeting, the Company has not issued or agreed to issue any Equity Securities under the 10% Placement Facility.

- (g) Voting exclusion

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities under the 10% Placement Facility. No existing Shareholder's votes will therefore be excluded.

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## **7. Resolution 4 – Renewal of Proportional Takeover Provisions in Constitution**

### **7.1 General**

Rule 4.13 of the Constitution contains provisions dealing with proportional takeover bids for the Company's securities in accordance with the Corporations Act.

A proportional takeover bid is a takeover bid where the offer made to each Shareholder is only for a proportion of that Shareholder's securities.

The Corporations Act permits a company's constitution to include provisions that enable it to refuse to register the transfer of securities acquired under a proportional takeover bid, unless shareholders approve the takeover bid. The provisions are designed to assist Shareholders to receive proper value for their securities if a proportional takeover bid is made for the Company. Under the Corporations Act and Rule 4.14 of the Constitution, the provisions must be renewed every three years or they will cease to have effect.

Rule 4.13 of the Constitution was last approved by Shareholders at the Company's 2017 AGM on 30 November 2017, but that approval ceased to have effect on 30 November 2020.

If Resolution 4 is approved by Shareholders, the proportional takeover provisions will be in exactly the same terms as the existing proportional takeover provisions and will have effect until the date which is 3 years from the Meeting.

The Directors consider it is in the interests of Shareholders to continue to have proportional takeover provisions in the Constitution and, accordingly, Shareholders are requested to approve the renewal of the proportional takeover provisions contained in Rule 4.13 of the Constitution with effect from the date of this Meeting for a further period of three years.

### **7.2 Information required by section 648G of the Corporations Act**

For the purposes of section 648G of the Corporations Act, information regarding the proportional takeover bid provisions is provided as follows:

- (a) Proportional takeover bid

A proportional takeover bid is a takeover bid where the offer made to each Shareholder is only for a proportion of that Shareholder's securities (i.e. less than 100%).

- (b) Effect of proportional takeover bid provisions



If a proportional takeover bid is made, the Directors must ensure that a general meeting to approve the takeover bid is held more than 14 days before the last day of the bid period, at which Shareholders will consider a resolution to approve the takeover bid. Each Shareholder will have one vote for each fully paid Share held, with the vote to be decided on a simple majority. The bidder and its associates are not allowed to vote.

(c) Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are then potentially exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. The proportional takeover provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

(d) Knowledge of any acquisition proposals

As at the date of this Notice, no Director is aware of any proposal to acquire or to increase the extent of a substantial interest in the Company other than the Acquisition and the Acquisition has not influenced the decision of the Board to propose Resolution 4.

(e) Potential advantages and disadvantages

The Directors consider that during the period in which the proportional takeover provisions have been in effect, the proportional takeover provisions have had no potential particular advantages or disadvantages for them or for Shareholders. During the time that the existing proportional takeover provisions have been in effect, there have been no takeover bids for the Company. The Directors are not aware of any potential bid that was discouraged by Rule 4.13 of the Constitution.

The Directors consider that the proportional takeover approval provisions proposed to be renewed have no potential advantages for the Directors, but do have some for Shareholders including:

- (i) Shareholders will be given the right to decide by majority vote whether to accept a proportional takeover bid;
- (ii) the provisions may help Shareholders avoid being locked in as a minority and may prevent a bidder acquiring control of the Company without paying an adequate control premium;
- (iii) the provisions may increase Shareholders' bargaining power and may help ensure that any proportional takeover bid is adequately priced; and
- (iv) knowing the view of the majority of Shareholders may help each individual Shareholder to decide whether to accept or reject the proportional offer.

The Directors consider that the proportional takeover approval provisions proposed to be renewed have no potential disadvantages for the Directors, but do have some for Shareholders including:

- (v) they may discourage proportional takeover bids being made for Shares in the Company;
- (vi) Shareholders may lose an opportunity to sell some of their Shares at a premium; and
- (vii) the likelihood of a proportional takeover succeeding may be reduced.

The Directors do not believe the potential disadvantages outweigh the potential advantages of renewing the proportional takeover provisions and as a result consider that the renewal of the proportional takeover provision is in the interest of Shareholders. The Directors consider that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The Board unanimously recommends the renewal of the proportional takeover provisions in the Constitution.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

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## **8. Resolution 5 – Amendment to Constitution**

### **8.1 General**

The Company is currently governed by its Constitution.

Under section 136(2) of the Corporations Act, a company can modify its constitution, or a provision of its constitution, by special resolution. Accordingly, the Company seeks Shareholder approval to amend its Constitution by a special resolution of Shareholders as set out below.

A copy of the amended Constitution will be tabled at the Meeting and sent to Shareholders on request and will also be available for inspection at the registered office of the Company during normal business hours prior to the Meeting.

Changes to the Listing Rules that commenced on 1 December 2019 require an ASX-listed entity's constitution to contain certain provisions regarding Restricted Securities (as that term is defined in the Listing Rules) if the entity has any Restricted Securities on issue. Although the Company does not presently have any Restricted Securities on issue and does not have any present intentions to undertake a transaction which would result in the issue of Restricted Securities, the Board considers it prudent to take this opportunity to update the Constitution to ensure it complies with these new requirements for Restricted Securities.

With effect from 1 December 2019, the ASX has applied a two-tier escrow regime where ASX will require certain more significant holders of Restricted Securities and their controllers to execute a formal restriction deed in the form of Appendix 9A of the Listing Rules, as was previously the case. However, for less significant holders of Restricted Securities, ASX instead will permit an entity to rely on a provision in its constitution imposing appropriate escrow restrictions on holders of Restricted Securities and to simply give a restriction notice to such holders in the form set out in Appendix 9C of the Listing Rules, advising them of those restrictions.

To facilitate the operation of the ASX's new two-tier escrow regime, certain changes are required to the customary provisions of constitutions of ASX-listed entities regarding Restricted Securities.

## 8.2 Proposed amendment

Rule 2.9(b) of the Constitution currently provide as follows:

*"2.9 Restricted Securities*

- (a) The Company must comply with the Listing Rules in respect of Restricted Securities.*
- (b) Notwithstanding the generality of Rule 2.9(a):*
  - (i) Restricted Securities cannot be disposed of during the escrow period except as permitted by the Listing Rules or ASX;*
  - (ii) the Company must refuse to acknowledge an assignment or disposal (including registering a transfer) of Restricted Securities during the escrow period except as permitted by the Listing Rules or ASX; and*
  - (iii) during a breach of the Listing Rules relating to Restricted Securities or a breach of any escrow agreement, the holder of the Restricted Securities is not entitled to any dividend or distribution, or voting rights, in respect of the Restricted Securities."*

Pursuant to Resolution 5, the Company seeks Shareholder approval to delete Rule 2.9(b) of the Constitution in its entirety and replace it with the following:

*"2.9 Restricted Securities*

*The Company must comply with the Listing Rules in respect of restricted securities. Without limiting the Company's obligations to comply with the Listing Rules:*

- (a) a holder of restricted securities must not Dispose of, or agree or offer to Dispose of, the securities during the escrow period applicable to those securities except as permitted by the Listing Rules or the ASX;*
- (b) if the restricted securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the restricted securities are to be kept on the Company's issuer sponsored subregister and are to have a holding lock applied for the duration of the escrow period applicable to those securities;*
- (c) the Company will refuse to acknowledge any Disposal (including, without limitation, to register any transfer), of restricted securities during the escrow period applicable to those securities except as permitted by the Listing Rules or the ASX;*
- (d) a holder of restricted securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those securities except as permitted by the Listing Rules or the ASX; and*
- (e) if a holder of restricted securities breaches a restriction deed or a provision of this Constitution restricting a Disposal of those securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those securities for so long as the breach continues.*

*For the purposes of this Rule, "Dispose" has the meaning given to that term in the Listing Rules and Disposal has a corresponding meaning."*

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the cast of a corporate Shareholder, by a corporate representative).

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## 9. **Resolution 6 – Adoption of Ansila Employee Securities Incentive Plan**

The Company currently has a performance rights plan. However, the Company considers that it is desirable to establish a securities incentive plan pursuant to which the Company can issue Securities to eligible Directors, employees and consultants in order to attract, motivate and retain such persons and to provide them with an incentive to deliver growth and value to all Shareholders.

Accordingly, Resolution 6 seeks Shareholder approval for the adoption of the Ansila Employee Incentive Securities Plan (**Plan**) in accordance with Listing Rule 7.2 Exception 13.

Under the Plan, the Board may offer to eligible persons the opportunity to subscribe for such number of Securities in the Company as the Board may decide and on the terms set out in the rules of the Plan, a summary of which is set out in Schedule 2.

In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Listing Rule 7.2, Exception 13 provides an exception to Listing Rule 7.1 by which equity securities issued under an employee incentive scheme are exempt for a period of three years from the date on which shareholders approve the issue of equity securities under the scheme as an exception to Listing Rule 7.1.

If Resolution 6 is passed, the Company will be able to issue Securities under the Plan to eligible participants over a period of three years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

If Resolution 6 is not passed, the Company will not adopt the Plan and will not be able to issue Securities to eligible participants under the Plan.

No Securities have been issued under the current Plan as it is a new employee incentive plan and has not previously been approved by Shareholders.

The maximum number of Securities that the Company proposes to issue under the Plan following Shareholder approval of the adoption of the Plan is 180,500,000.

Prior Shareholder approval will be required under Listing Rule 10.14 before any Director or associate of a Director can participate in the Plan.

Pursuant to the Listing Rules, Shareholders must re-approve the Plan and all unissued Securities issuable pursuant thereto every three years.

A voting exclusion statement is included in the Notice.

Resolution 6 is an ordinary resolution.

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## 10. Summary of the Acquisition

### 10.1 Background

Hartshead Resources Ltd (**Hartshead**) is a UK private entity that has been provisionally awarded the HRL Licence comprising five contiguous blocks in the UK North Sea, offshore United Kingdom, which contain multiple fields with undeveloped gas resources and a number of drill ready exploration prospects. Further details on Hartshead and the HRL Licence is provided in Section 10.2.

In July 2019 the Company acquired 21.6% of Hartshead as part of a seed capital raising conducted by Hartshead to fund the HRL Licence applications.

The Company has entered into formal sale and purchase agreements (**Acquisition Agreements**) to acquire the 78.4% interest in Hartshead that it does not already own (**Acquisition**). Following completion of the Acquisition, Hartshead will become a wholly-owned subsidiary of the Company and will own 100% of the HRL Licence.

Under the terms of the Acquisition Agreement, the Company has agreed to issue 1,000,000,000 Shares to the Vendors (or their nominees) as consideration for the Acquisition.

The material terms of the Acquisition Agreement are summarised in Section 10.3.

### 10.2 Overview of Hartshead and the HRL Licence

As noted in Section 10.1 above, the Company currently holds 21.6% of Hartshead.

As announced by the Company on 7 September 2020, Hartshead has made a successful application in the UK 32nd Offshore Licencing Round which has resulted in the provisional award by the UK OGA of the HRL Licence comprising five contiguous blocks located in the Southern North Sea, offshore United Kingdom.

As further announced by the Company on 5 November 2020, the UK OGA has provided Hartshead with the terms and conditions of the award with a provisional start date of 1 December 2020. The initial term of the HRL Licence will be 5 years, followed by a second term of 2 years and a third term (intended for production) of 18 years.

The blocks contain multiple fields and undeveloped gas resources, together with a number of drill-ready exploration prospects (**Gas Pools**) that have been largely overlooked by previous block operators due to a combination of reasons including uncertain data interpretation, unclear reservoir definition and lack of access to infrastructure. The Gas Pools have a catalogue of historic well test and production data which can be used to determine remaining resources and other reservoir characteristics.

Hartshead believes that when the Gas Pools are aggregated and coupled together with a thorough interpretation of the existing subsurface dataset, there is a compelling investment case, provided that a single owner/operator can execute against a development plan carefully

designed and phased to fully exploit the resources through a single offtake route and in order to maximise economic recovery.

In support of the application for the HRL Licence, the Company has provided a guarantee to the UK OGA and undertaking to provide Hartshead with funds to carry out its obligations in respect of the HRL Licence once the HRL Licence is awarded to Hartshead, which is not conditional on completion of the Acquisition (**HRL Guarantee**).

For further information on Hartshead and the HRL Licence refer to the Company's ASX announcement regards the Acquisition.

### 10.3 Acquisition Terms

The material terms and conditions of the Acquisition Agreements are:

- (a) The Company will acquire the 78.4% of the issued capital of Hartshead that it does not already own.
- (b) The consideration for the Acquisition will be 1,000,000,000 Shares in the Company (**Consideration Shares**) to be issued to the Vendors (or their nominees) at Completion.
- (c) The Consideration Shares will be subject to voluntary escrow for a period of 12 months from Completion and will be subject to any escrow restrictions imposed by the ASX (see Section 11.3 below).
- (d) Completion of the Acquisition is conditional upon the satisfaction or waiver of various conditions precedent. The conditions include:
  - (i) the Company conducting due diligence on Hartshead, the HRL Licence and its assets and the Vendors conducting due diligence on the Company;
  - (ii) Hartshead formally being awarded the HRL Licence;
  - (iii) the Company completing the Placement;
  - (iv) the Company obtaining Shareholder approval of the Acquisition;
  - (v) Hartshead obtaining any necessary consents or waivers from third parties that may be required as a result of the change in control of Hartshead resulting from the Acquisition;
  - (vi) Hartshead obtaining any necessary regulatory approvals in the UK from the UK OGA or under UK law that may be required as a result of the change in control of Hartshead resulting from the Acquisition; and
  - (vii) the parties obtaining any necessary regulatory approvals on terms acceptable to the parties as are required to give effect to the Acquisition.
- (e) Mr Christopher Lewis and Dr Andrew Matharu, who are the founders of Hartshead, will give comprehensive commercial warranties in relation to Hartshead and its assets, including the HRL Licence, as are usual for a transaction of this nature. Each of the other Vendors will give limited warranties as to title to their Hartshead shares and capacity.

- (f) The Acquisition Agreements contain standard limits of liability as are usual for a transaction of this nature.

## 10.4 Effect of the Acquisition on the Company

- (a) Indicative Capital Structure

The capital structure of the Company following completion of the Acquisition and the Placement is expected to be as follows:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Shares               | Partly paid Shares     | Options                 | Performance Rights      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------|-------------------------|-------------------------|
| Current                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 508,772,127          | 5,703,550 <sup>1</sup> | 20,000,000 <sup>2</sup> | 64,844,991 <sup>3</sup> |
| Consideration                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1,000,000,000        |                        |                         |                         |
| Placement                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 280,000,000          |                        |                         |                         |
| Advisory Fee                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 20,000,000           |                        |                         |                         |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>1,808,772,127</b> | <b>5,703,550</b>       | <b>20,000,000</b>       | <b>64,844,991</b>       |
| Notes: <ol style="list-style-type: none"> <li>Each with an issue price of \$0.20 of which \$0.01 is paid with the balance payable at the election of the holder at any time.</li> <li>Each exercisable at \$0.04 on or before 31 December 2022.</li> <li>Of which 6,000,000 have vested due to the relevant milestone being achieved and 58,844,911 remain unvested. The Company has received a notice of exercise in relation to 1,000,000 performance rights.</li> </ol> |                      |                        |                         |                         |

(b) Dilution on existing Shareholders

The dilution of the Acquisition on existing Shareholders is shown below.

|                                                                                                                                                                                                                                   | Shares                     | % of the Company<br>post Completion |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------|
| Existing Shareholders                                                                                                                                                                                                             | 508,772,127                | 28.13%                              |
| Placement participants                                                                                                                                                                                                            | 280,000,000                | 15.48%                              |
| CPS Capital (advisory fee)                                                                                                                                                                                                        | 20,000,000                 | 1.1%                                |
| Vendors                                                                                                                                                                                                                           | 1,000,000,000 <sup>1</sup> | 55.29%                              |
| <b>Total post Completion of<br/>the Acquisition</b>                                                                                                                                                                               | <b>1,808,772,127</b>       | <b>100%</b>                         |
| Notes:<br><br>1. Including a total of 341,927,727 Consideration Shares to be issued to the Related Party Vendors (18.9% of the Company post Completion) pursuant to Resolutions 8 and 9. Refer to Section 11 for further details. |                            |                                     |

(c) Proposed use of funds

The Company's proposed use of funds and exploration budget on the HRL Licence over a 15 month period following Completion of the Acquisition and the Placement is as follows:

| <b><u>SOURCE OF FUNDS</u></b>                                                    | <b><u>\$(AUD)</u></b> |
|----------------------------------------------------------------------------------|-----------------------|
| Cash as at 31 October 2020                                                       | 1,600,000             |
| Gross proceeds from Placement                                                    | 7,000,000             |
| <b>TOTAL</b>                                                                     | <b>8,600,000</b>      |
| <b><u>ESTIMATED APPROXIMATE USE OF FUNDS</u></b>                                 |                       |
| UK North Sea Phase I Concept Select and preliminary FDP preparation <sup>1</sup> | 2,250,000             |
| UK North Sea Phase II Subsurface <sup>1</sup>                                    | 330,000               |
| New Ventures <sup>1</sup>                                                        | 500,000               |
| Gora Energy (Poland) Costs <sup>1</sup>                                          | 450,000               |
| <b>Capex Sub-Total</b>                                                           | <b>(3,530,000)</b>    |



|                          |                  |
|--------------------------|------------------|
| Costs of the Acquisition | 250,000          |
| Costs of the Placement   | 420,000          |
| Working Capital          | 4,400,000        |
| <b>TOTAL</b>             | <b>8,600,000</b> |

<sup>1</sup> Based on an exchange rate of 1AUD: 0.55GBP.

Please note the above use of funds is indicative only.

(d) Pro Forma Statement of Financial Position

A pro forma statement of financial position on completion of the Acquisition and the Placement is set out in Schedule 1. The pro forma statement of financial position is based on the Company's audited statement of financial position as at 30 June 2020.

(e) Changes to Management

Executive Directors, Mr Christopher Lewis and Dr Andrew Matharu will be appointed as Chief Executive Officer and Chief Financial Officer of the Company, respectively, with effect from Completion of the Transaction.

Further information in relation to the credentials of the new CEO and CFO are contained in the Company's ASX announcement regards the Acquisition.

## 10.5 Advantages of the Acquisition

In addition to the rationale for the Acquisition outlined in Section 10.2, the Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Acquisition. Refer to section 13.2 of the Independent Expert's Report in Schedule 3 for further advantages of the Acquisition.

- (a) The Acquisition and the Placement (which are conditional on each other) will provide Shareholders with an uplift in value for their Shares. The Independent Expert has opined that the value of a Share following the Acquisition and Placement is greater than the value of a Share prior to the Acquisition (using a primary sum-of parts methodology and a secondary market-price methodology).
- (b) The Acquisition will provide Shareholders with greater exposure to the potential upside from Hartshead and the HRL Licence and the Company will be able to increase its value if it is able to progress the assets in the HRL Licence to the stage of Field Development Plan (**FDP**) and then into development.
- (c) The Acquisition will result in the Company owning 100% of Hartshead which may improve the attractiveness of the Company and therefore could improve the likelihood of a potential takeover offer in the future.
- (d) The Acquisition will result in a larger market capitalisation and enhanced Shareholder base and may encourage new investors in the Company because the Company is pursuing a new strategic growth focused direction. This improvement in the attractiveness of an investment in the Company may lead to an increased liquidity of

Shares and greater trading depth than currently experienced by Shareholders. This may improve the Company's ability to raise funds and attract personnel expertise.

- (e) The Company will have access to approximately \$7 million in funding from the Placement (refer to Section 10.7 below) in connection with the Acquisition, which can be utilised to fund activities on the HRL licence and for general working capital. Should the Acquisition not proceed, the Company will forego access to this cash and may need to consider alternative capital raisings which could be less advantageous to the Company and/or more dilutive to Shareholders.
- (f) Shareholders may be exposed to further debt, equity and vendor financing opportunities that would not be available to the Company prior to the Acquisition.

## 10.6 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Acquisition. Refer to section 13.3 of the Independent Expert's Report in Schedule 3 for the Independent Expert's summary of potential disadvantages of the Acquisition.

- (a) Should the Acquisition be completed, the voting power of existing Shareholders will be reduced. As such, the ability of the existing Shareholders to influence decisions, including the composition of the Board or the acquisition or disposal of the Company's assets will be reduced.
- (b) Should the Acquisition be completed, existing Shareholders' interests will be diluted as a result of the issue of the Consideration Shares and completion of the Placement. As a result, despite the Company increasing its direct interest in Hartshead from 21.6% to 100%, existing Shareholders' exposure to the upside of Hartshead will reduce.

## 10.7 Capital Raising

To fund the Company's proposed activities following completion of the Acquisition (as set out in Section 0) the Company is proposing, subject to Shareholder approval and contemporaneous with completion of the Acquisition, to conduct a placement to the Placement Participants of up to 280,000,000 Shares each at an issue price of \$0.025 per Share to raise up to a total of up to \$7 million (before costs) (**Placement**). Resolution 10 seeks Shareholder approval for the issue of the Placement Shares pursuant to the Placement.

CPS Capital has agreed to act as lead manager of the Placement and will receive a fee of 6% on the total amount raised under the Placement. Subject to Shareholder approval, the Company is proposing to issue 20,000,000 Shares each at an issue price of \$0.00001 to CPS Capital as a corporate advisory fee. The Adviser Shares will be subject to 12 months voluntary escrow. Resolution 11 seeks Shareholder approval for the issue of the Adviser Shares.

## 10.8 Indicative Timetable for the Acquisition

An indicative timetable for the Acquisition is set out in the table below.

|                                            |                  |
|--------------------------------------------|------------------|
| Announcement released on ASX               | 14 December 2020 |
| Despatch Notice of Meeting to Shareholders | 24 December 2020 |
| Shareholder Meeting                        | 29 January 2021  |

|                                              |                 |
|----------------------------------------------|-----------------|
| Completion of Placement                      | 1 February 2021 |
| Completion of Acquisition                    | 1 February 2021 |
| Trading of Shares in the Company recommences | 2 February 2021 |

\* This timetable is indicative only and may be subject to change. Completion is subject to satisfaction of all of the conditions precedent of the Acquisition Agreements (see Section 10.3(c) for further details).

## 10.9 Independent Expert's Report

The Board has appointed BDO as an independent expert and commissioned it to prepare the Independent Expert's Report for the purposes of Shareholder approval pursuant to Listing Rule 10.1 to provide an opinion as to whether or not the proposed Acquisition is fair and reasonable to Shareholders whose votes are not to be disregarded on Resolutions 8 and 9.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This requires taking into account the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

**BDO has concluded that the proposed Acquisition for the purposes of Shareholder approval pursuant to Listing Rule 10.1 is not fair but reasonable to Shareholders whose votes are not to be disregarded on Resolutions 8 and 9.**

Following correspondence with ASIC on the initial approach by the Independent Expert, the Independent Expert's analysis and opinion changed from the Acquisition for the purposes of Listing Rule 10.1 being fair and reasonable to being not fair but reasonable. The Independent Expert's preferred approach to assessing fairness had been to compare the value of a Share prior to the Acquisition with the value of a Share following the broader transaction comprising both the Acquisition and Placement (noting the Acquisition and the Placement are conditional upon each other). Following correspondence with ASIC, the assessment of fairness in the Independent Expert's Report is based on the Acquisition in isolation (without the effects of the Placement).

Accordingly the Independent Expert has concluded the Acquisition for the purposes of Listing Rule 10.1 is:

- not fair because the value of the additional interest to be acquired in Hartshead is less than the value of the Consideration Shares, which incorporate the value of the additional interest in Hartshead and the cash raised in the Placement, to be issued to the Related Party Vendors; but
- reasonable in particular because the value of a Share following the Acquisition and Placement is greater than the value of a Share prior to the Acquisition and Placement (see section 3.4 of the Independent Expert's Report for further information).

A copy of the Independent Expert's Report is included in Schedule 3. The Company strongly recommends that Shareholders read the Independent Expert's Report in full to understand the scope, methodology of valuation and sources of information and assumptions made by the Independent Expert.

## **10.10 Directors' Recommendations**

The Directors (other than Mr Lewis and Dr Matharu) unanimously recommend that Shareholders vote in favour of the Acquisition Resolutions.

In making their recommendation, the Directors have considered:

- (a) the advantages and disadvantages of the Acquisition Resolutions as summarised in Sections 10.5 and 10.6 and believe that the potential advantages outweigh the potential disadvantages; and
- (b) the opinion of the Independent Expert that Resolutions 8 and 9 are not fair but reasonable to Shareholders whose votes are not to be disregarded on Resolutions 8 and 9 (refer to Section 10.9 for further details).

In considering their recommendation, the Directors believe Shareholders should be aware that Mr Christopher Lewis and Dr Andrew Matharu are directors and shareholders of Hartshead and will receive Consideration Shares as consideration for their HRL Shares on completion of the Acquisition and accordingly have an interest in the Acquisition Resolutions. Mr Lewis and Dr Matharu have advised that their interest in the Acquisition is a material personal interest for each of them and they did not vote on any resolutions relating to the Acquisition at the Board meeting to consider the Acquisition. The Company is seeking Shareholder approval to issue these Shares pursuant to Resolutions 8 and 9. See Section 11 for further details of their shareholdings in Hartshead and the proposed Shares that they will receive as consideration pursuant to the Acquisition.

## **10.11 Plans for Hartshead if the Acquisition is not approved**

If Shareholders do not approve the Acquisition, and consequently the Company does not proceed with the Acquisition, then the Company will continue to hold its existing 21.6% interest in Hartshead and the Board of Hartshead will consider how to fund the business of Hartshead going forward.

## **10.12 General**

As detailed in Section 10.3(b) above, the Company has agreed, subject to Shareholder approval, to issue the Consideration Shares to the Vendors as consideration for the Acquisition.

Resolution 7 seeks Shareholder approval under and for the purposes of Listing Rule 7.1 to issue the Non-Related Party Consideration Shares to the Non-Related Party Vendors (or their nominees) as part of the consideration for the Acquisition.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The issue of the Non-Related Party Consideration Shares does not fall within any of the exceptions to Listing Rule 7.1 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires Shareholder approval under Listing Rule 7.1.

Resolution 7 seeks the required Shareholder approval to the issue of the Non-Related Party Consideration Shares under and for the purposes of Listing Rule 7.1.

If Resolution 7 is passed, the Company will be able to proceed with the issue of the Non-Related Party Consideration Shares as part of the consideration for the Acquisition. In addition the issue of the Non-Related Party Consideration Shares will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 7 is not passed, the Company will not be able to proceed with the Acquisition (but will continue to hold its 21.6% interest in Hartshead and be bound by its obligations under the HRL Guarantee) and will pursue and assess other potential acquisitions and business opportunities which are consistent with the Company's stated strategy and history of exploiting exploration, appraisal and development stage oil and gas assets.

However even if Shareholder approval of the Acquisition Resolutions is obtained, there is no certainty that the Acquisition will proceed, as the Acquisition Agreements are subject to other conditions precedent which are summarised in Section 10.3(c).

Resolution 7 is an ordinary resolution and is subject to the passing of each of the other Acquisition Resolutions.

### **10.13 Information required by Listing Rule 7.3**

The following information is provided for the purposes of Listing Rule 7.3:

- (a) The Non-Related Party Consideration Shares will be issued to the Non-Related Party Vendors (or their nominees) who are current shareholders of Hartshead, none of whom are a related party of the Company. The issue of Shares to the remaining HRL Shareholders (being the Related Party Vendors) is subject to approval of Resolutions 8 and 9. See Section 11 below.
- (b) The maximum number of Shares the Company may issue under Resolution 7 is 658,072,273 Shares.
- (c) The Non-Related Party Consideration Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue and will be subject to 12 months voluntary escrow.
- (d) The Non-Related Party Consideration Shares may be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
- (e) The Non-Related Party Consideration Shares will be issued to the Non-Related Party Vendors as part of the consideration for the Acquisition. Accordingly, no funds will be raised from the issue of the Consideration Shares.
- (f) The material terms of the Acquisition Agreements are set out in Section 10.3.
- (g) A voting exclusion statement is included in the Notice.

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## **11. Resolutions 8 and 9 – Approval to issue Consideration Shares to Related Party Vendors**

### **11.1 General**

Resolutions 8 and 9 seek Shareholder approval under:

- (a) Listing Rule 10.1 for the acquisition of HRL Shares from the Related Party Vendors; and
- (b) Listing Rule 10.11 for the issue of 341,927,727 Shares in aggregate (**Related Party Shares**) to the Related Party Vendors; and
- (c) under section 208 of the Corporations Act because the Related Party Vendors are related parties of the Company by virtue of being Directors or relatives of a Director and the Shares that they will receive as consideration for their HRL Shares is a financial benefit.

The Related Party Vendors are related parties of the Company for the purposes of Listing Rules 10.1 and 10.11 by virtue of being Directors (and relatives of a Director).

Resolutions 8 and 9 are ordinary resolutions and are subject to the approval of each of the other Acquisition Resolutions.

## 11.2 Listing Rule 10.1

Listing Rule 10.1 provides that unless one of the exceptions in Listing Rule 10.3 applies, a listed company must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of or agree to dispose of a substantial asset to:

- (a) a related party;
- (b) a child entity;
- (c) a person who is, or was at any time in the 6 months before the transaction (or agreement to transact), a substantial (10%+) holder in the company;
- (d) an associate of a person referred to in paragraphs (a) to (c) above; or
- (e) a person whose relationship with the company or a person referred to in paragraphs (a) to (d) above is such that, in ASX's opinion, the issue or agreement should be approved by shareholders,

unless it obtains the approval of its shareholders.

Listing Rule 10.2 provides that an asset is substantial if the value of the asset, or the value of the consideration paid for it is (or in the ASX's opinion is) 5% or more of the Company's equity interest as set out in the latest accounts lodged with ASX.

The Related Party Vendors hold a combined total of 26.8% of Hartshead as follows:

- (a) Mr Christopher Lewis (and his relatives) – 17.7%; and
- (b) Dr Andrew Matharu – 9.1%.

The acquisition of HRL Shares from the Related Party Vendors falls within Listing Rule 10.1.1 and involves the acquisition of a substantial asset. The Acquisition therefore requires Shareholder approval under Listing Rule 10.1.

## 11.3 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- (a) a related party;
- (b) a person who is, or was at any time in the six months prior to the issue or agreement, a substantial (30%+) holder in the company;
- (c) a person who is, or was at any time in the six months prior to the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them the right or expectation to do so;
- (d) an associate of a person referred to in paragraphs (a) to (c) above; or
- (e) a person whose relationship with the company or a person referred to in paragraphs (a) to (d) above is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of the Related Party Consideration Shares to the Related Party Vendors falls within the category in Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires Shareholder approval under Listing Rule 10.11. Shareholder approval is not required for the issue of the Related Party Consideration Shares under Listing Rule 7.1 if approval is granted under Listing Rule 10.11.

If Resolutions 8 and 9 are passed, the Company will be able to proceed with the acquisition of HRL Shares from the Related Party Vendors and the issue of the Related Party Consideration Shares to the Related Party Vendors as part of the consideration for the Acquisition.

If Resolutions 8 and 9 are not passed, the Company will not be able to proceed with the Acquisition (but will continue to hold its 21.6% interest in Hartshead and be bound by its obligations under the HRL Guarantee) and will pursue and assess other potential acquisitions and business opportunities which are consistent with the Company's stated strategy and history of exploring exploration stage oil and gas assets.

However even if Shareholder approval of the Acquisition Resolutions is obtained, there is no certainty that the Acquisition will proceed, as the Acquisition Agreements are subject to other conditions precedent which are summarised in Section 10.3(c).

Resolutions 8 and 9 are ordinary resolutions and are subject to the passing of each of the other Acquisition Resolutions.

In addition, Listing Rule 10.7 requires the consideration to be issued to related parties under a transaction to which Listing Rule 10.1 applies to be subject to ASX escrow for a period of 12 months from issue. Accordingly, the Related Party Consideration Shares to be issued to the Related Party Vendors will be subject to ASX escrow for a period of 12 months from issue.

## **11.4 Chapter 2E**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within fifteen months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

As noted above, the Related Party Vendors are related parties of the Company by virtue of being Directors and relatives of a Director. The issue of Shares to the Related Party Vendors as consideration for their HRL Shares constitutes giving a financial benefit to a related party of the Company.

Shareholder approval is being sought under Section 208 of the Corporations Act for the issue of Shares to the Related Party Vendors as consideration for their HRL Shares.

## **11.5 Information required by Listing Rule 10.13 and Section 219 of the Corporations Act**

The following information is provided for the purposes of Listing Rule 10.13 and section 219 of the Corporations Act:

- (a) The Related Party Consideration Shares will be issued to the Related Party Vendors as follows:
  - (i) 225,447,779 Shares will be issued to Mr Christopher Lewis and his relatives (who are within the definition of related parties under the Corporations Act) under Resolution 8; and
  - (ii) 116,479,948 Shares will be issued to Dr Andrew Matharu under Resolution 9.
- (b) The maximum number of Shares the Company may issue under Resolutions 8 and 9 is 341,927,727 Shares.
- (c) The Related Party Consideration Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue and will be subject to 12 months escrow restrictions imposed by the ASX.
- (d) The Related Party Consideration Shares may be issued to the Related Party Vendors no later than one month after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
- (e) The Related Party Consideration Shares will be issued to the Related Party Vendors as part of the consideration for the Acquisition. Accordingly, no funds will be raised from the issue of the Related Party Consideration Shares.
- (f) The material terms of the Acquisition Agreements are set out in Section 10.3.
- (g) A voting exclusion statement is included in the Notice.
- (h) The current and proposed relevant interests of the Related Party Vendors in Securities in the Company are as follows:

| <b>Related Party Vendor</b> | <b>Existing Shares</b> | <b>Proposed Consideration Shares</b> | <b>Total Shares following completion of the Acquisition</b> | <b>Performance Rights</b> |
|-----------------------------|------------------------|--------------------------------------|-------------------------------------------------------------|---------------------------|
|                             |                        |                                      |                                                             |                           |



|                                          |           |             |                    |                          |
|------------------------------------------|-----------|-------------|--------------------|--------------------------|
| Mr Christopher Lewis (and his relatives) | 5,711,247 | 225,447,779 | <b>231,159,026</b> | 8,089,161 <sup>(1)</sup> |
| Dr Andrew Matharu                        | 5,711,247 | 116,479,948 | <b>122,191,195</b> | 8,089,161 <sup>(1)</sup> |

1. The performance rights will convert into Shares on a one-for-one basis upon achievement of certain performance milestones. See the Company's Annual Report for details.

Other than as disclosed in this Section 11.5(h), none of the Related Party Vendors currently have any other Security holding in the Company.

- (i) The Related Party Vendors will receive the following Consideration Shares upon completion of the Acquisition:

- (A) Mr Christopher Lewis (and his relatives) – 225,447,779 Shares which represents approximately 22.54% of the total Consideration Shares and 12.46% of the Company's issued capital following completion of the Acquisition and Placement; and
- (B) Mr Andrew Matharu – 116,479,948 Shares which represents approximately 11.64% of the total Consideration Shares and 6.44% of the Company's issued capital following completion of the Acquisition and Placement.

The value of the financial benefit that the Related Party Vendors will receive as a result of the completion of the Acquisition can be considered by reference to the number of Shares to be issued to the Related Party Vendors and the various valuations per Share (pre and post completion of the Acquisition) in the Independent Expert's Report which BDO has prepared to report on whether the proposed Acquisition is fair and reasonable for the purposes of Shareholder approval pursuant to Listing Rule 10.1. Shareholders should carefully consider the valuations set out in the Independent Expert's Report, a copy of which is contained in Schedule 3.

- (j) The dilution to Shareholders, other than the Related Party Vendors, as a result of the issue of the Related Party Consideration Shares (assuming completion of the Acquisition and the Placement) is as follows.

| <b>Related Party Vendor</b>              | <b>Proposed Consideration Shares</b> | <b>Dilution effect<sup>1</sup></b> |
|------------------------------------------|--------------------------------------|------------------------------------|
| Mr Christopher Lewis (and his relatives) | 225,447,779                          | 12.46%                             |
| Dr Andrew Matharu                        | 116,479,948                          | 6.44%                              |

1. Dilution based on the Company's proposed issued capital following completion of the Acquisition and the Placement of 1,808,772,127 Shares.

- (k) Mr Lewis and Mr Matharu currently receive £9,000 per calendar month (inclusive of superannuation, bonuses and other costs) for 80 hours of work as Executive Directors being equivalent to approximately \$193,737 per annum. In addition, Mr Lewis and Mr Matharu are entitled to receive a further £900 per day for hours worked in excess of 80 hours per month, with the prior written consent of the Company. Payments of

Director's fees are in addition to any payments to Directors in any employment or consultancy capacity.

Following Completion, Mr Lewis will be appointed as the Company's Chief Executive Officer and Dr Matharu will be appointed as the Company's Chief Financial Officer. The Company intends to enter into executive service agreements with each of Mr Lewis and Dr Matharu in relation to these appointments on terms acceptable to the parties which are usual for executive appointments of this nature. The terms of their appointments will be agreed following Completion.

The other Related Party Vendors, who are relatives of Mr Lewis, do not receive any remuneration from the Company.

Amounts paid to Mr Lewis and Dr Matharu in the previous financial year ended 30 June 2020 and in the period from 1 July 2020 to 30 November 2020 were as follows:

|                                   |                                | <b>Salary and Fees (\$)</b> | <b>Non-cash benefits (\$)</b> | <b>Share based Payments (\$)</b> | <b>Total (\$)</b> |
|-----------------------------------|--------------------------------|-----------------------------|-------------------------------|----------------------------------|-------------------|
| Mr Christopher Lewis <sup>1</sup> | 1 Jul 2020 to 30 November 2020 | 95,752                      | 0                             | 0                                | 95,752            |
|                                   | 2019/2020                      | 161,466                     | 0                             | 115,033                          | 276,499           |
| Dr Andrew Matharu <sup>1</sup>    | 1 Jul 2020 to 30 November 2020 | 92,896                      | 0                             | 0                                | 92,896            |
|                                   | 2019/2020                      | 179,412                     | 0                             | 115,033                          | 294,445           |

1. Mr Lewis and Dr Matharu were appointed as Directors on 23 September 2019.

Other than as set out in this Notice, Mr Lewis and Mr Matharu do not receive any other emoluments except as incurred in the normal operation of the business.

- (l) The trading history of Shares on ASX in the 12 month period prior to the date of this Notice is set out below:

|                | <b>Price</b> | <b>Date</b>      |
|----------------|--------------|------------------|
| <b>Highest</b> | \$0.054      | 2 January 2020   |
| <b>Lowest</b>  | \$0.004      | 19 March 2020    |
| <b>Last</b>    | \$0.036      | 3 September 2020 |

- (m) Refer to Section 10.10 for the Directors' recommendation in relation to the Acquisition including Resolutions 8 and 9.
- (n) The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to vote in favour of Resolutions 8 and 9.

**BDO has prepared an Independent Expert's Report on the proposed Acquisition for the purposes of Shareholder approval pursuant to Listing Rule 10.1 and has concluded that the proposal is not fair but reasonable to Shareholders whose votes are not to be disregarded on Resolutions 8 and 9. Shareholders should carefully consider the Independent Expert's Report, a copy of which is contained in Schedule 3.**

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## **12. Resolution 10 – Approval to issue Placement Shares**

### **12.1 General**

As detailed in Section 10.7, the Company is proposing, subject to Shareholder approval, to conduct a placement of up to 280,000,000 Shares to the Placement Participants to raise up to \$7,000,000 (before costs) in connection with the Acquisition.

The Company's proposed use of the funds raised from the issue of the Placement Shares is set out in Section 0.

A summary of Listing Rule 7.1 is set out in Section 10.12.

The issue of the Placement Shares does not fall within any of the exceptions to Listing Rule 7.1 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires Shareholder approval under Listing Rule 7.1.

Resolution 10 seeks the required Shareholder approval to the issue of the Placement Shares under and for the purposes of Listing Rule 7.1.

If Resolution 10 is passed, the Company will be able to proceed with the issue of the Placement Shares and will raise up to \$7,000,000 (before costs) to be used as set out in Section 0. In addition, the issue of the Placement Shares will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 10 is not passed then the Company will not be able to proceed with the Acquisition (but will continue to hold its 21.6% interest in Hartshead and be bound by its obligations under the HRL Guarantee) and will pursue and assess other potential acquisitions and business opportunities which are consistent with the Company's stated strategy and history of exploiting exploration stage oil and gas assets.

Resolution 10 is an ordinary resolution and is subject to the passing of each of the other Acquisition Resolutions.

### **12.2 Information required by Listing Rule 7.3**

The following information is provided for the purposes of Listing Rule 7.3:

- (a) The Placement Shares will be issued to the Placement Participants who are various professional and sophisticated investors introduced by CPS Capital, none of whom are a related party of the Company.
- (b) The maximum number of Shares the Company may issue under Resolution 10 is 280,000,000 Shares.
- (c) The Placement Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue.

- (d) The Placement Shares may be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
- (e) The Placement Shares will each be issued at \$0.025 to raise approximately \$7,000,000 (before costs). The Company's proposed use of the funds raised from the issue of the Placement Shares is set out in Section 0.
- (f) A voting exclusion statement is included in the Notice.

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## **13. Resolution 11 – Approval to issue Adviser Shares**

As noted in Section 10.7 above, the Company has agreed, subject to Shareholder approval, to issue the Adviser Shares to CPS Capital (or its nominees) as fees for advisory services provided to the Company as lead manager of the Placement.

The Company has agreed to issue the Adviser Shares to CPS Capital (or its nominee) subject to Shareholder approval. The issue of the Adviser Shares therefore requires Shareholder approval under Listing Rule 7.1. A summary of Listing Rule 7.1 is provided in Section 10.12.

Resolution 11 seeks the required Shareholder approval for the issue of the Adviser Shares under and for the purposes of Listing Rule 7.1.

If Resolution 11 is passed, the Company will be able to proceed with the issue of the Adviser Shares. In addition the issue of the Adviser Shares will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 11 is not passed then the Company will not be able to proceed with the issue of the Adviser Shares and the Company will seek to negotiate an alternative fee arrangement with CPS Capital for the services provided.

Resolution 11 is an ordinary resolution.

### **13.1 Information required by Listing Rule 7.3**

The following information is provided for the purposes of Listing Rule 7.3:

- (a) The Adviser Shares will be issued to CPS Capital (or its nominees).
- (b) The maximum number of Shares the Company may issue under Resolution 11 is 20,000,000 Shares.
- (c) The Adviser Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue and will be subject to 12 months voluntary escrow.
- (d) The Adviser Shares may be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
- (e) The Adviser Shares will each be issued at an issue price of \$0.00001. Funds raised from the issue of the Adviser Shares will be used to provide additional general working capital.

- (f) A voting exclusion statement is included in the Notice.
- 

## 14. Definitions

**\$** means Australian Dollars.

**10% Placement Facility** has the meaning in Section 6.1

**10% Placement Period** has the meaning in Section 6.3(a).

**Acquisition** has the meaning in Section 10.1.

**Acquisition Agreements** has the meaning in Section 10.1.

**Acquisition Resolutions** means collectively Resolutions 7, 8, 9 and 10.

**Adviser Shares** has the meaning in Resolution 11.

**Annual Report** means the Directors' Report, the Financial Report and Auditor's Report in respect to the financial year ended 30 June 2020.

**Ansila Employee Incentive Securities Plan** has the meaning in Section 9, a copy of which is summarised in Schedule 2.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

**Auditor's Report** means the auditor's report on the Financial Report.

**BDO** means BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 AFS Licence No 316158.

**Board** means the board of Directors.

**Chair** means the chair of this Meeting.

**Closely Related Party** has the meaning in section 9 of the Corporations Act.

**Constitution** means the current constitution of the Company.

**Company** means Ansila Energy NL ACN 150 624 169.

**Completion** means completion of the Acquisition under the Acquisition Agreement.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Consideration Shares** has the meaning given in Section 10.3.

**CPS Capital** means CPS Capital Group Pty Ltd ACN 088 055 636.

**Director** means a director of the Company.

**Directors' Report** means the annual directors report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Equity Securities** has the same meaning as in the Listing Rules.

**Explanatory Memorandum** means the explanatory memorandum attached to the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

**Hartshead** means Hartshead Resources Limited, a company incorporated in the United Kingdom.

**HRL Guarantee** has the meaning in Section 10.2.

**HRL Licence** means the licence expected to be granted over the five blocks, 49/17b, 49/6c, 49/11c, 48/15c and 49/12d in the Southern North Sea, offshore United Kingdom by the UK OGA.

**HRL Shares** means fully paid ordinary shares in the capital of HRL.

**Independent Expert** means BDO.

**Independent Expert's Report** means the independent expert's report prepared by BDO annexed in Schedule 3 of this Notice.

**Key Management Personnel** means a person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the listing rules of ASX.

**Meeting** has the meaning in the introductory paragraph of the Notice.

**Non-related Party Vendors** means the current shareholders of Hartshead who are not related parties of the Company comprising Alitime Nominees Pty Ltd, Barclay Wells Limited, B&M Bant Superannuation Fund, Bushwood Nominees Pty Ltd, Jalbar Pty Ltd, Mark Bracewell, Robert Collins, Gulf Natural Resources Pty Ltd, Donald Ferguson, Nuthatch SNS Investments Limited, Stephen Smith and Jonathan Treen.

**Notice** means this notice of meeting.

**Option** means an option to acquire a Share.

**Option holder** means the holder of an Option.

**Placement** has the meaning in Section 10.7.

**Placement Participants** means various sophisticated and professional investors introduced by CPS Capital.

**Placement Shares** has the meaning in Resolution 10.

**Plan** means the Ansila Employee Incentive Securities Plan.

**Proxy Form** means the proxy form attached to the Notice.

**Related Party Vendors** means Mr Christopher Lewis (and his relatives Kathryn Layton, Edward Lewis, Saskia Lewis, Verity Lewis and Xian Lewis) and Dr Andrew Matharu who are the current shareholders of Hartshead who are related parties of the Company.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution contained in this Notice.

**Schedule** means a schedule to this Notice.

**Section** means a section contained in this Explanatory Memorandum.

**Securities** means Shares, Performance Shares, Options and Performance Rights.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**UK OGA** means the oil and gas authority in the United Kingdom.

**Vendors** means the Related Party Vendors and the Non-Related Party Vendors.

**VWAP** means volume weighted average price.

**WST** means Western Standard Time, being the time in Perth, Australia.

In this Notice, words importing the singular include the plural and vice versa.

**Schedule 1 – Pro Forma Statement of Financial Position of the Company  
following completion of the Acquisition and Placement**

|                                      | <b>Ansila<br/>30-Jun-20<br/>Audited<br/>\$</b> | <b>Hartshead<br/>30-Sep-20<br/>GBP<br/>£</b> | <b>Hartshead<br/>30-Sep-20<br/>AUD<br/>\$</b> | <b>Adjustments<br/>\$</b> | <b>Notes</b> | <b>Pro-forma<br/>Unaudited<br/>\$</b> |
|--------------------------------------|------------------------------------------------|----------------------------------------------|-----------------------------------------------|---------------------------|--------------|---------------------------------------|
| <b>Current Assets</b>                |                                                |                                              |                                               |                           |              |                                       |
| Cash and cash equivalents            | 1,889,593                                      | 58,874                                       | 106,445                                       | 6,580,000                 | 4            | 8,576,038                             |
| Trade and other receivables          | 17,397                                         | 1,180                                        | 2,133                                         | -                         |              | 19,530                                |
| <b>Total current assets</b>          | <b>1,906,990</b>                               | <b>60,054</b>                                | <b>108,578</b>                                | <b>6,580,000</b>          |              | <b>8,595,568</b>                      |
| <b>Non-Current Assets</b>            |                                                |                                              |                                               |                           |              |                                       |
| Plant and equipment                  | 4,294                                          | 1,060                                        | 1,917                                         | -                         |              | 6,211                                 |
| Financial assets at FVOCI            | 459,534                                        | -                                            | -                                             | -                         |              | 459,534                               |
| Investment in Associate              | 33,099                                         | -                                            | -                                             | (33,099)                  | 3            | -                                     |
| <b>Total non-current assets</b>      | <b>496,927</b>                                 | <b>1,060</b>                                 | <b>1,917</b>                                  | <b>(33,099)</b>           |              | <b>465,745</b>                        |
| <b>Total assets</b>                  | <b>2,403,917</b>                               | <b>61,115</b>                                | <b>110,495</b>                                | <b>6,546,901</b>          |              | <b>9,061,313</b>                      |
| <b>Current liabilities</b>           |                                                |                                              |                                               |                           |              |                                       |
| Trade and other payables             | 553,235                                        | (3,385)                                      | (6,120)                                       | -                         |              | 547,115                               |
| Borrowings                           | -                                              | -                                            | -                                             | -                         |              | -                                     |
| <b>Total current liabilities</b>     | <b>553,235</b>                                 | <b>(3,385)</b>                               | <b>(6,120)</b>                                | <b>-</b>                  |              | <b>547,115</b>                        |
| <b>Non-current liabilities</b>       |                                                |                                              |                                               |                           |              |                                       |
| <b>Total non-current liabilities</b> | <b>-</b>                                       | <b>-</b>                                     | <b>-</b>                                      | <b>-</b>                  |              | <b>-</b>                              |
| <b>Total liabilities</b>             | <b>553,235</b>                                 | <b>(3,385)</b>                               | <b>(6,120)</b>                                | <b>-</b>                  |              | <b>547,115</b>                        |
| <b>Net assets</b>                    | <b>1,850,682</b>                               | <b>64,500</b>                                | <b>116,615</b>                                | <b>6,546,901</b>          |              | <b>8,514,198</b>                      |
| <b>Equity</b>                        |                                                |                                              |                                               |                           |              |                                       |
| Contributed equity                   | 54,652,907                                     | 329,998                                      | 596,637                                       | 32,080,000                | 2, 4, 5      | 87,329,544                            |
| Reserve                              | 4,982,164                                      | -                                            | -                                             | (7,856)                   | 3            | 4,974,308                             |
| Accumulated losses                   | (57,784,389)                                   | (265,499)                                    | (480,022)                                     | (25,525,243)              | 2, 3, 5      | (83,789,654)                          |
| <b>Total equity</b>                  | <b>1,850,682</b>                               | <b>64,500</b>                                | <b>116,615</b>                                | <b>6,546,901</b>          |              | <b>8,514,198</b>                      |

**Notes**



1. Assumed exchange rate of GBP:AUD of 1.80800 as at 30 September 2020.
2. The adjustments include the following:
  - (a) Issue of 1,000,000,000 Consideration Shares; and
  - (b) Corporate advisory fees – 20,000,000 Adviser Shares.
3. The Acquisition is accounted for as an asset acquisition as Hartshead has been deemed not to be a business under *AASB 3 Business Combinations*. The value of the share based consideration payable by the Company is calculated as \$25,000,000, being 1,000,000,000 Shares at a price of \$0.025 (the Placement price per Share).
4. Assumes full \$7,000,000 is raised under the Placement (net of \$420,000 of estimated costs).
5. The corporate advisory fee of 20,000,000 Adviser Shares has been valued at the Placement price of \$0.025 per Adviser Share.

## Schedule 2 – Summary of Ansila Employee Securities Incentive Plan

Summary of the Ansila Employee Securities Incentive Plan ("Plan") and terms on which offers may be made:

### 1. Eligible Participant

"Eligible Participant" means a person who is a full-time or part-time employee, officer, or contractor of the Company, or an Associated Body Corporate (as defined in ASIC Class Order 14/1000), or such other person who has been determined by the Board to be eligible to participate in the Plan from time to time.

The Company will seek Shareholder approval for Director and related party participation in accordance with ASX Listing Rule 10.14.

### 2. Purpose

The purpose of the Plan is to:

- (a) assist in the reward, retention and motivation of Eligible Participants;
- (b) link the reward of Eligible Participants to Shareholder value creation; and
- (c) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities.

### 3. Plan administration

The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion. The Board may delegate its powers and discretion.

### 4. Eligibility, invitation and application

The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides.

On receipt of an Invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company. The Board may accept an application from an Eligible Participant in whole or in part.

If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.

### 5. Grant of Securities

The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities, subject to the terms and conditions set out in the invitation, the Plan rules and any ancillary documentation required.

### 6. Terms of Convertible Securities

Each "Convertible Security" represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Plan.

Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them unless otherwise determined by the Board. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

## **7. Vesting of Convertible Securities**

Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.

## **8. Exercise of Convertible Securities and cashless exercise**

To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time following vesting of the Convertible Security (if subject to vesting conditions) and prior to the expiry date as set out in the invitation or vesting notice.

An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.

Market Value means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation.

A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.

## **9. Delivery of Shares on exercise of Convertible Securities**

As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.

## **10. Forfeiture of Convertible Securities**

Where a Participant who holds Convertible Securities ceases to be an Eligible Participant or becomes insolvent, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest.

Where the Board determines that a Participant has acted fraudulently or dishonestly; committed an act which has brought the Company, the Group or any entity within the Group into disrepute, or wilfully breached his or her duties to the Group or where a Participant is convicted of an offence in connection with the affairs of the Group; or has a judgment entered against him or her in any civil proceedings in respect of the contravention by the Participant of his or her duties at law, in equity or under statute, in his or her capacity as an employee, consultant or officer of the Group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Plan rules:

- (a) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
- (b) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation or vesting notice.

## **11. Change of control**

If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the

change of control event provided that, in respect of Convertible Securities, the maximum number of Convertible Securities (that have not yet been exercised) that the Board may determine will vest and be exercisable into Shares under this Rule is that number of Convertible Securities that is equal to 10% of the Shares on issue immediately following vesting under this Rule, which as far as practicable will be allocated between holders on a pro-rata basis on the basis of their holdings of Convertible Securities on the date of determination of vesting.

#### **12. Rights attaching to Plan Shares**

All Shares issued or transferred under the Plan, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, ("**Plan Shares**") will rank pari passu in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.

#### **13. Disposal restrictions on Plan Shares**

If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:

- (a) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or
- (b) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.

#### **14. Adjustment of Convertible Securities**

If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the ASX Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an issue of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.

Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.

#### **15. Participation in new issues**

There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.

#### **16. Compliance with applicable law**

No Security may be offered, granted, vested or exercised if to do so would contravene any applicable law. In particular, the Company must have reasonable grounds to believe, when making an invitation, that the total number of Plan Shares that may be issued upon exercise of Convertible Securities offer when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous three year period under:

- (i) an employee incentive scheme of the Company covered by ASIC Class Order 14/1000; or
- (ii) an ASIC exempt arrangement of a similar kind to an employee incentive scheme,

but disregarding any offer made or securities issued in the capital of the Company by way of or as a result of:

- (iii) an offer to a person situated at the time of receipt of the offer outside Australia;
- (iv) an offer that did not need disclosure to investors because of section 708 of the Corporations Act (exempts the requirement for a disclosure document for the issue of securities in certain circumstances to investors who are deemed to have sufficient investment knowledge to make informed decisions, including professional investors, sophisticated investors and senior managers of the Company); or
- (v) an offer made under a disclosure document,

would exceed 5% (or such other maximum permitted under any applicable law) of the total number of Shares on issue at the date of the invitation.

#### **17. Maximum number of Securities**

The Company will not make an invitation under the Plan if the number of Plan Shares that may be issued, or acquired upon exercise of Convertible Securities offered under an invitation, when aggregated with the number of Shares issued or that may be issued as a result of all invitations under the Plan, will exceed 15% of the total number of issued Shares at the date of the invitation.

#### **18. Amendment of Plan**

Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Plan and determine that any amendments to the Plan rules be given retrospective effect, immediate effect or future effect.

No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

#### **19. Plan duration**

The Plan continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension. If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.

#### **20. Income Tax Assessment Act**

The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in that Act).

### **Schedule 3 – Independent Expert's Report**

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**ANSILA ENERGY NL**  
**Independent Expert's Report**

**OPINION: NOT FAIR BUT REASONABLE**

13 November 2020



## Financial Services Guide

13 November 2020

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Ansila Energy NL ('Ansila') to provide an independent expert's report on the proposed acquisition of the remaining shares of Hartshead Resources Limited ('Hartshead' or 'HRL') that it does not already own. Hartshead is an entity associated with Christopher Lewis and Andrew Matharu, who are both current directors of Ansila.

You are being provided with a copy of our report because you are a shareholder of Ansila and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by Ansila to assist you in deciding on whether or not to approve the proposal.

### Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- ♦ Who we are and how we can be contacted;
- ♦ The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- ♦ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ♦ Any relevant associations or relationships we have; and
- ♦ Our internal and external complaints handling procedures and how you may access them.

### Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.



**Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$43,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Ansila.

BDO Audit (WA) Pty Ltd is the appointed Auditor of Ansila and BDO Corporate Tax (WA) Pty Ltd has recently provided corporate tax advice to Ansila. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

**Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Ansila for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

**Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**Complaints resolution***Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

**Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website [www.afca.org.au](http://www.afca.org.au) or by contacting it directly via the details set out below.

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001  
AFCA Free call: 1800 931 678  
Website: [www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by RISC

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13 November 2020

The Independent Directors  
Ansila Energy NL  
Level 1, 89 St Georges Terrace  
PERTH WA 6000

Dear Independent Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

Ansila Energy NL ('Ansila' or 'the Company') has announced that it has entered into a Share Sale Agreement ('SSA') with Hartshead Resources Limited ('Hartshead' or 'HRL'), a private company based in the United Kingdom ('UK'), to acquire the remaining 78.4% of Hartshead that Ansila does not already own ('Acquisition'). Following the Acquisition, Hartshead will become a wholly-owned subsidiary of Ansila, and each Ansila share that the vendors of Hartshead will receive will be a share in the combined entity.

Under the terms of the Acquisition, Ansila will issue 1 billion ordinary shares ('Consideration Shares').

Ansila also announced that it plans to raise \$7.0 million (before costs) via the issue of 280,000,000 shares at an issue price of \$0.025 per share ('Placement'). The receipt of firm commitments for the Placement are a condition precedent to the Acquisition. The Acquisition and Placement are collectively referred to as the 'Transaction'.

All currencies are quoted in Australian Dollars unless stated otherwise.

### 2. Summary and Opinion

#### 2.1 Requirement for the report

The independent directors of Ansila have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Acquisition is fair and reasonable to the non-associated shareholders of Ansila ('Shareholders').

Our Report is prepared pursuant to ASX Listing Rule 10.1 and is to be included in the Notice of Meeting for Ansila in order to assist the Shareholders in their decision whether to approve the Acquisition.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guides Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 76 'Related party transactions' ('RG 76'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111'), Regulatory Guide 112 'Independence of Experts' ('RG 112'), Regulatory Guide 170 'Prospective Financial

Information' ('RG 170') and Information Sheet 214: Mining and Resources: Forward-looking Statements ('IS 214').

In arriving at our opinion, we have assessed the terms of the Acquisition as outlined in the body of this report. We have considered:

- How the value of the assets being acquired compares to the value of the consideration to be paid for the assets (see section 12 'Is the Acquisition Fair?');
- How the value of Ansila prior to the Transaction compares with the value of an Ansila share immediately following the Transaction (see Section 13 'Is the Transaction Reasonable?');
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Acquisition and Transaction; and
- The position of Shareholders should the Acquisition and therefore the Transaction, not proceed.

### 2.3 Opinion

We have considered the terms of the Acquisition as outlined in the body of this report and have concluded that the **Acquisition is not fair but reasonable** to Shareholders.

It is not fair because the value of the additional interest to be acquired in Hartshead is less than the value of the Consideration Shares, which incorporate the value of the additional interest in Hartshead and the cash raised in the Placement, to be issued to the Vendors.

It is reasonable in particular because the value of an Ansila share following the Transaction is greater than the value of an Ansila share prior to the Transaction.

### 2.4 Fairness

RG 111.58 states that in the context of related party transactions, "Where the proposed transaction consists of an asset acquisition by the entity, it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired".

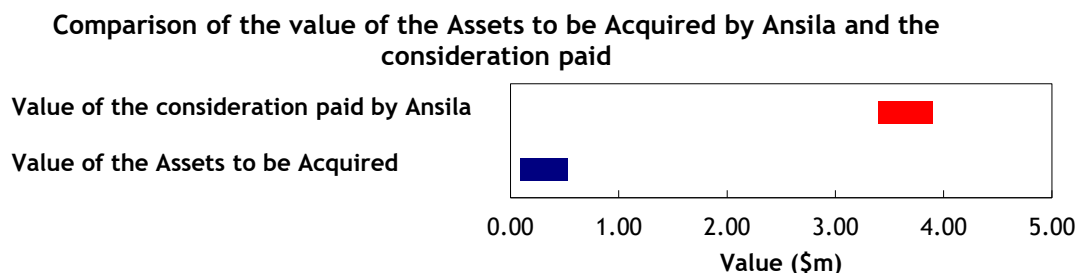
In the context of the Acquisition, the assets being acquired are a 78.4% interest in Hartshead ('**the Assets to be Acquired**'), which for the purpose of our fairness opinion is compared with the value of the Consideration Shares. If the value of the Assets to be Acquired is greater than, or equal to the value of the consideration paid for those assets then the Acquisition is fair for Shareholders.

In determining the value of the consideration to be paid, we have considered the issue of the Consideration Shares, which have been valued using our assessed value of an Ansila share following the Acquisition and the Placement. We recognise that Shareholders may consider that it is inconsistent to assess fairness by comparing only the Acquisition (without the value of the cash raised in the Placement) with the value of the Consideration Shares incorporating the value uplift contributed by both the Acquisition and the Placement, but this is the most appropriate assessment basis if we are considering only the Acquisition in isolation rather than the overall effect of the broader transaction as a whole on Shareholders.

Our comparison of the value of the Assets to be Acquired by Ansila and the consideration to be paid for those assets is summarised below.

| Fairness Assessment                | Ref | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|------------------------------------|-----|-----------|-----------------|------------|
| Value of the consideration paid    | 12  | 3,400,000 | 3,700,000       | 3,900,000  |
| Value of the Assets to be Acquired | 12  | 91,941    | 426,923         | 533,832    |

The above valuation ranges are graphically presented below:



The above pricing indicates that in the absence of any other relevant information, the Acquisition is not fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both:

- advantages and disadvantages of the Acquisition (and more broadly, the Transaction); and
- other considerations, including the position of Shareholders if the Acquisition (and more broadly, the Transaction) does not proceed and the consequences of not approving the Acquisition (and more broadly, the Transaction).

In our opinion, the position of Shareholders if the Acquisition (and more broadly, the Transaction) is approved is more advantageous than the position if the Acquisition (and more broadly, the Transaction) is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Acquisition is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

| ADVANTAGES AND DISADVANTAGES |                                                                                                                                                                  |         |                                              |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|----------------------------------------------|
| Section                      | Advantages                                                                                                                                                       | Section | Disadvantages                                |
| 13.2.1                       | The value of an Ansila share following the Transaction is greater than the value of an Ansila share prior to the Acquisition under both our valuation approaches | 13.3.1  | Dilution of existing Shareholders' interests |
| 13.2.2                       | Increased exposure to the upside of Hartshead, should it materialise                                                                                             |         |                                              |
| 13.2.3                       | Access to funding from the Placement                                                                                                                             |         |                                              |

| ADVANTAGES AND DISADVANTAGES |                                                                                                                                                                                                  |         |               |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------------|
| Section                      | Advantages                                                                                                                                                                                       | Section | Disadvantages |
| 13.2.4                       | The Acquisition will result in Ansila owning 100% of Hartshead which may improve the attractiveness of the Company's shares and may improve the likelihood of a potential takeover in the future |         |               |

Other key matters we have considered include:

| Section | Description                                   |
|---------|-----------------------------------------------|
| 13.1    | Alternative proposal                          |
| 13.4    | Consequences of not approving the Transaction |
| 13.5    | Other considerations                          |

## 3. Scope of the Report

### 3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes, or agrees to acquire or dispose of, a substantial asset when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity as set out in the latest accounts given to the ASX under its Listing Rules. Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party or person of influence of the listed entity as defined under the ASX Listing Rules.

Based on the audited accounts as at 30 June 2020, the value of the interest in Hartshead being acquired is greater than 5% of the book value of the Company's equity at 30 June 2020.

There are common directors between Ansila and Hartshead, being Christopher Lewis and Andrew Matharu. Both directors are also shareholders in Hartshead with each of them (and related parties) holding 17.66% and 9.13% respectively. As such, Hartshead is considered to be a related party as defined under the ASX Listing Rules.

Listing Rule 10.5.10 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Accordingly, an independent experts' report is required for the Acquisition under ASX Listing Rule 10.1. Under RG 111, the report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to Shareholders.

### 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of ‘fair and reasonable’. In determining whether the Acquisition is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is ‘fair and reasonable’ for the purposes of ASX Listing Rule 10.1 this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is ‘fair’ and ‘reasonable’, as in a control transaction. An expert should not assess whether the transaction is ‘fair and reasonable’ based simply on a consideration of the advantages and disadvantages of the proposal.

Further RG 111.53 and RG 111 54 state that “when analysing related party transactions, it is important that an expert focuses on the substance of the related party transaction, rather than the legal mechanism. For example, where a related party transaction is made up of a number of separate components, the expert should consider the overall effect of the related party transaction. Where the related party transaction is one component of a broader transaction or a series of transactions involving non-related parties (such as a control transaction), the expert should carefully consider what level of analysis of the related party aspect is required: see also RG 111.4. In this consideration, the expert should bear in mind whether the report has been sought to ensure that members are provided with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction”. However, here we have assessed whether the Acquisition itself is fair and reasonable including the value uplift to the Company’s shares from the Placement as the Placement and the Acquisition are conditional on one another.

We do not consider the Acquisition to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Acquisition as if it were not a control transaction.

### 3.3 Adopted basis of evaluation

RG 111.58 states that in the context of related party transactions, “Where the proposed transaction consists of an asset acquisition by the entity, it is ‘fair’ if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. Given an opinion is required pursuant to ASX Listing Rule 10.1, in the case of the Acquisition we have conducted this assessment by comparing the value of the Assets to be Acquired by Ansila with the value of the consideration paid for those assets. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider that the Acquisition is a control transaction.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any alternate options.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of the Assets to be Acquired and the value of the consideration to be paid for those assets (fairness - see Section 12 ‘Is the Acquisition Fair?’); and

- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the values derived above (reasonableness - see Section 13 'Is the Acquisition Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

*'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

### 3.4 Change of Opinion

RG112.57 requires that after a full draft copy of an expert report has been provided to a commissioning party or its advisers that any alteration of the report made at the suggestion of the commissioning party or its advisers that affects an expert's analysis of the transaction or the expert's conclusions should be clearly and prominently disclosed in the report.

Following the provision of a full copy of our draft independent expert report, we were provided with comments from ASIC in relation to our approach to assessing whether the Transaction is fair. Our preferred approach had been to compare the value of a share in Ansila prior to the Transaction with the value of a share in Ansila following the Transaction. We considered this to be the most appropriate assessment of whether the Transaction is fair to Shareholders because the Acquisition does not occur in isolation, but is conditional on the Placement being approved and this approach provides Shareholders with the most valuable information on the overall effect of the Transaction on the value of their shares. This is in accordance with RG 111.53 and RG 111.54 which states:

RG 111.53 "When analysing related party transactions, it is important that an expert focuses on the substance of the related party transaction, rather than the legal mechanism. For example, where a related party transaction is made up of a number of separate components, the expert should consider the overall effect of the related party transaction."

RG 111.54 "Where the related party transaction is one component of a broader transaction or a series of transactions involving non-related parties (such as a control transaction), the expert should carefully consider what level of analysis of the related party aspect is required... In this consideration, the expert should bear in mind whether the report has been sought to ensure that members are provided with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction."

Following correspondence with ASIC, we have re-structured our analysis to provide an opinion on whether the Acquisition in isolation is fair and reasonable to Shareholders. As a result of this re-structure, the focus of our analysis and our opinion has changed from the Transaction being fair and reasonable to the Acquisition being not fair but reasonable. The change in opinion is a result of our analysis now being on the Acquisition in isolation rather than being on the broader transaction and as such we have removed the effect of the Placement from one side of our fairness assessment.



## 4. Outline of the Transaction

Ansila has announced that it has entered into a SSA with Hartshead to acquire the remaining 78.4% of Hartshead that Ansila does not already own.

Under the terms of the Acquisition, Ansila will issue 1 billion Consideration Shares.

Ansila also announced that it plans to complete a Placement of \$7.0 million (before costs). The receipt of firm commitments is a condition precedent to the Acquisition.

The completion of the Acquisition is subject to certain conditions precedent, the most significant of which are set out below (**'Conditions Precedent'**):

- Both Ansila and Hartshead obtaining any necessary shareholder and regulatory approvals to proceed with the Transaction;
- Hartshead being formally awarded the HRL License by the UK OGA;
- Hartshead obtaining any necessary consents or waivers from third parties that may be required as a result of the change in control of the Company resulting from the Transaction;
- Ansila receiving firm commitments for the Placement; and
- Obtaining an independent's expert report concluding that the Acquisition is fair and reasonable, or the Acquisition is not fair but reasonable.

We note that the Company will also issue 20,000,000 shares at a deemed issue price of \$0.00001 to the lead advisor of the Placement, CPS Capital Group Pty Ltd (**'CPS Capital'**) (**'Advisor Shares'**). A capital raising fee of 6% of the funds raised under the Placement is payable to CPS Capital.

Following the Transaction, existing Executive Director Christopher Lewis will be appointed Chief Executive Officer of Ansila, and existing Executive Director Andrew Matharu will be appointed Chief Financial Officer of Ansila.

The table below sets out the impact of the issue of the Consideration Shares, the shares issued pursuant to the Placement and the issue of the Advisor Shares on the percentage of issued capital held by existing shareholders and the vendors of Hartshead. The maximum level of dilution to existing shareholders' interests arises in the event that the options and performance rights currently on issue convert into ordinary shares, resulting in a minimum possible holding for existing shareholders of 26.87%.

| Description                                                                                            | Existing Shareholders | Vendors of Hartshead | Other              | Total                |
|--------------------------------------------------------------------------------------------------------|-----------------------|----------------------|--------------------|----------------------|
| Number of shares on issue at the date of our Report                                                    | 508,772,127           | -                    | -                  | 508,772,127          |
| Number of Consideration Shares to be issued                                                            | -                     | 1,000,000,000        | -                  | 1,000,000,000        |
| Number of Placement shares to be issued                                                                | -                     | -                    | 280,000,000        | 280,000,000          |
| Number of Advisor Shares to be issued                                                                  | -                     | -                    | 20,000,000         | 20,000,000           |
| <b>Number of shares on issue following the Transaction</b>                                             | <b>508,772,127</b>    | <b>1,000,000,000</b> | <b>300,000,000</b> | <b>1,808,772,127</b> |
| <i>% holdings following the Transaction</i>                                                            | <i>28.13%</i>         | <i>55.29%</i>        | <i>16.59%</i>      | <i>100.00%</i>       |
| <b>Fully diluted</b>                                                                                   |                       |                      |                    |                      |
| Exercise of Existing Options                                                                           | -                     | -                    | 20,000,000         | 20,000,000           |
| Vesting of Existing Rights                                                                             | -                     | -                    | 64,884,991         | 64,884,991           |
| <b>Number of shares on issue following the Transaction and exercise of Existing Options and Rights</b> | <b>508,772,127</b>    | <b>1,000,000,000</b> | <b>384,884,991</b> | <b>1,893,657,118</b> |
| <i>% holdings on a fully diluted basis</i>                                                             | <i>26.87%</i>         | <i>52.81%</i>        | <i>20.32%</i>      | <i>100.00%</i>       |

We note that as at the date of our Report, the Company currently has 20,000,000 unlisted options exercisable at \$0.04, with an expiry date of 31 December 2022 (**‘Existing Options’**), 58,884,991 unvested performance rights and 6,000,000 vested performance rights with an expiry date of 30 September 2022 (**‘Existing Rights’**). For the purposes of the maximum dilution calculation above, we have assumed that the Existing Options and the Existing Rights are converted to ordinary shares.

We also note that the Existing Options and Existing Rights are held by directors, employees and advisors of the Company, as such, we have excluded these in our assessment of the maximum dilution of existing shareholders.

We also note that Ansila currently has 5,703,550 partly paid shares on issue, each with an issue price of \$0.20 of which \$0.01 is paid, with the balance payable at the election of the holder at any time. For the purposes of our dilution calculation above, we have not included the partly paid shares in our calculation.

## 5. Profile of Ansila

### 5.1 History

Ansila (formerly Pura Vida Energy NL) is an oil and gas company that is listed on the ASX, is headquartered in Western Australia and has its primary operations in Poland and Africa. Until recently, the Company's flagship projects were the Gora & Nowa Sol Oil and Gas Projects ('**the Poland Projects**') located in Poland's Permian Basin, in which Ansila holds a 35% non-operating interest. On 19 March 2020, Ansila announced that it withdrew from the Gora project and the Jany-C1 well work programme. The Company also wholly-owns and operates two petroleum projects, the Nkembe Project in offshore Gabon ('**Nkembe Project**') and the Ambilobe Project located in offshore Madagascar ('**Ambilobe Project**').

The current board of directors are:

- Bevan Tarratt - Non-Executive Chairman;
- Nathan Lude - Executive Director;
- Andrew Matharu - Executive Director; and
- Christopher Lewis - Executive Director.

### 5.2 Projects

#### Gora & Nowa Sol Projects

The Poland Projects are located in the European Permian Basin ('**EPB**'), an area surrounded by numerous discoveries and existing oil & gas fields. The EPB is the largest area in Europe in terms of accumulation of natural gas and crude oil, primarily in the Rotliegend and Main Dolomite sections. The EPB spans across Poland, Germany, Denmark, the Netherlands and a significant portion of the North Sea to the east coast of England. According to the Energy Information Administration and Polish Geological Institute, up to 2.83 trillion cubic metres ('**m<sup>3</sup>**') of recoverable resources of natural gas exists and 283 billion m<sup>3</sup> of natural gas has been discovered to date within the EPB.

The Poland Projects have two existing wells, the Siciny-2 well (gas) and the Jany-C1 well (oil). On 24 September 2019, Ansila completed the acquisition of a 35% non-operating interest in the Gora & Nowa Sol concessions from the operator, Gemini Resources Limited ('**Gemini**'), by spending a total of £3.38 million (\$6.15 million, using an exchange rate of AUD/GBP = 0.550) on the projects.

Companies that are awarded exploration concessions, agree to perform specific operations in order to assess the field. These operations include investing in the required exploration works, acquiring the privately-owned land, drilling the wells and preparing them for production.

The Gora concession spans an area of 693km<sup>2</sup> and is located in the Lubusz region of Western Poland. The Gora licence covers a Carboniferous unconventional gas play discovered with the Siciny-2 well which was drilled in 2012 and a conventional Rotliegendes gas play, containing multiple exploration prospects which are yet to be drilled.

The Nowa Sol concession is located in the Lubusz region of Western Poland and spans an area of 1,165km<sup>2</sup>. The Nowa Sol licence contains the Jany-C1 unconventional Zechstein Dolomite oil discovery drilled in

2013. In addition, there are conventional oil discoveries on the licence with the Czaslaw SL-1 and Lelechow SL-1. The Company has withdrawn from the Nowa Sol concession and Jany-C1 work program.

### Nkembe Project

The Nkembe Project is a petroleum tenement that is 100% owned and operated by Ansila. The project covers an area of 1,210km<sup>2</sup> and is located in the oil producing Gabon Basin, approximately 30km off the coast of Gabon. The eastern part of the Nkembe Project, known as the Loba Discovery, is in shallow water within a proven petroleum system and proximate to producing fields and pipeline infrastructure.

Ansila recently maintained its claim of force majeure on the Nkembe Production Sharing Contract ('PSC'), suspending all obligations. Ansila has committed substantial investment in Gabon over the past several years, including a US\$9 million signing bonus paid in January 2013 and accordingly has reserved all its rights in relation to the Nkembe PSC, including the right to seek recovery of the signing bonus.

Ansila does not intend to commit any further resources to the Nkembe Project unless and until the Company reaches a resolution with the Directorate General for Hydrocarbons ('DGH'), which would enable Ansila to obtain third party funding to conduct further exploration under the PSC.

### Ambilobe Project

The Ambilobe Project is a petroleum tenement which is 100% owned and operated by Ansila. The project covers an area of 17,650km<sup>2</sup> and is located in the Ambilobe Basin, offshore north-west Madagascar. During the 2020 financial year, the Company concluded a farm-out process with no interested parties willing to earn an interest in the Ambilobe block via committing funds to advance the project. Ansila has recently applied for the second special two year extension of the Ambilobe PSC, however the Company has not reached agreement with the Madagascan Government on the terms of the extension.

## 5.3 Recent Corporate Events

On 4 July 2019, the Company announced that it had entered into a binding agreement with Gemini, a private UK based company, to earn a 35% interest in the Gora and Nowa Sol projects, by spending a total of £3.38 million (\$6.15 million, using an exchange rate of AUD/GBP = 0.550) on the projects. The transaction was completed on 24 September 2019.

On 16 July 2019, the Company purchased 36,078 shares in Hartshead for £184,000 (\$326,230, using an exchange rate of AUD/GBP = 0.564), equating to a 21.6% equity interest.

On 16 July 2019, the Company announced that it had completed the placement of 55,555,556 shares to sophisticated investors to raise \$1.00 million at an issue price of \$0.018. The placement was undertaken in conjunction with the entitlement offer which was subsequently completed on 14 October 2019.

On 2 October 2019, the Company changed its name from Pura Vida Energy NL to Ansila.

On 14 October 2019, the Company announced that it had successfully completed its fully-underwritten entitlements issue and raised a total of \$2.73 million, before costs. Funds raised under the entitlements issue were to be allocated towards the proposed work programmes for the Poland Projects.

On 7 September 2020, the Company announced that Hartshead was provisionally awarded five contiguous blocks in the Southern North Sea. The blocks contained multiple fields and undeveloped gas resources, together with a number of drill-ready exploration prospects.

## 5.4 Financial Investments

Ansila holds a number of financial investments, which are set below:

- A 21.6% interest in Hartshead;
- A 14.7% interest (102,387,595 ordinary shares) in Jacka Resources Limited ('Jacka') and an option on 10,611,411 shares in Jacka. Jacka is an unlisted company that was incorporated in Australia, with oil and gas exploration operations in Australia and Somaliland. It was previously a listed company, however it was delisted on 22 September 2020. The value of Ansila's investment in Jacka was impaired to nil during the year ended 30 June 2020; and
- A 2.05% interest (69,637 ordinary shares) in Gemini, a British independent oil & gas company with a portfolio of European onshore licence interests, focused primarily on the EPB.

## 5.5 Historical Statement of Financial Position

| Statement of Financial Position | Audited<br>as at<br>30-Jun-20<br>\$ | Audited<br>as at<br>30-Jun-19<br>\$ | Audited<br>as at<br>30-Jun-18<br>\$ |
|---------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>CURRENT ASSETS</b>           |                                     |                                     |                                     |
| Cash and cash equivalents       | 1,889,593                           | 5,794,861                           | 8,976,805                           |
| Other receivables               | 17,397                              | 489,597                             | 120,658                             |
| <b>TOTAL CURRENT ASSETS</b>     | <b>1,906,990</b>                    | <b>6,284,458</b>                    | <b>9,097,463</b>                    |
| <b>NON-CURRENT ASSETS</b>       |                                     |                                     |                                     |
| Plant and equipment             | 4,294                               | -                                   | 159                                 |
| Financial assets at FVOCI       | 459,534                             | 797,970                             | -                                   |
| Investment in associate         | 33,099                              | -                                   | -                                   |
| <b>TOTAL NON-CURRENT ASSETS</b> | <b>496,927</b>                      | <b>797,970</b>                      | <b>159</b>                          |
| <b>TOTAL ASSETS</b>             | <b>2,403,917</b>                    | <b>7,082,428</b>                    | <b>9,097,622</b>                    |
| <b>CURRENT LIABILITIES</b>      |                                     |                                     |                                     |
| Trade and other payables        | 553,234                             | 764,138                             | 4,191,726                           |
| Provisions                      | -                                   | -                                   | 18,294                              |
| <b>TOTAL LIABILITIES</b>        | <b>553,234</b>                      | <b>764,138</b>                      | <b>4,210,020</b>                    |
| <b>NET ASSETS</b>               | <b>1,850,682</b>                    | <b>6,318,290</b>                    | <b>4,887,602</b>                    |
| <b>EQUITY</b>                   |                                     |                                     |                                     |
| Issued capital                  | 54,652,907                          | 50,830,012                          | 51,160,791                          |
| Share-based payment reserve     | 5,529,081                           | 4,466,741                           | 4,466,740                           |
| Financial assets at FVOCI       | (466,566)                           | (20,171)                            | -                                   |
| Foreign exchange reserve        | (80,351)                            | (106,231)                           | (102,618)                           |
| Accumulated losses              | (57,784,389)                        | (48,852,061)                        | (50,637,311)                        |
| <b>TOTAL EQUITY</b>             | <b>1,850,682</b>                    | <b>6,318,290</b>                    | <b>4,887,602</b>                    |

Source: Ansila's audited financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

We note that the Company's auditor outlined the existence of material uncertainty relating to the going concern assumption in its audit report for the years ended 30 June 2018, 30 June 2019 and 30 June 2020. For all three audit reports, the material uncertainty arose due to Ansila's ongoing dispute with the Gabonese Government with regards to the Nkembe Project, where until the dispute is resolved, it is not possible to quantify the likely commitments and/or payable in relation to the Nkembe Project. Further, if the Company is unable to secure funding it would cast significant doubt about the Company's ability to continue as a going concern.

- Cash and cash equivalents decreased from \$8.98 million as at 30 June 2018 to \$5.79 million as at 30 June 2019. This decrease in cash held was primarily the result of payments to suppliers, consultants and employees of \$1.08 million, payments for exploration and evaluation expenditure of \$0.77 million, a payment of \$0.89 million in relation to the acquisition of listed investments including Factor Therapeutics Limited, Jacka and Red Sky Energy Limited and a prepayment of £0.25 million (\$0.46 million, using an exchange rate of AUD/GBP = 0.544) for an exclusivity fee for the exclusive right to acquire an interest in the Poland Projects ('**Exclusivity Fee**') which subsequently converted into an investment in Gemini.
- Cash and cash equivalents decreased from \$5.79 million as at 30 June 2019 to \$1.89 million at 30 June 2020. The decrease of \$3.91 million was primarily the result of payments for exploration and evaluation expenditure of \$6.21 million and payments to suppliers, consultants and employees of \$1.35 million. This was partially offset by a capital raising of \$3.73 million which was allocated towards the work programmes on the Poland Projects.
- Other receivables of \$0.49 million mainly comprises a receivable arising from the payment of Exclusivity Fee. During the year ended 30 June 2020, the acquisition was completed which resulted in the Exclusivity Fee converting into ordinary shares in Gemini. As at 30 June 2020, this was then reflected as a financial asset at fair value through other comprehensive income ('**FVOCI**').
- Financial assets at FVOCI comprises listed and unlisted equity securities. Subsequent to 30 June 2020, Jacka was delisted from the ASX and as a result, Ansila's carrying value of its investment in Jacka was impaired to nil.
- The Company accounts for its ownership interest in Hartshead as an investment in associate as the Directors have determined that the Company has significant influence over Hartshead due to the 21.6% ownership interest and the common directorships of Chris Lewis and Andrew Matharu. The balance of \$33,099 as at 30 June 2020 relates to the Company's initial investment of \$326,230 less an impairment expense of \$198,710 during the year ended 30 June 2020 as well as the Company's share of Hartshead's losses after tax for the year ended 30 June 2020 of \$94,819. We note that there was also an insignificant foreign exchange gain in relation to the Company's investment in Hartshead, which arose as a result of positive exchange movements of the Australian Dollar relative to the Great British Pound.

## 5.6 Historical Statement of Profit or Loss and Comprehensive Income

| Statement of Profit or Loss and Other Comprehensive Income                                     | Audited<br>for the<br>year ended<br>30-Jun-20<br>\$ | Audited<br>for the<br>year ended<br>30-Jun-19<br>\$ | Audited<br>for the<br>year ended<br>30-Jun-18<br>\$ |
|------------------------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Interest income                                                                                | 12,339                                              | 118,954                                             | 101,598                                             |
| Other income                                                                                   | 50,000                                              | 47,254                                              | 74,200                                              |
| <b>Gross profit</b>                                                                            | <b>62,339</b>                                       | <b>166,208</b>                                      | <b>175,798</b>                                      |
| Exploration and evaluation expenditure                                                         | (5,768,069)                                         | 2,689,060                                           | (1,854,714)                                         |
| Depreciation expenses                                                                          | (85)                                                | (159)                                               | (1,136)                                             |
| Administrative expenses                                                                        | (2,133,532)                                         | (1,160,203)                                         | (1,244,599)                                         |
| Share-based payments expense                                                                   | (836,813)                                           | -                                                   | (312,467)                                           |
| Unrealised foreign exchange gain/(loss)                                                        | 37,361                                              | 90,344                                              | 260,350                                             |
| Share of net (loss) of associates accounted for using the equity method                        | (94,819)                                            | -                                                   | -                                                   |
| Impairment of investment in associate                                                          | (198,710)                                           | -                                                   | -                                                   |
| <b>Profit/(Loss) before income tax</b>                                                         | <b>(8,932,328)</b>                                  | <b>1,785,250</b>                                    | <b>(2,976,768)</b>                                  |
| Income tax expense                                                                             | -                                                   | -                                                   | -                                                   |
| <b>Profit/(Loss) after income tax for the period from continuing operations</b>                | <b>(8,932,328)</b>                                  | <b>1,785,250</b>                                    | <b>(2,976,768)</b>                                  |
| Other comprehensive income/(losses)                                                            |                                                     |                                                     |                                                     |
| Exchange differences on translation of foreign operations                                      | 25,880                                              | (3,612)                                             | (26,458)                                            |
| Changes in the fair value of financial assets at fair value through other comprehensive income | (446,395)                                           | (20,171)                                            | -                                                   |
| <b>Other comprehensive income/(losses) for the year, net of tax</b>                            | <b>(420,515)</b>                                    | <b>(23,783)</b>                                     | <b>(26,458)</b>                                     |
| <b>Total comprehensive income/(losses) for the year</b>                                        | <b>(9,352,842)</b>                                  | <b>1,761,467</b>                                    | <b>(3,003,226)</b>                                  |

Source: Ansila's audited financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

We note that the Company's auditor outlined the existence of material uncertainty relating to the going concern assumption in its audit report for the years ended 30 June 2018, 30 June 2019 and 30 June 2020. For all three audit reports, the material uncertainty arose due to Ansila's ongoing dispute with the Gabonese Government with regards to the Nkembe Project, where until the dispute is resolved, it is not possible to quantify the likely commitments and/or payable in relation to the Nkembe Project. Further, if the Company is unable to secure funding it will cast significant doubt about the Company's ability to continue as a going concern.

- Exploration and evaluation expenditure of \$5,768,069 for the year ended 30 June 2020 primarily relate to the Poland Projects. Exploration and evaluation expenditure of (\$2.69 million) relates to the amount payable to the DGH in Gabon in relation to fund contributions pursuant to the Nkembe PSC for approximately US\$2.91 million (\$3.94 million) based on the liability for fund contributions commencing on the date on which the Nkembe PSC was signed, being 11 January 2013. The date from which fund contributions were required to commence and therefore the Company's liability to make this payment is currently in dispute with the DGH. Ansila has received legal advice that no fund contributions are outstanding, as such, the amount has been classified as a contingent

liability and as a result the liabilities previously recognised have been reversed and recognised in the Statement of Profit or Loss.

- Administrative expenses of \$2,133,532 for the year ended 30 June 2020 comprised employee benefits expense of \$905,715, other expenses of \$620,354 and advisory and audit fees of \$607,433.
- Share-based payments expenses of \$836,313 for the year ended 30 June 2020 relates to the expense arising from performance rights transactions recognised during the year. The Board determined that Milestone 1 (defined in Section 5.7 as the completion of an initial feasibility study that derives a Net Present Value utilising a discount rate of 10% of the Gora project of not less than \$200 million based on a 2C Contingent Resource) was achieved in December 2019 resulting in a third of the rights vesting. As at 30 June 2020, management believe that the remaining milestones will be met and accordingly have recognised a share-based payments expense over the respective vesting periods.
- Impairment of investment in associate of \$198,710 for the year ended 30 June 2020 relates to the impairment of the Company's 21.6% ownership in Hartshead, with the carrying value at 30 June 2020 reflecting Ansila's share of the book value of Hartshead's net assets.

## 5.7 Capital Structure

The share structure of Ansila as at 12 October 2020 is outlined below:

|                                            | Number      |
|--------------------------------------------|-------------|
| Total Ordinary Shares on issue             | 508,772,127 |
| Top 20 Shareholders                        | 190,709,323 |
| Top 20 Shareholders - % of shares on issue | 37.48%      |

Source: Share registry report

The range of shares held in Ansila as at 12 October 2020 is as follows:

| Range of Shares Held | No. of Ordinary Shareholders | No. of Ordinary Shares | Percentage of Issued Shares (%) |
|----------------------|------------------------------|------------------------|---------------------------------|
| 1 - 1,000            | 103                          | 17,067                 | 0.00%                           |
| 1,001 - 5,000        | 203                          | 582,764                | 0.11%                           |
| 5,001 - 10,000       | 169                          | 1,383,070              | 0.27%                           |
| 10,001 - 100,000     | 1,162                        | 46,506,930             | 9.14%                           |
| 100,001 - and over   | 495                          | 460,282,296            | 90.47%                          |
| <b>TOTAL</b>         | <b>2,132</b>                 | <b>508,772,127</b>     | <b>100%</b>                     |

Source: Share registry report



As at 30 June 2020, the Existing Options and Existing Rights on issue are outlined below:

| Name                                               | Number of Options/Rights | Exercise Price (\$) | Expiry Date       |
|----------------------------------------------------|--------------------------|---------------------|-------------------|
| Existing Options                                   | 20,000,000               | 0.04                | 31 December 2022  |
| Existing Rights (unvested)                         | 58,844,991               | Nil                 | 30 September 2022 |
| Existing Rights (vested)                           | 6,000,000                | Nil                 | 30 September 2020 |
| <b>Total Number of Existing Options and Rights</b> | <b>84,844,991</b>        |                     |                   |
| <b>Cash Raised if Existing Options Exercised</b>   | <b>800,000</b>           |                     |                   |

Source: Ansila annual report for the year ended 30 June 2020

We note that Ansila currently has 5,703,550 partly paid shares on issue, each with an issue price of \$0.20 of which \$0.01 is paid with the balance payable at the election of the holder at any time. We also note that 6,000,000 Existing Rights have vested due to the relevant milestone being achieved.

### Terms of the Existing Rights

The performance milestones attached to the Existing Rights are as follows:

- Completion of an initial feasibility study that derives a Net Present Value (utilising a discount rate of 10%) of at least \$200 million for the Gora Project, based on a 2C Contingent Resource ('Milestone 1');
- Securing necessary funding to undertake the drilling of an additional well at the Poland Projects ('Milestone 2');
- The Company's volume-weighted average price ('VWAP') being at least \$0.05 over 10 consecutive trading days ('Milestone 3');
- The Company's VWAP being at least \$0.08 over 10 consecutive trading days ('Milestone 4');
- Securing necessary funding to commence production at the Poland Projects ('Milestone 5');
- Execution of a binding gas sale agreement on the Gora Project or oil sale agreement on the Nowa Sol Project with a third party ('Milestone 6'); and
- Successful completion of fracking and/or flow testing on the Poland Projects ('Milestone 7').

A third of the performance rights will be eligible to be converted into Shares upon achieving any of the seven milestones. Once three milestones have been achieved, 100% of the performance rights will vest and be eligible to be converted into Shares in Ansila. We note that Milestone 1 has already been achieved.

## 6. Profile of Hartshead

Hartshead is a private UK entity, which was incorporated in April 2019 as a special purpose vehicle with the objective of making a licence application in the United Kingdom Continental Shelf ('UKCS') 32<sup>nd</sup> Offshore Licensing Round. Hartshead applied for seven contiguous blocks in the UKCS 32<sup>nd</sup> Offshore Licensing Round, all located in the Permian Fairway of the UK Southern Gas Basin ('SG Basin').

On 3 September 2020, the UK OGA announced that Hartshead received the provisional award of five contiguous blocks in the SNS, offshore UK, containing four gas fields, undeveloped gas resources and two drill-ready exploration prospects.

Ansila is Hartshead's principal shareholder, and currently holds a 21.6% equity interest which it acquired as part of a seed capital raise conducted by Hartshead in July 2019 to fund the licence applications in the UK North Sea.

Additional information on the gas assets held by Hartshead can be found in the Independent Specialist Valuation Report contained in Appendix Three of our Report.

## 7. Economic analysis

### 7.1. Australia

#### Overview

The Australian economy grew at 2% over 2019. The Reserve Bank of Australia ('RBA') had predicted growth of approximately 2.75% for 2020, based on low interest rates, lower exchange rates, a rise in mining investment, high levels of spending on infrastructure and an expected recovery in residential construction. However, as a result of the COVID-19 outbreak and the Australian bushfires, this momentum has been significantly disrupted.

COVID-19 has led to the largest contraction in global economic activity since the 1930s. Labour markets have been severely disrupted, and inflation has declined. The easing of containment measures in some nations led to a new surge in infections, postponing a fuller and faster economic recovery. The global economic downturn has been concentrated in the services (mainly travel and hospitality) sector, with the manufacturing sector staging a recovery, initially in China, but then in other industrial nations.

The pandemic has had a significant impact on the Australian economy and financial system, along with creating considerable volatility in financial markets. Equity prices experienced sharp declines and the yield on government bonds reached historic lows in March 2020. Measures taken by the Australian government and the RBA have improved stability in equity and bond markets over recent months.

Globally, financial market conditions have rebounded from the period of dislocation in March, and over the past few months financial conditions have remained accommodative as interest rates have fallen to historical lows. The expectation that significant fiscal and monetary stimulus will be provided for an extended period, is supporting sentiment in financial markets.

#### Government Policies

The Australian Government introduced a range of stimulus measures in response to the impact of COVID-19 on the economy, totalling \$507 billion since the beginning of the pandemic.

Support from public policy has cushioned the effects of the health-related activity restrictions on incomes and will shape the recovery of the economy. In aggregate, household disposable income has been maintained throughout the pandemic, even as many people lost their jobs or worked fewer hours. The largest contributor to this support has been the \$101 billion JobKeeper program, which is estimated to have supported more than 25% of all workers nationwide. The program has been extended beyond September and will continue to support employment until March 2021, although at lower rates of subsidy and with changed eligibility criteria. The extension is targeting support to businesses and not-for-profits which continue to be significantly impacted by COVID-19.

Furthermore, additional payments to recipients of other forms of social assistance have boosted household incomes and will continue to do so over the next few quarters. Many households have also been able to supplement their income cash flows by withdrawing from their superannuation.

Further stimulus measures include the \$680 million Homebuilder Program announced on 4 June 2020, which was introduced to assist the residential construction market. The program provides eligible owner-occupiers with a grant of \$25,000 to build a new home or renovate an existing home.

In mid-March, the RBA introduced a comprehensive package of policy measures to support the Australian economy. The RBA announced it would implement further measures including focusing on lowering the cash rate and reducing the 3-year government bond yield to 0.25%. Since then, the RBA has purchased approximately \$50 billion worth of bonds in the secondary market. Although the target yield of 0.25% has been achieved, the RBA will continue to monitor the cash rate, which will remain in place until progress is made towards full employment level and medium term inflation between 2% and 3%.

In addition, the RBA introduced a three-year term funding facility which was provided for authorised deposit-taking institutions, such as commercial banks, unlocking access to additional funding, equivalent to 2% of their outstanding credit, at a fixed rate of 0.25% for three years.

The 2020-21 Federal Budget provided an additional \$98 billion of response and recovery support in the form of a \$74 billion new JobMaker Plan and \$25 billion in additional temporary and targeted supported under the COVID-19 Response Package.

The five-year JobMaker Plan focuses on driving sustainable, private sector led growth through the support of aggregate demand and job creation. Part of the plan involves lowering taxes by over \$50 billion, introducing the JobMaker Hiring Credit, which will provide businesses with incentives to take on additional employees aged between 16 and 35 years old and the Boosting Apprentices Wage Subsidy which will support up to 100,000 new apprentices and trainees.

## Economic Indicators

According to the RBA's baseline scenario, the Australian economy is expected to contract by approximately 6% over 2020, before growing by approximately 5% over 2021 and 4% over 2022. If realised, this would still leave the level of output below where it would have been, had the pandemic not occurred. The expected recovery will be supported by considerable fiscal and monetary policy easing, as well as accommodative financial conditions.

A quarterly decline in the Consumer Price Index ('CPI') inflation of 1.9% in the June quarter resulted in annual deflation of 0.3%. This represents the first period of annual deflation since the early 1960s and the largest quarterly decline in CPI inflation since the Australian Bureau of Statistics ('ABS') started recording quarterly CPI data in 1948. The decline was entirely accounted for by two temporary factors: the fall in petrol prices and the decision to make child care (and some preschool) free. The government subsidy, which also covered before- and after-school services, led to a 95% decline in child care prices in the June quarter, which singlehandedly subtracted 1.2% from inflation in the June quarter. The decline in inflation is anticipated to reverse in the September quarter as petrol prices begin to increase and fees for child care and preschool are being progressively reintroduced. According to the RBA's baseline scenario, inflation is expected to gradually increase to 1.5% by the end of 2022.

The COVID-19 outbreak has severely affected the labour market. The measured unemployment rate increased by more than 2% over the course of a few months, reaching 7.4% in the month of June, the

highest rate in more than two decades. Although some job losses have since been recovered as restrictions begin to ease and spending activity has picked up, employment still remains 5% lower than in mid-March.

The unemployment rate increased to 7.4% in August 2020, up from 6.2% in late June and 5.3% in January 2020. Employment fell by around 870,000 people over April and May. Some of these job losses have since been recovered as restrictions have been lifted and activity has picked up, but employment remains around 5% lower than in mid-March. The Australian Government's JobKeeper program introduced in March is currently subsidising 3.5 million jobs, in the absence of this program, employment would have declined much further.

The Australian dollar depreciated significantly during the height of the market turmoil in March 2020, but has since appreciated to be slightly above its level at the beginning of 2020. This appreciation is in line with the currencies of a range of other advanced economies against the backdrop of a depreciation of the United States dollar over recent months. The Australian dollar is now in a range that is broadly consistent with its fundamental determinants, namely, the terms of trade and the differential between interest rates in Australia and rates in major advanced economies.

## Outlook

There is considerable uncertainty for the near term outlook of the Australian economy with the outcome depending on the success of efforts to contain the coronavirus as well as the timeframe for social distancing measures currently in place. Further outbreaks of the virus and associated restrictions on activity are the key risks to the outlook. The measures taken to address the current outbreak in Victoria will further delay the economic recovery.

While uncertainty exists, the RBA is predicting that the downturn will be less than initially predicted, with the rate of infections declining and some restrictions being eased earlier than previously suggested. This has resulted in the RBA amending its forecast of -8% Gross Domestic Product ('GDP') growth to -6% for the 2020 financial year.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Phillip Lowe, Governor: Monetary Policy Decision 1 September, 7 July 2020, 2 June 2020, 5 May 2020, 7 April 2020 and 19 March 2020, [www.abs.gov.au](http://www.abs.gov.au) Consumer Price Index March August 2020, Australian Federal Government September 2020 Resources and Energy Quarterly, Australian Government 2020-21 Budget Overview.

## 7.2. United Kingdom

The UK economy contracted by 19.8% in the June 2020 quarter compared to the March 2020 quarter as a result of the national lockdown and the forced closure of businesses in the first half of 2020. Although a slight improvement to the 20.4% contraction initially estimated, the drop is the largest quarterly contraction since the start of record-keeping in 1955. Targeted virus-suppression efforts, coupled with uncertainty surrounding the trade deal between the UK and the European Union ('EU') has limited fourth-quarter GDP growth predictions to around 1.0%.

Vanguard Asset Management Limited ('Vanguard') expects UK GDP to contract by around 11% over the full 2020 calendar year. There is significant uncertainty surrounding the pace and path of the UK's recovery, especially in light of the growing number of COVID-19 cases which have led to another round of limited national restrictions and the outcome of the UK and EU trade negotiations.

Annual headline inflation in the UK was 0.2% in August 2020, compared with an annual inflation of 1.0% in July 2020. With the risk of tariff imposition if the UK and EU do not reach a trade agreement, coupled with monetary and fiscal stimulus, Vanguard expects inflation to rise towards the Bank of England's ('BOE') 2.0% target within the next two years.

The UK Government's fiscal support package in response to COVID-19 has so far reached £280 billion (approximately 10% of GDP). By comparison, the total stimulus package in response to the global financial crises amounted to £42 billion (approximately 2.1% of GDP). The size of the government's fiscal response means that debt as a percentage of GDP has risen above 100%, its highest level since 1961.

The UK Government's stimulus package includes public support measures such as the Coronavirus Job Retention Scheme ('CJRS'), which has helped to pay the wages of people in 9.6 million jobs, the Self-employed Income Support Scheme, the loan schemes and guarantees have prevented the record fall in output translating into a corresponding fall in employment. The UK Government will replace the CJRS with the Job Support Scheme from 1 November 2020 which is designed to protect viable jobs in businesses facing lower demand over the winter months due to COVID-19. Vanguard anticipates the UK unemployment rate to peak at around 8% in the first half of 2021.

At its meeting on 17 September 2020, the BOE maintained its bank rate at 0.10% and indicated it was more likely now than previously to implement negative interest rates in the event of a sustained economic downturn.

Source: [www.vanguardinvestor.co.uk](http://www.vanguardinvestor.co.uk) Vanguard economic update: October 2020

## 8. Industry analysis

### Oil & Gas industry

The primary products of the oil and gas industry are crude oil and natural gas, and to a lesser extent, liquefied petroleum gas, coal seam gas and shale oil and gas. Historically, oil and gas have been extracted from “conventional” plays in which the hydrocarbons are trapped by an overlying layer of permeable rock allowing for traditional extraction methods. However, oil and gas can also be found in other geological settings, such as shale formations. Shale oil and gas resources are formed within the organic rich shale source rock. As the low permeability of the shale inhibits the oil and gas from migrating to permeable reservoir rocks, shale oil and gas is often referred as “unconventional” plays or “tight” oil and gas.

Over the last decade, there has been significant growth in unconventional resource development due to breakthroughs in technology, which have resulted in resources located in shale and other tight formations becoming commercially viable.

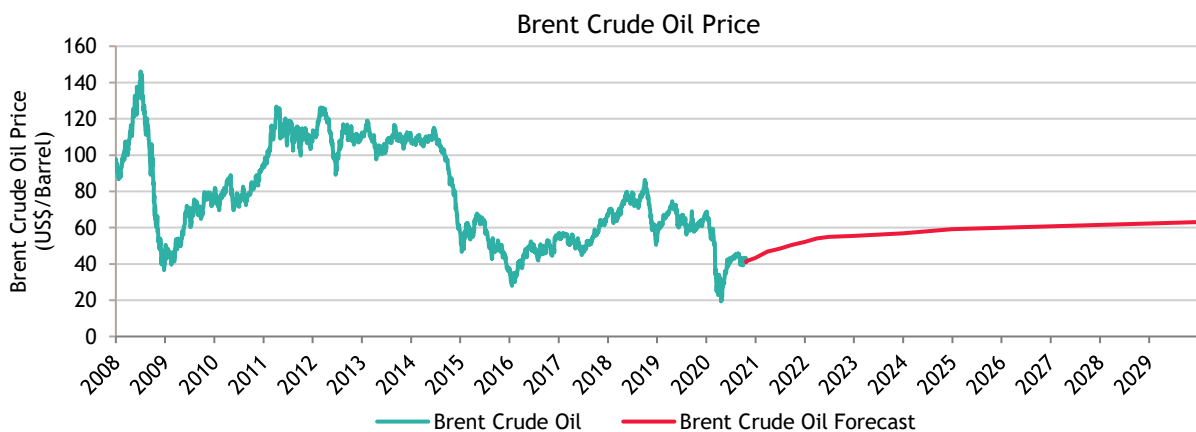
While the growth, cost and risk profiles of oil and gas industry products may vary, depending on the method and technology necessary for extraction, commodities are generally traded on the same market once extracted. Therefore, the global oil and gas industry is one of the largest in the world, and due to this size, is dominated by large, highly integrated companies. The significant capital investment and scale of operations in the industry creates significant barriers of entry.

The transport sector including road, rail, sea and air, accounts for the majority of global oil consumption, and as a result, demand for oil is largely influenced by global economic growth. According to the 2020 BP Statistical Review of World Energy, global oil consumption increased by 0.9% from 2018 levels to 98.3 million barrels of oil per day (**‘mm bbls/d’**) in 2019, led by the US, China and India. The International Energy Agency (**‘IEA’**) expects global oil consumption to be 91.9 mm bbls/d in 2020. The decrease is largely attributable to the fall in jet fuel demand, with the number of aviation kilometres travelled decreasing 80% compared to 2019.

Demand for natural gas is predominantly related to energy consumption for both industrial and household electricity production. The 2020 BP Statistical Review of World Energy estimated consumption of natural gas increased by 2.0% in 2019, slowing from its 10-year average increase of 2.5% per annum, to total 3.93 trillion cubic metres (**‘m<sup>3</sup>’**), led by the US, Russia and China. The IEA predicts global natural gas consumption to fall by 4% in 2020, marking the largest recorded demand shock in the history of global natural gas markets. This was largely a result of the COVID-19 pandemic hitting an already declining gas demand, coupled with historically mild temperatures over the first part of the year, reducing heating demand during the warm winter in the northern hemisphere.

## Historical pricing - Oil

Like all commodities, the price of oil is determined by supply and demand factors and as such, there can be significant price volatility. This is evident in the volatile price movements which often follow meetings held by the Organisation of the Petroleum Exporting Countries ('OPEC') to determine short-term oil supply. The supply of oil is also largely driven by the price. A higher price encourages production to increase, with producers taking advantage of increased profit margins, whilst lower prices force extraction companies to cut back on production capacity that is no longer viable. The graph below highlights the highly volatile nature of oil prices, particularly relevant following the 2007-08 Global Financial Crisis ('GFC') and outbreak of the COVID-19.



Source: Bloomberg and Consensus Economics

Early 2008 saw oil prices spike to a high of US\$140 per barrel causing production to jump. In the six months from June 2008 onwards, the price of oil declined to reach a low of approximately US\$30 per barrel in January 2009. Following the aftermath of the GFC, the oil price experienced a prolonged period in which the average price was approximately US\$100 per barrel, throughout 2011-2014. Over 2014-2016 however, global oversupply saw a fall in crude oil prices to below US\$50 per barrel. The price then recovered to almost US\$90 per barrel in October 2018 before moderating over 2019 to trade between US\$54 and US\$74 per barrel.

The COVID-19 outbreak has had visible effects on oil prices, influenced by both demand and supply factors. This is evident with oil prices falling from US\$65 per barrel in January 2020 to US\$25 in March 2020, including a one-day drop of 24% on 9 March 2020. This price reduction was largely driven by a decrease in the demand for oil as 80% of demand for crude oil in 2019 came from China, the centre of the COVID-19 outbreak. This represented a 55% fall in oil prices since the beginning of 2020 and the lowest price per barrel since early 2016. Containment measures have also resulted in a decline in domestic and international transport, with data suggesting that the fall in transport and industrial activity will negatively affect demand in coming periods.

On the supply side, a breakdown in talks between OPEC and Russia initially prompted Saudi Arabia to launch a price war and further lift production, however subsequent agreements saw the OPEC cut supply in various degrees over 2020, with gradual easing of cuts planned toward the latter part of the year.



## Industry outlook - Oil

The immediate outlook for the oil industry will depend on the containment of COVID-19 and the lingering impact that the outbreak will have on economic activity. The IEA expects global oil demand will fall in 2020 and will average around US\$43 per barrel, US\$18 lower than its previous estimate. This represents the first annual decline in over a decade and is largely due to the heavy concentration of oil demand growth in China for 2019 and the closing of national borders resulting in reduced transportation needs.

Given the eventual containment and return to normal levels of supply and demand, the world production of oil is expected to increase slightly over the next five years to 2025 by 5.9 mm bbls/d. Political unrest may have a negative effect on this growth rate however increases in production are expected from a number of countries including Brazil, Canada, Norway and Guyana, which is ultimately expected to drive this resurgence in demand. However, oil prices are expected to remain low due to the increases in supply. This continued low pricing will likely see a number of companies halt production. However, due to the nature of the industry, the timing of production quotas are difficult to predict and changes could alter world production volumes and prices significantly. Our analysis of consensus forecasts for Brent crude oil before and after the steep drop in oil prices showed that while there has been a clear downward revision in near to medium term forecasts, the long term oil price forecast (from 2025 to 2029) is expected to be around US\$63 per barrel.

## Gas - UK

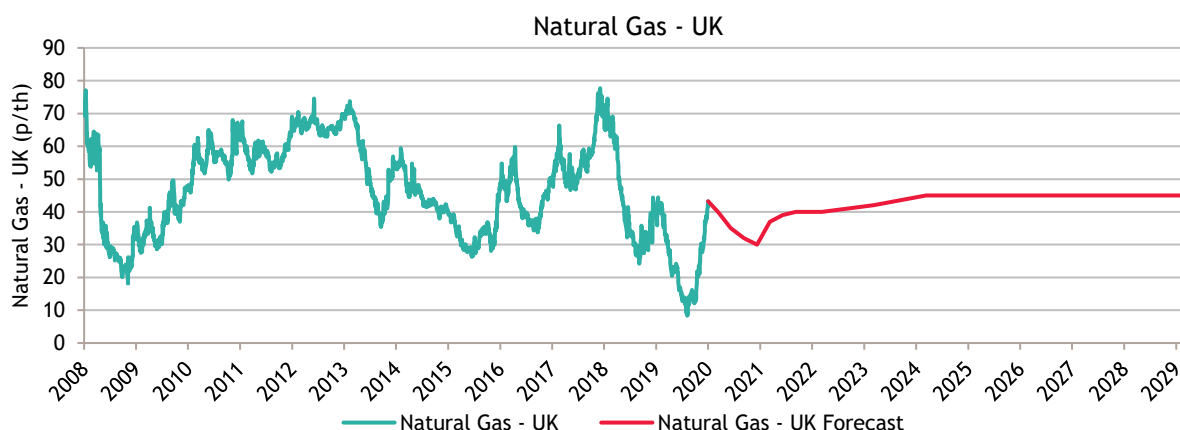
Gas prices in the UK are commonly referred to as the UK National Balancing Point ('NBP') price. The UK NBP gas market was established in the late 1990s, making it the oldest gas market in Europe and is extensively used as an indicator of price for Europe's wholesale gas market. The NBP gas price has been on a downward trajectory since 2019, reflecting global gas trends. Prices averaged 34.7 pence per therm ('p/th') in 2019 and fell to less than 30 p/th by the end of the year. This average represents almost half the NBP gas price as at the start of 2019 (60 p/th), a 42% decrease from the 2018 average (60 p/th) and sits 30% below the ten-year average (49 p/th).

UK gas demand fell by 2 billion m<sup>3</sup> in 2019, an annual decrease of 3.9% and is now 22% lower than 2009 demand levels. This trend is the result of primarily improved energy efficiency and changing energy use patterns. Following a significant increase in gas demand for electricity generation in 2016 as a means to offset declines coal usage, gas usage in power generation has since declined. In 2019, electricity generated from gas decreased 2% year-on-year and is now 10% lower than in 2016. The decline in gas demand and usage has been offset by an increase in generation from renewable sources including wind, solar, hydro and bioenergy.

This downward trend has continued throughout the first few months of 2020, with prices averaging 25 p/th through to mid-March and reaching low of 9.46 p/th in May. The ongoing decline has been the result of shifting supply and demand dynamics in the market and has resulted in challenges to gas operations across the EPB.

The UK benefits from a strong and increasingly diversified gas supply, including volumes flowing from domestic production, interconnectors with continental Europe and increasing liquefied natural gas ('LNG') shipments from around the world. Despite the decline in UK gas production in 2019, domestic supply was sufficient to meet 51% of national demand. However, around 20% of the produced volumes were exported, mainly to Belgium and the Republic of Ireland and the remainder used domestically. Remaining UK demand was met by pipeline imports from Norway and LNG shipments.





Source: Bloomberg and Consensus

The UK NBP prices have broadly moved in line with global gas prices, which converged at very low levels in the June 2020 quarter, as a result of several concurrent trends: weak oil prices, an ongoing global LNG supply glut and widespread demand reduction due to the impacts of COVID-19 containment measures. However, throughout COVID-19, natural gas prices held up comparatively better than oil due to its usage in power generation and heating, both of which are relatively inelastic.

## Industry Outlook - Gas

The outlook for gas depends on the region - Asian LNG for instance is expected to face excess supply and storage constraints, particularly after China cancelled LNG deliveries during its COVID-19 lockdown earlier in 2020. The US on the other hand, could see improving natural gas prices over the longer term as US shale production was reduced in response to the slide in crude oil prices. Our analysis of consensus forecasts for US natural gas prices indicates a sharp recovery expected over the year to March 2021 before gradually rising and approaching the long term forecast (from 2025 to 2029) of approximately US\$3/MMBtu.

## Oil & Gas - UK

Growing flexibility in the UK gas market - mainly provided by the increase in LNG availability - has fundamentally changed the dynamics of the UK gas market. The increase in physical linkages and exposure to other international gas price markets continue to apply significant downward pressure on NBP prices. OGUK predict that in the short-term, given ample volumes of continental gas and LNG imports, it is likely that the UK market will continue to be oversupplied, which will act to keep NBP prices relatively low.

In 2019, the UK government legislated that the UK will achieve net zero greenhouse gas emissions by 2050. The UK oil and gas industry will play a vital role in reshaping the future energy mix to achieve a net zero emissions outcome. This will be achieved through reducing the emissions from the extraction and processing of gas, alongside supporting the development of alternative, low-carbon energy sources.

According to consensus forecasts, UK natural gas prices are expected to decline in the near to medium term to approximately 30 p/th, before gradually increasing in the long-term (from 2025 to 2029) to approximately 45 p/th.

## Oil & Gas - Poland

Poland's energy consumption is heavily dependent on oil and gas imports. The Polish natural gas market is one of the largest in Central and Eastern Europe, being the only country in the European Union that has

reported continuous annual gas consumption growth. According to the forecasts of the Polish Ministry of Energy, the annual gas consumption in Poland will exceed 20 billion m<sup>3</sup> by 2030.

Increasing LNG shipments to Poland, coupled with the planned construction of the Baltic Pipe are unlikely to decrease the cost of gas sold. The current plan employed by the Polish Government to reduce Gazprom gas supplies to a bare minimum is anticipated to result in higher market gas prices. The World Bank forecasts EU gas prices to show mild growth between 2019 and 2023 at price levels between US\$6.60 and US\$7.10/MMBtu.

Oil & gas exploration and production activities within Poland are covered by a joint exploration, appraisal and production concession, awarded for a fixed term of 30 years. The Polish Ministry of Energy has the authority to award licences and is the regulator for concession and mineral extraction laws.

*Sources: US Energy Information Administration, 2020 BP Statistical Review of World Energy, IBIS World, the International Energy Agency Oil Market Report - May 2020, Energy & Metals Consensus Forecasts by Consensus Economics for May 2020, IEA Oil Market Report - August 2020, IEA Gas 2020 Report, ERCE, UK Natural Gas NBP Spot Price, OGUK, Business Outlook 2020 - Markets & Investment, OGUK, Business Outlook 2020 - Security of Supply and BDO analysis.*

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME');
- Discounted cash flow ('DCF');
- Quoted market price basis ('QMP'); and
- Net asset value ('NAV').

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a 'sum-of-parts' ('Sum-of-Parts') valuation.

The approach using the Sum-of-Parts involves separately valuing each asset and liability of the company. The value of each asset may be determined using different methods as described above.

There is no fundamental change to the assets and liabilities of Ansila prior to and following the Transaction, rather the Transaction results in an increase in Ansila's interest in Hartshead and the cash raised from the Placement. Therefore, we consider it important to be consistent in the valuation approaches adopted prior to and following the Transaction.

### 9.1. Value of Ansila prior to the Transaction

In our assessment of the value of an Ansila share prior to the Transaction, we have chosen to employ the following methodologies:

- Sum-of-Parts, which estimates the market value of a company by assessing the realisable value of its identifiable assets and liabilities. The value of each asset and liability may be determined using different methods and the component parts are then aggregated using the NAV methodology. The

value derived from this methodology reflects a control value, therefore we have applied a minority interest discount to the NAV where appropriate; and

- QMP, as this represents the value that a Shareholder may receive for a share if it were sold on market. The value derived from this methodology reflects a minority interest value.

We have employed the Sum-of-Parts methodology in estimating the fair market value of Ansila by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following, the:

- Value of Ansila's projects in Poland, Gabon and Madagascar;
- Value of Ansila's 21.6% interest in Hartshead;
- Value of Ansila's 14.7% interest in Jacka;
- Value of Ansila's 2.1% interest in Gemini; and
- Value of Ansila's other assets and liabilities.

We have chosen these methodologies for the following reasons:

- Ansila's projects do not currently generate any income nor are there any historical profits that could be used to represent future earnings, so the FME approach is not appropriate;
- Ansila has no foreseeable future net cash inflows, on which we would have sufficient reasonable grounds in accordance with RG 170 and IS 214, so we do not consider the application of the DCF valuation approach to be appropriate;
- Ansila's projects are currently non-producing assets and no revenue or cash flows are currently generated by these assets. We have commissioned RISC Advisory Pty Ltd ('RISC'), an independent technical specialist to value Ansila's projects prior to the Transaction. Therefore, we consider the Sum-of-Parts approach to be an appropriate methodology to use in assessing the value of an Ansila share prior to the Transaction; and
- The QMP basis is a relevant methodology to consider because Ansila's shares are listed on the ASX. This means there is a regulated and observable market where Ansila's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the listed shares should be liquid and the market should be fully informed of the Company's activities. As detailed in Section 10.2, we consider there to be a liquid and active market for Ansila's shares, therefore we have considered the QMP approach in determining the value of an Ansila share prior to the Transaction.

## Technical Expert

In performing our valuation of Ansila's projects in Poland, Gabon and Madagascar and Ansila's 21.6% interest in Hartshead, we have relied on the Independent Valuation Report prepared by RISC, which includes an assessment of the market value of Ansila's projects in Poland, Gabon and Madagascar as well as its indirect interest in the assets held by Hartshead.

We instructed RISC to provide an independent market valuation of Ansila's projects in Poland, Gabon and Madagascar. RISC considered a number of different valuation methods when valuing these assets. We consider the methodologies used by RISC to be reasonable and in accordance with industry practice and regulatory guidelines.

Notwithstanding, given the limitations imposed on RISC from RG 170 and IS 214 in terms of their approach to valuing the oil and gas assets, the value ascribed by RISC may not fully capture the potential upside

that is being factored in by the market. As such, we have also assessed the value of Ansila prior to the Transaction using the QMP approach.

## **9.2. Value of Ansila following the Transaction**

For our valuation of an Ansila share following the Transaction, we have utilised a Sum-of-Parts valuation for the reasons set out above. The only difference between the valuation of an Ansila share prior to the Transaction and the valuation of an Ansila share following the Transaction is the interest in Hartshead increasing from 21.6% to 100%, as well as the issue of the Consideration Shares, the shares issued pursuant to the Placement and the issue of the Advisor Shares. There are no material assets or liabilities in Hartshead other than the oil and gas assets that have been separately valued by RISC. The independent valuation provided by RISC is based on more than one methodology, therefore we do not consider it required to utilise a secondary methodology (in accordance with RG 111.82 and RG 111.84) when valuing Ansila following the Transaction. However, as stated in Section 9.1, we consider it appropriate to use a consistent valuation approach to that used for the valuation prior to the Transaction. As such, we have also presented the valuation of Ansila following the Transaction using a market based approach. The market approach involves implying a market valuation of Ansila's interest in Hartshead prior to the Transaction by adjusting the market capitalisation for the residual assets and liabilities of Ansila. The methodologies used for valuing Ansila following the Transaction form the basis of our assessment of the value of the consideration paid for the Assets to be Acquired.

## 10. Valuation of Ansila prior to the Transaction

Our valuation of Ansila prior to the Transaction involves the following:

- Sum-of-Parts method as our primary valuation methodology (Section 10.1); and
- QMP of Ansila as our secondary valuation methodology (Section 10.2).

### 10.1 Sum-of-Parts

We have employed the Sum-of-Parts methodology in estimating the fair market value of an Ansila share prior to the Transaction, by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration of the following:

- Value of Ansila's projects in Poland, Gabon and Madagascar;
- Value of Ansila's 21.6% interest in Hartshead;
- Value of Ansila's 14.7% interest in Jacka;
- Value of Ansila's 2.1% interest in Gemini; and
- Value of Ansila's other assets and liabilities.

Our Sum-of-Parts valuation is set out in the table below:

| Valuation of Ansila prior to the Transaction                    | Ref    | Low<br>\$        | Preferred<br>\$  | High<br>\$       |
|-----------------------------------------------------------------|--------|------------------|------------------|------------------|
| Value of Ansila's projects in Poland, Gabon and Madagascar      | 10.1.1 | -                | -                | -                |
| Value of Ansila's investment in Hartshead (21.6%)               | 10.1.2 | 25,331           | 117,622          | 147,076          |
| Value of Ansila's investment in Jacka                           | 10.1.3 | -                | -                | -                |
| Value of Ansila's investment in Gemini                          | 10.1.4 | 459,533          | 459,533          | 459,533          |
| Value of Ansila's other assets and liabilities                  | 10.1.5 | 1,068,121        | 1,068,121        | 1,068,121        |
| <b>Total value of Ansila prior to the Transaction (control)</b> |        | <b>1,552,985</b> | <b>1,645,276</b> | <b>1,674,730</b> |
| Number of shares on issue prior to the Transaction              | 5.7    | 508,772,127      | 508,772,127      | 508,772,127      |
| <b>Value per share prior to the Transaction (control)</b>       |        | <b>\$0.0031</b>  | <b>\$0.0032</b>  | <b>\$0.0033</b>  |
| Minority interest discount                                      | 10.1.6 | 26%              | 23%              | 20%              |
| <b>Value per share prior to the Transaction (minority)</b>      |        | <b>\$0.0023</b>  | <b>\$0.0025</b>  | <b>\$0.0026</b>  |

We have assessed the value of an Ansila share prior to the Transaction (on a minority interest basis) to be in the range of \$0.0023 to \$0.0026 with a rounded preferred value of \$0.0025.

We note that Ansila has 20,000,000 Existing Options and 64,884,991 Existing Rights on issue. We have presented the undiluted value of an Ansila share prior to the Transaction on the basis that the Existing Options and Existing Rights are out of the money prior to the Transaction.

#### 10.1.1. Valuation of Ansila's projects in Poland, Gabon and Madagascar

In performing our valuation of Ansila's mineral assets, we have relied on the Independent Technical Assessment and Valuation Report prepared by RISC which includes an assessment of the market value of

Ansila's projects in Poland, Gabon and Madagascar. Based on RISC's review of Ansila's projects in Poland, Gabon and Madagascar, in the current market they consider the projects to have negligible value. As such, a value of nil has been attributed to these assets. For further information on RISC's approach and conclusions, refer to the RISC report, which is included as Appendix Three of Our Report.

### 10.1.2. Valuation of Ansila's investment in Hartshead

Set out below is our valuation of Ansila's 21.6% investment in Hartshead. Based on the unaudited accounts as at 30 September 2020, we have assessed the NAV of Hartshead to be as follows:

| NAV                                    | Note | Unaudited as at<br>30-Sep-20<br>£ | Low<br>£       | Preferred<br>£ | High<br>£      |
|----------------------------------------|------|-----------------------------------|----------------|----------------|----------------|
| <b>CURRENT ASSETS</b>                  |      |                                   |                |                |                |
| Cash and cash equivalents              |      | 58,874                            | 58,874         | 58,874         | 58,874         |
| Uncategorised asset                    |      | 1,180                             | 1,180          | 1,180          | 1,180          |
| <b>TOTAL CURRENT ASSETS</b>            |      | <b>60,054</b>                     | <b>60,054</b>  | <b>60,054</b>  | <b>60,054</b>  |
| <b>NON-CURRENT ASSETS</b>              |      |                                   |                |                |                |
| E&E assets                             | a)   | -                                 | -              | 235,000        | 310,000        |
| Data                                   |      | 195                               | 195            | 195            | 195            |
| Software                               |      | 865                               | 865            | 865            | 865            |
| <b>TOTAL NON-CURRENT ASSETS</b>        |      | <b>1,060</b>                      | <b>1,060</b>   | <b>236,060</b> | <b>311,060</b> |
| <b>TOTAL ASSETS</b>                    |      | <b>61,115</b>                     | <b>61,115</b>  | <b>296,115</b> | <b>371,115</b> |
| <b>CURRENT LIABILITIES</b>             |      |                                   |                |                |                |
| VAT Control                            |      | (3,385)                           | (3,385)        | (3,385)        | (3,385)        |
| <b>TOTAL LIABILITIES</b>               |      | <b>(3,385)</b>                    | <b>(3,385)</b> | <b>(3,385)</b> | <b>(3,385)</b> |
| <b>NET ASSETS (100%)</b>               |      | <b>64,500</b>                     | <b>64,500</b>  | <b>299,500</b> | <b>374,500</b> |
| Interest owned by Ansila (%)           |      | 21.60%                            | 21.60%         | 21.60%         | 21.60%         |
| Value of Ansila's interest (£)         |      | 13,932                            | 13,932         | 64,692         | 80,892         |
| AUD/GBP Exchange Rate                  | b)   | 0.550                             | 0.550          | 0.550          | 0.550          |
| <b>Value of Ansila's interest (\$)</b> |      | <b>25,331</b>                     | <b>25,331</b>  | <b>117,622</b> | <b>147,076</b> |

Source: Hartshead's unaudited financial statements for the period ended 30 September 2020, RISC's Report and Bloomberg

We have not undertaken a review of Hartshead's unaudited management accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

#### Note a) Exploration assets

In performing our valuation of Hartshead's gas exploration assets, we have relied on the Independent Technical Assessment and Valuation Report prepared by RISC which includes an assessment of the market value of Hartshead's gas assets.

We instructed RISC to provide an independent market valuation of the exploration assets held by Hartshead. RISC considered a number of different valuation methods when valuing the exploration assets of Hartshead. RISC applied the future cost farm-in approach as their primary valuation approach and the comparable transactions methodology as their secondary approach.

The range of values for each of Hartshead's exploration assets as determined by RISC is set out below:

| Gas exploration assets                       | Low Value | Preferred Value | High Value |
|----------------------------------------------|-----------|-----------------|------------|
|                                              | £         | £               | £          |
| Value of gas assets held by Hartshead (100%) | -         | 235,000         | 310,000    |

Source: RISC Report

The table above indicates a range of values between nil and £310,000, with a preferred value of £235,000.

#### Note b) AUD/GBP Exchange Rate

We have used the average AUD/GBP exchange rate over the 20 days to 24 October 2020 using data sourced from Bloomberg. We have adopted an AUD/GBP exchange rate of 0.550 (GBP/AUD = 1.820) to convert Ansila's 21.6% interest in Hartshead into Australian dollar terms. This is consistent with the exchange rate used by RISC.

#### 10.1.3. Valuation of Ansila's investment in Jacka

As detailed in Section 5.5, Jacka was delisted from the ASX subsequent to 30 June 2020. As a result, the carrying value of Ansila's investment in Jacka was impaired to nil, which is the value we have used in our Sum-of-Parts method. Nothing has come to our attention to suggest that the market value of this investment would differ materially from the book value, therefore we have relied on the audited book value of this investment.

#### 10.1.4. Valuation of Ansila's investment in Gemini

According to the Company's financial accounts as at 30 June 2020, Ansila's 2.1% investment in Gemini has a carrying value of \$459,533, which is the value we have used in our Sum-of-Parts method. This value is derived from the cost of the Exclusivity Fee that was paid for the exclusive right to acquire an interest in the Poland Projects. This was reclassified as a financial asset at 30 June 2020. Nothing has come to our attention to suggest that the market value of this investment would differ materially from the book value, therefore we have relied on the audited book value of this investment.

### 10.1.5. Valuation of Ansila's other assets and liabilities

The other assets and liabilities of Ansila are not captured in RISC's valuation of Ansila's projects. From our discussions with Ansila and analysis of these other assets and liabilities, outlined in the table below, we do not believe that there is a material difference between their book value and their fair value unless an adjustment has been noted below.

| Value of Ansila's other assets and liabilities | Note | Audited<br>as at 30-Jun-20<br>\$ | Adjusted<br>\$   |
|------------------------------------------------|------|----------------------------------|------------------|
| <b>CURRENT ASSETS</b>                          |      |                                  |                  |
| Cash and cash equivalents                      | a)   | 1,889,593                        | 1,599,664        |
| Other receivables                              |      | 17,397                           | 17,397           |
| <b>TOTAL CURRENT ASSETS</b>                    |      | <b>1,906,990</b>                 | <b>1,617,061</b> |
| <b>NON-CURRENT ASSETS</b>                      |      |                                  |                  |
| Plant and equipment                            |      | 4,294                            | 4,294            |
| Financial assets at FVOCI                      | b)   | 459,534                          | -                |
| Investment in associate                        | c)   | 33,099                           | -                |
| <b>TOTAL NON-CURRENT ASSETS</b>                |      | <b>496,927</b>                   | <b>4,294</b>     |
| <b>TOTAL ASSETS</b>                            |      | <b>2,403,917</b>                 | <b>1,621,355</b> |
| <b>CURRENT LIABILITIES</b>                     |      |                                  |                  |
| Trade and other payables                       |      | 553,234                          | 553,234          |
| <b>TOTAL LIABILITIES</b>                       |      | <b>553,234</b>                   | <b>553,234</b>   |
| <b>NET ASSETS</b>                              |      | <b>1,850,683</b>                 | <b>1,068,121</b> |

Source: Ansila's audited financial statements for the year ended 30 June 2020 and BDO analysis

We have been advised that there has not been a significant change in the net assets of Ansila since 30 June 2020 other than those adjustments noted below. The table above indicates the value of Ansila's other assets and liabilities is \$1,068,121.

We note the following in relation to the above valuation of Ansila's other assets and liabilities:

#### Note a): Cash and cash equivalents

Cash and cash equivalents reduced to \$1,599,664 largely as a result of general operating costs, specifically exploration costs in relation to the Company's oil and gas assets.

#### Note b): Financial assets at FVOCI

Financial assets at FVOCI refers to Ansila's investment in Gemini, which has been valued separately in Section 10.1.4.

#### Note c): Investment in associate

Investment in associate refers to Ansila's investment in Hartshead, which has been valued separately in Section 10.1.2.



### 10.1.6. Minority interest discount

The value of Ansila prior to the Transaction derived under the Sum-of-Parts approach is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence on the operations and value of the company. However, as set out in Section 3.2, we do not consider the Transaction to be a control transaction and as such consider it appropriate to present the value of an Ansila share on a minority interest basis.

Therefore, we have adjusted our valuation of an Ansila share prior to the Transaction to reflect the minority interest holding. The minority discount is based on the inverse of the control premium and is calculated using the formula:  $1 - (1 / (1 + \text{control premium}))$ .

We have reviewed the control premiums on completed transactions, paid by acquirers of both oil & gas companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e less than a 0% premium). We have assumed our findings below.

#### Oil & Gas Companies

| Year | Number of Transactions | Average Deal Value (\$m) | Average Control Premium (%) |
|------|------------------------|--------------------------|-----------------------------|
| 2020 | 1                      | 4.71                     | 0.93                        |
| 2019 | 1                      | 13.31                    | 30.24                       |
| 2018 | 2                      | 570.19                   | 16.58                       |
| 2017 | 1                      | 10.86                    | 37.93                       |
| 2016 | 1                      | 339.72                   | 21.32                       |
| 2015 | 4                      | 111.40                   | 14.60                       |
| 2014 | 4                      | 684.20                   | 64.78                       |
| 2013 | 3                      | 65.82                    | 31.02                       |
| 2012 | 2                      | 222.52                   | 49.85                       |
| 2011 | 4                      | 200.16                   | 34.70                       |
| 2010 | 3                      | 1265.25                  | 56.89                       |

Source: Bloomberg, BDO Analysis

## ASX-Listed Companies

| Year | Number of Transactions | Average Deal Value (\$m) | Average Control Premium (%) |
|------|------------------------|--------------------------|-----------------------------|
| 2020 | 18                     | 311.60                   | 54.30                       |
| 2019 | 45                     | 3026.62                  | 38.82                       |
| 2018 | 45                     | 1101.19                  | 41.23                       |
| 2017 | 29                     | 973.72                   | 43.33                       |
| 2016 | 42                     | 718.51                   | 49.58                       |
| 2015 | 34                     | 828.14                   | 34.10                       |
| 2014 | 46                     | 507.34                   | 39.97                       |
| 2013 | 41                     | 128.21                   | 50.99                       |
| 2012 | 51                     | 481.33                   | 52.19                       |
| 2011 | 68                     | 891.85                   | 44.43                       |
| 2010 | 53                     | 574.61                   | 44.37                       |

Source: Bloomberg, BDO Analysis

The mean and the median of the entire data sets comprising control transactions from 2010 onwards for oil & gas companies and all ASX-listed companies is set out below:

| Entire Data Set Metrics | Oil & Gas Companies |                     | All ASX-Listed Companies |                     |
|-------------------------|---------------------|---------------------|--------------------------|---------------------|
|                         | Deal Value (\$m)    | Control Premium (%) | Deal Value (\$m)         | Control Premium (%) |
| <b>Mean</b>             | 381.93              | 36.28               | 932.40                   | 44.89               |
| <b>Median</b>           | 69.07               | 35.52               | 120.19                   | 35.12               |

Source: Bloomberg, BDO Analysis

In arriving at an appropriate control premium to apply observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

The table above indicates that the long-term average control premium paid by acquirers of oil & gas companies and all ASX-listed companies is approximately 36.28% and 44.89% respectively. However, in assessing the transactions included in the table, we noted transactions that appear to be extreme outliers.

These outliers included two oil & gas company transactions and 34 ASX-listed company transactions in total, for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas, the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 35.52% for oil & gas companies and 35.12% for all ASX-listed companies.

We consider an appropriate control premium to be on the lower end of historical averages as a result of the degree of business risk faced by small, early-stage exploration companies. As Ansila's current operations are relatively small and early stage in the exploration phase, we consider it unlikely that an acquirer would be willing to pay a control premium in line with historical averages. As such, we consider an appropriate premium for control to be between 25% and 35%.

An assessed control premium of 25% to 35% with a midpoint value of 30%, gives rise to a rounded minority interest discount in the range of 20% to 26%, with a rounded midpoint of 23%.

## 10.2 Quoted Market Prices for Ansila Securities

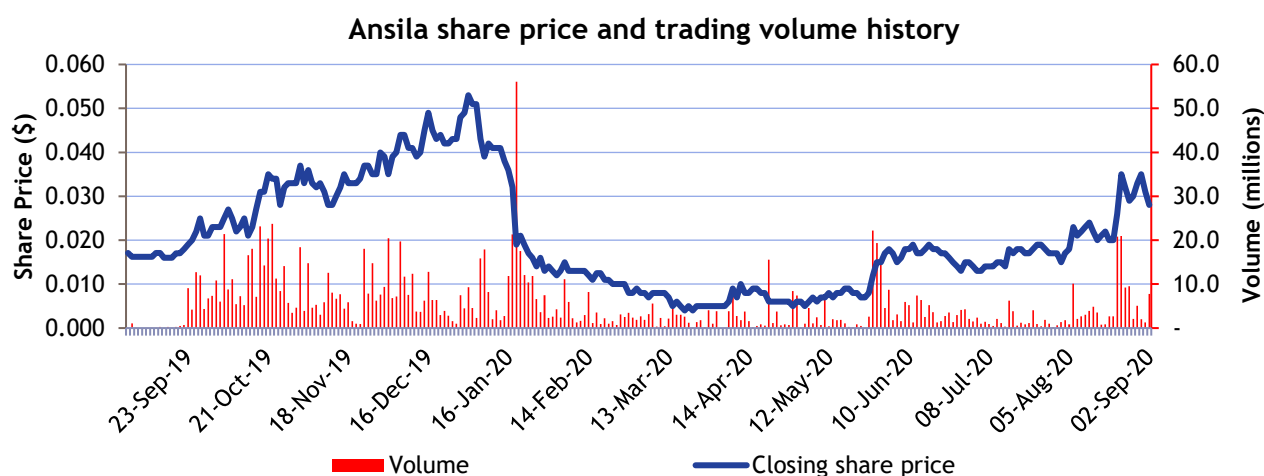
To provide a comparison to the valuation of Ansila in Section 10.1, we have also assessed the quoted market price for an Ansila share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

### Minority interest value

Our analysis of the quoted market price of an Ansila share is based on the pricing prior to the announcement of the Transaction. This is because the value of an Ansila share after the announcement may include the effects of any change in value as a result of the Transaction.

The Company has been in trading halts and voluntary suspension since 3 September 2020, pending the announcement of the Transaction. Therefore, the following chart provides a summary of the share price movement over the 12 months to 2 September 2020, which was the last full trading day prior to the trading halts and voluntary suspension.



Source: Bloomberg

The daily price of Ansila shares from 2 September 2019 to 2 September 2020 has ranged from a low of \$0.004 on 23 March 2020 to a high of \$0.053 on 2 January 2020. The daily volume of shares remained stable over the assessed period. The highest single trading day over the assessed period was 20 January 2020, when 56,068,680 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

| Date       | Announcement                                                | Closing Share Price Following Announcement<br>\$ (movement) |   |       | Closing Share Price Three Days After Announcement<br>\$ (movement) |   |       |
|------------|-------------------------------------------------------------|-------------------------------------------------------------|---|-------|--------------------------------------------------------------------|---|-------|
| 24/08/2020 | Response to ASX Price Query                                 | 0.035                                                       | ▲ | 34.6% | 0.030                                                              | ▼ | 14.3% |
| 15/07/2020 | Gora Concession - Operational and Financial Update          | 0.018                                                       | ▲ | 28.6% | 0.018                                                              | ► | 0.0%  |
| 28/05/2020 | Response to ASX Price Query                                 | 0.015                                                       | ▲ | 25.0% | 0.018                                                              | ▲ | 20.0% |
| 20/04/2020 | Gora Concession - Operational Update                        | 0.008                                                       | ► | 0.0%  | 0.006                                                              | ▼ | 25.0% |
| 19/03/2020 | Withdrawal from Nowa Sol Concession and Jany-C1 Programme   | 0.004                                                       | ▼ | 20.0% | 0.005                                                              | ▲ | 25.0% |
| 16/03/2020 | Half Year Report and Accounts                               | 0.005                                                       | ▼ | 28.6% | 0.004                                                              | ▼ | 20.0% |
| 20/01/2020 | Siciny-2 Well Appraisal - Operational Update                | 0.019                                                       | ▼ | 40.6% | 0.017                                                              | ▼ | 10.5% |
| 17/01/2020 | Change of Director's Interest Notices - Lewis and Matharu   | 0.032                                                       | ▼ | 11.1% | 0.019                                                              | ▼ | 40.6% |
| 11/12/2019 | Siciny-2 Appraisal - Successful Pumping of Frac Stimulation | 0.039                                                       | ▼ | 4.9%  | 0.049                                                              | ▲ | 25.6% |
| 02/12/2019 | Investor Presentation                                       | 0.035                                                       | ▼ | 10.3% | 0.044                                                              | ▲ | 25.7% |
| 12/11/2019 | Ceasing to be a substantial holder from ANA                 | 0.028                                                       | ► | 0.0%  | 0.035                                                              | ▲ | 25.0% |
| 21/10/2019 | Notice of Annual General Meeting                            | 0.035                                                       | ▲ | 12.9% | 0.028                                                              | ▼ | 20.0% |
| 17/10/2019 | Siciny-2 Appraisal Drilling Preparations Commence           | 0.031                                                       | ▲ | 14.8% | 0.034                                                              | ▲ | 9.7%  |
| 16/10/2019 | Change of Name and ASX Code                                 | 0.027                                                       | ▲ | 17.4% | 0.035                                                              | ▲ | 29.6% |

Source: Bloomberg, BDO Analysis

On 24 August 2020, Ansila released a response to a price query issued by the ASX. In the response, the Company noted it was not aware of any information that had not been announced, and it did not provide any other explanation for the price change of the Company's securities. On this day, the share price increased 34.6% to close at \$0.035, before decreasing by 14.3% over the subsequent three-day period to close at \$0.030.

On 15 July 2020, Ansila released an operational and financial update in relation to the Gora Concession. On the date of the announcement, the share price increased 28.6% to close at \$0.018 and remained unchanged over the subsequent three-day period.

On 28 May 2020, Ansila released a response to a price query issued by the ASX. In the response, the Company noted it was not aware of any information that had not been announced, and it did not provide any other explanation for the price change of the Company's securities. On this date, the share price increased 25.0% to close at \$0.015, before further increasing by 20.0% over the subsequent three-day period to close at \$0.018.

On 19 March 2020, Ansila announced it had withdrawn from the Nowa Sol concession and Jany-C1 well work program, as a result of COVID-19 and a weakening in the oil price. On the date of the announcement, the share price decreased 20.0% to close at \$0.004, before increasing by 25.0% over the subsequent three-day period to close at \$0.005.

On 16 March 2020, Ansila released its Half Year Report and Accounts, which highlighted key developments during the period, including the commencement of operations at the Gora licence and the commitment to undertake operations at Nowa Sol. On the date of the announcement, the share price decreased 28.6% to close at \$0.005, before further decreasing by 20.0% over the subsequent three-day period to close at \$0.004.

On 20 January 2020, Ansila released an operational update in relation to the Siciny-2 well, which outlined the confirmation of hydrocarbon gas in reservoir and free gas at surface and the commencement of a long-term transient pressure build-up test. On the date of the announcement, the share price decreased 40.6% to close at \$0.019, before further decreasing by 10.5% over the subsequent three-day period closing at \$0.017.

On 11 December 2019, Ansila announced the completion of the pumping of a hydraulic fracture stimulation of the Siciny-2 well prior to the well test scheduled for late December 2019. On the date of the announcement, the share price decreased 4.9% to close at \$0.039, before increasing by 25.6% over the subsequent three-day period to close at \$0.049.

On 2 December 2019, Ansila released its Investor Presentation, in which it highlighted that it would earn-in for 36% interest in the Nowa Sol and Gore onshore oil & gas projects secured via a combined spend of £3.38 million. On the date of the announcement, the share price decreased 10.3% to close at \$0.035, before increasing by 25.7% over the subsequent three-day period to close at \$0.044.

On 17 October 2019, Ansila announced that the Siciny-2 well appraisal drilling preparations had commenced. On the date of the announcement, the share price increased 14.8% to close at \$0.031, before further increasing by 9.7% over the subsequent three-day period to close at \$0.034.

To provide further analysis of the market prices for an Ansila share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 2 September 2020.

| Share Price per unit                 | 02-Sep-20 | 10 Days | 30 Days | 60 Days | 90 Days |
|--------------------------------------|-----------|---------|---------|---------|---------|
| Closing price                        | \$0.028   |         |         |         |         |
| Volume weighted average price (VWAP) |           | \$0.029 | \$0.026 | \$0.023 | \$0.019 |

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Ansila shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in Ansila shares for the twelve months to 2 September 2020 is set out below:

| Trading days | Share price<br>low | Share price<br>high | Cumulative volume<br>traded | As a % of<br>Issued capital |
|--------------|--------------------|---------------------|-----------------------------|-----------------------------|
| 1 Day        | \$0.028            | \$0.031             | 7,802,577                   | 1.53%                       |
| 10 Days      | \$0.019            | \$0.035             | 81,512,113                  | 16.02%                      |
| 30 Days      | \$0.015            | \$0.035             | 129,017,490                 | 25.36%                      |
| 60 Days      | \$0.013            | \$0.035             | 204,433,644                 | 40.18%                      |
| 90 Days      | \$0.005            | \$0.035             | 336,815,745                 | 66.20%                      |
| 180 Days     | \$0.004            | \$0.054             | 764,557,807                 | 150.28%                     |
| 1 Year       | \$0.004            | \$0.054             | 1,352,251,809               | 265.79%                     |

Source: Bloomberg, BDO analysis

This table indicates that Ansila's shares display a high level of liquidity, with 265.79% of the Company's current issued capital being traded in a twelve month period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

We have also assessed the trading volumes for Ansila shares on a weekly basis over the twelve months prior to the 2 September 2020, being the last full trading day prior to the trading halts and voluntary suspension and found the mean and median weekly trading volume was approximately 5.0% and 3.4% of the Company's issued capital respectively. Of the 53 weeks in which our analysis is based on, more than 1% of the Company's securities had been traded in 48 of those weeks. During the week which included the highest single trading day over the assessed period (20 January 2020 to 24 January 2020), 21.2% of the Company's issued capital was traded, therefore explaining the difference between the mean and median.

We note that there have been significant and unexplained price movements as evidenced by the ASX price queries detailed above. Further, there is significant share price volatility over the twelve month period to 2 September 2020, with the standard deviation of daily log returns of an Ansila being 182% over the twelve month period. Further, the fact that the Company's shares have been suspended from trading since 3 September 2020, reduces the appropriateness of the QMP approach.

Based on the above analysis, we consider there to be a liquid and active market for Ansila's shares. We have based our assessment of the minority interest value of an Ansila share on the closing price on 2 September 2020 and the VWAPs and closing prices over the 10 and 30 trading days prior to the this date, as this period displays a high level of liquidity and is not distorted by any single day of trading.

Our assessment is that a range of values for Ansila shares based on market pricing is between \$0.026 and \$0.030, with a midpoint value of \$0.028.

### 10.3 Assessment of the value of Ansila prior to the Transaction

The results of the valuations performed are summarised in the table below:

|                             | Low    | Preferred | High   |
|-----------------------------|--------|-----------|--------|
|                             | \$     | \$        | \$     |
| Sum-of-Parts (Section 10.1) | 0.0027 | 0.0029    | 0.0031 |
| QMP (Section 10.2)          | 0.026  | 0.028     | 0.030  |

Source: BDO analysis

We note that the range of values derived under the QMP approach are higher than the value derived under the Sum-of-Parts approach. This is likely a result of the quoted market price of Ansila shares being influenced by investors' perceptions of the future prospects of the Company's projects in Poland, Gabon and Madagascar and its interest in the Hartshead projects. Further, given the common directorship of Andrew Matharu and Christopher Lewis, the market price may also be incorporating an expectation of Ansila proceeding to acquire the remaining interest in Hartshead. Another possible explanation for the difference between the values derived under the Sum-of-Parts approach and QMP is that RISC assigned negligible value to Ansila's projects in Poland, Gabon and Madagascar. The reasons underpinning the nil valuation are detailed in RISC's report (Appendix Three) and are summarised in Section 13.5 of our Report.

Additionally, under the Sum-of-Parts approach, RISC's value of Hartshead's oil and gas projects is based on current market conditions. As detailed in the RISC report, in the last five years there has been no exploration only deals in the UK and very few transactions which did not include either some production or near term development opportunity. Also, it states that oil and gas companies have significantly reduced their exploration budgets over the past five years. As a result, there is unlikely to be a deep market for the oil and gas assets held by Ansila and Hartshead in their current state, in current market conditions. The value ascribed by RISC is a current market value and therefore represents the value that in their view is likely to be realisable in the current market. It is also worth noting that RISC have been guided by the principles of RG 170 and IS 214 relating to reasonable grounds for forward looking statements which has implications on forward looking valuations.

It is not uncommon for the market price of companies that have early stage exploration assets to trade at a premium to a valuation prepared by an independent technical specialist for the purposes of an Independent Expert's Report. This is because investors are not necessarily guided by the principles of RG 170 and IS 214 in forming their valuations allowing the market price to reflect the potential upside expectations associated with the exploration assets should market conditions change or favourable exploration results be achieved. Further, in the case of Hartshead, the annual rental payment required to maintain the licence is only approximately \$20,000. Therefore, the market may be pricing in the ability for the Company to continue to hold these licences and either sell or progress the licences should market conditions improve, in effect attributing value to the optionality that is inherent in the licences.

Based on the results above we consider the value of an Ansila share to be between \$0.0027 and \$0.0031, with a preferred value of \$0.0029 based on the Sum-of-Parts valuation.

We note that for the purposes of our assessed valuation range, we have concluded on a conservative range of values given the early stage of the Company's and Hartshead's projects as this is largely driven by the values ascribed to the assets by the independent technical specialist.

However, for assessing whether to approve the Transaction, we consider this value range to be meaningful as an important consideration for Shareholders is the relative difference between the value of Ansila prior to the Transaction and the value of Ansila following the Transaction, rather than the absolute values.

We have also presented the value of an Ansila share prior to and following the Transaction using a market based approach which is discussed further in Section 11.2 and Section 13 of our Report.

## **11. Valuation of Ansila following the Transaction**

As detailed in Section 9.2, our primary valuation of Ansila following the Transaction is determined using the Sum-of-Parts approach. We have relied on RISC's valuation of Ansila's and Hartshead's oil and gas assets as a key component to the valuation of Ansila following the Transaction.

As set out in Section 9, we consider it appropriate to utilise a consistent valuation methodology when assessing the value of Ansila prior to and following the Transaction. We used the QMP as a secondary approach to valuing Ansila prior to the Transaction and as such have utilised a market based approach in valuing Ansila following the Transaction as our secondary approach.

### **11.1. Sum-of-Parts**

We have employed the Sum-of-Parts methodology in estimating the fair market value of an Ansila share prior to the Transaction, by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration of the following:

- Value of Ansila prior to the Transaction;
- Value of the additional 78.4% interest in Hartshead that Ansila are acquiring pursuant to the Acquisition;
- Cash raised and costs incurred from the Placement; and
- The Consideration Shares issued and shares issued pursuant to the Placement.



Our Sum-of-Parts valuation is set out in the table below:

| Valuation of Ansila following the Transaction                    | Ref    | Low<br>\$            | Preferred<br>\$      | High<br>\$           |
|------------------------------------------------------------------|--------|----------------------|----------------------|----------------------|
| Value of Ansila prior to the Transaction                         |        | 1,552,985            | 1,645,276            | 1,674,730            |
| Additional interest in Hartshead (78.4%)                         | 11.1.1 | 91,941               | 426,923              | 533,832              |
| Cash raised from Placement                                       | 11.1.2 | 7,000,000            | 7,000,000            | 7,000,000            |
| Costs incurred from Placement                                    | 11.1.3 | (420,000)            | (420,000)            | (420,000)            |
| <b>Total value of Ansila following the Transaction (control)</b> |        | <b>8,224,926</b>     | <b>8,652,199</b>     | <b>8,788,562</b>     |
| <b>Number of Shares on issue following the Transaction</b>       |        |                      |                      |                      |
| Shares on issue prior to the Transaction                         |        | 508,772,127          | 508,772,127          | 508,772,127          |
| Issue of Consideration Shares                                    |        | 1,000,000,000        | 1,000,000,000        | 1,000,000,000        |
| Issue of shares under the Placement                              |        | 280,000,000          | 280,000,000          | 280,000,000          |
| Issue of Advisor Shares                                          |        | 20,000,000           | 20,000,000           | 20,000,000           |
| <b>Total number of Shares following the Transaction</b>          |        | <b>1,808,772,127</b> | <b>1,808,772,127</b> | <b>1,808,772,127</b> |
| <b>Value per share following the Transaction (control)</b>       |        | <b>\$0.0045</b>      | <b>\$0.0048</b>      | <b>\$0.0049</b>      |
| Minority interest discount                                       | 10.1.6 | 26%                  | 23%                  | 20%                  |
| <b>Value per share following the Transaction (minority)</b>      |        | <b>\$0.0034</b>      | <b>\$0.0037</b>      | <b>\$0.0039</b>      |

We have assessed the value of an Ansila share following to the Transaction (on a minority basis) to be in the range of \$0.0034 to \$0.0039 with a rounded preferred value of \$0.0037.

We note that Ansila has 20,000,000 Existing Options and 64,884,991 Existing Rights. We have presented the undiluted value of an Ansila share following the Transaction on the basis that the Existing Options and Existing Rights would be out of the money following the Transaction.

#### 11.1.1. Additional interest in Hartshead (78.4%)

As detailed in Section 10.1.2, the net asset value of Hartshead on a 100% basis, incorporating the value of Hartshead's project as assessed by RISC, is between \$117,272 and \$680,908. Therefore, the value of the remaining 78.4% interest that Ansila is acquiring under the Acquisition is \$91,941 to \$533,832 with a preferred of \$426,923.

#### 11.1.2. Cash raised from Placement

Ansila plans to raise a total of \$7 million through the issue of a total of 280 million shares at \$0.025 per share via a Placement, the completion of which is a Condition Precedent to the Acquisition. Therefore, we have included the cash raised from the Placement in our valuation of Ansila following the Transaction.

#### 11.1.3. Costs incurred from the Placement

As consideration for being the lead manager and underwriter of the Placement, CPS Capital will receive a fee of 6% of the total amount raised under the Placement. As Ansila plans to raise a total of \$7 million, we have deducted a capital raising fee of \$420,000 in our valuation of Ansila following the Transaction.

## 11.2. Market based approach

To provide a comparison to the valuation of Ansila following the Transaction in Section 11.1, we have also employed a market based approach. The market based approach implies the value that the market is attributing to Ansila's 21.6% interest in Hartshead based on the Company's market capitalisation prior to the Transaction adjusting for Ansila's other assets and liabilities. This attributed value is then grossed up from a 21.6% interest to a 100% interest following the Transaction, assuming this increase in value follows a linear relationship.

The shortfall of this approach is that it assumes that the market is not attributing any material value to Ansila's projects in Poland, Gabon and Madagascar and is therefore attributing the value of Ansila (included any associated value of the listed shell itself) to the value of the Company's interest in Hartshead. Although this assumption is unlikely to be entirely realistic, we consider there to be a reasonable basis for it given that the Poland, Gabon and Madagascar projects have been impaired to nil in the Company's most recent audited financial statements and RISC has attributed negligible value to them, the reasons for which are set out in Section 13.5 of our Report and detailed in RISC's report in Appendix Three. Further, a limitation of this approach is that it ignores the possibility that the market may have factored in a possible transaction to acquire the remaining shares in Hartshead before it had been announced.

Notwithstanding the limitations of this approach, we consider it an appropriate secondary approach as it provides Shareholders with a consistent basis on which to compare the value of an Ansila share prior to and following the Transaction using market prices.

Our market based approach is set out in the table below:

| Valuation of Ansila following the Transaction using a market based approach | Ref    | Low<br>\$            | High<br>\$           |
|-----------------------------------------------------------------------------|--------|----------------------|----------------------|
| Market value of Ansila prior to the Transaction (control)                   | 11.2.1 | 16,535,094           | 20,605,271           |
| Add: Value of remaining 78.4% interest in Hartshead                         | 11.2.2 | 54,471,449           | 69,244,684           |
| Add: Cash raised from Placement                                             | 11.1.2 | 7,000,000            | 7,000,000            |
| Less: Costs incurred from Placement                                         | 11.1.3 | (420,000)            | (420,000)            |
| <b>Total value of Ansila following the Transaction</b>                      |        | <b>77,586,543</b>    | <b>96,429,956</b>    |
| <b>Number of shares on issue following the transaction</b>                  |        |                      |                      |
| Shares on issue prior to the Transaction                                    |        | 508,772,127          | 508,772,127          |
| Issue of Consideration Shares                                               |        | 1,000,000,000        | 1,000,000,000        |
| Issue of shares under the Placement                                         |        | 280,000,000          | 280,000,000          |
| Issue of Advisor Shares                                                     |        | 20,000,000           | 20,000,000           |
| <b>Total number of shares following the Transaction</b>                     |        | <b>1,808,772,127</b> | <b>1,808,772,127</b> |
| <b>Value per Share following the Transaction (control)</b>                  |        | <b>\$0.0429</b>      | <b>\$0.0533</b>      |
| Minority interest discount                                                  | 10.1.6 | 26%                  | 20%                  |
| <b>Value per share following the Transaction (minority)</b>                 |        | <b>\$0.0318</b>      | <b>\$0.0426</b>      |

Our assessment is that a range of values for Ansila shares following the Transaction based on a market based approach is between \$0.0318 and \$0.0426 with a preferred value of \$0.0372, being a midpoint between the low and high values.

### 11.2.1. Market value of Ansila prior to the Transaction

Based on our assessment of the quoted market price for an Ansila share as detailed in Section 10.2 and our control premium analysis in Section 10.1.6 we have applied a control premium of 25% to 35% to the minority interest market prices. The market value of Ansila prior to the Transaction is as follows:

| Market value of Ansila prior to the Transaction                           | Ref    | Low<br>\$         | High<br>\$        |
|---------------------------------------------------------------------------|--------|-------------------|-------------------|
| QMP (a)                                                                   | 10.2   | 0.026             | 0.030             |
| Number of shares on issue prior to the Transaction (b)                    |        | 508,772,127       | 508,772,127       |
| <b>Market value of Ansila prior to the Transaction (a x b) (minority)</b> |        | <b>13,228,075</b> | <b>15,263,164</b> |
| Control premium                                                           | 10.1.6 | 25%               | 35%               |
| <b>Market value of Ansila prior to the Transaction (control)</b>          |        | <b>16,535,094</b> | <b>20,605,271</b> |

### 11.2.2. Value of remaining 78.4% interest in Hartshead

In order to value the remaining 78.4% interest in Hartshead, we first derived the value that the market attributes to Ansila's 21.6% interest in Hartshead by subtracting the value of Ansila's projects in Poland, Gabon and Madagascar, Ansila's investment in Gemini and Ansila's other assets and liabilities.

| Value of remaining 78.4% interest in Hartshead                        | Ref    | Low<br>\$         | High<br>\$        |
|-----------------------------------------------------------------------|--------|-------------------|-------------------|
| Market value of Ansila prior to the Transaction (control)             | 11.2.1 | 16,535,094        | 20,605,271        |
| Less: Value of Ansila's projects in Poland, Gabon and Madagascar      | 10.1.1 | -                 | -                 |
| Less: Ansila's investment in Gemini                                   | 10.1.4 | (459,533)         | (459,533)         |
| Less: Ansila's other assets and liabilities                           | 10.1.5 | (1,068,121)       | (1,068,121)       |
| <b>Value being attributed to Ansila's 21.6% interest in Hartshead</b> |        | <b>15,007,440</b> | <b>19,077,617</b> |
| <b>Implied value of 100% interest in Hartshead</b>                    |        | <b>69,478,889</b> | <b>88,322,301</b> |
| <b>Value of remaining 78.4% interest in Hartshead (control)</b>       |        | <b>54,471,449</b> | <b>69,244,684</b> |

### 11.3. Assessment of the value of an Ansila share following the Transaction

The results of the valuations performed are summarised in the table below:

|                             | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|-----------------------------|-----------|-----------------|------------|
| Sum-of-Parts (Section 11.1) | 0.0034    | 0.0037          | 0.0039     |
| Market-based (Section 11.2) | 0.0318    | 0.0370          | 0.0426     |

Source: BDO analysis

For the reasons detailed in Section 9, we have chosen to rely on the Sum-of-Parts valuation as our primary approach. The market based approach is presented to provide a comparison to the QMP valuation that was also used as a cross check to the valuation of Ansila prior to the Transaction. For an explanation of the differences between the results derived under the Sum-of-Parts approach and the market based approach, refer to Section 10.3 of Our Report. In addition to the analysis contained in Section 10.3, we note that a limitation of the market based valuation of an Ansila share following the Transaction is that it is predicated on the assumption that the market does not attribute any value to Ansila's projects in Poland, Gabon and Madagascar. Further, it ignores the possibility that the market may have factored in a possible transaction to acquire the remaining shares in Hartshead before it had announced it.

Based on the results above we consider the value of an Ansila share following the Transaction to be between \$0.0034 and \$0.0039, with a rounded preferred value of \$0.0037.

## 12. Is the Acquisition fair?

RG 111.58 states that in the context of related party transactions, “Where the proposed transaction consists of an asset acquisition by the entity, it is ‘fair’ if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired”.

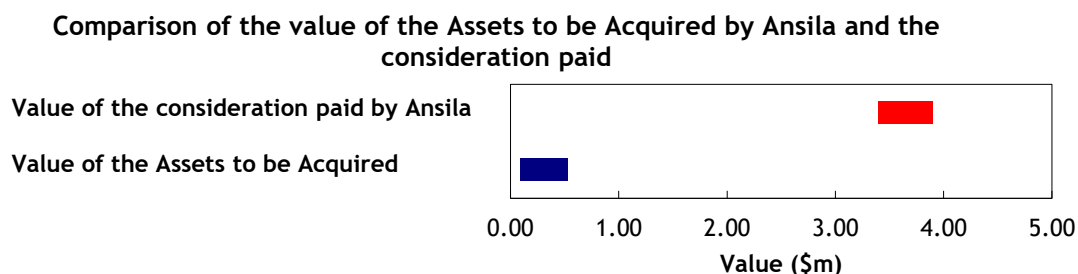
In the context of the Acquisition, the assets being acquired are a 78.4% interest in Hartshead, which for the purpose of our fairness opinion is compared with the value of the Consideration Shares. If the value of the Assets to be Acquired is greater than, or equal to the value of the consideration paid for those assets then the Transaction is fair for Shareholders.

In determining the value of the consideration paid, we have considered the issue of the Consideration Shares, which have been valued using our assessed value of an Ansila share following the Acquisition and the Placement as they are conditional on one another.

Our comparison of the value of the Assets to be Acquired by Ansila and the consideration to be paid for those assets is summarised below.

| Fairness Assessment                                   | Ref    | Low                | Preferred          | High               |
|-------------------------------------------------------|--------|--------------------|--------------------|--------------------|
| <b><u>Value of consideration paid by Ansila</u></b>   |        |                    |                    |                    |
| Number of Consideration Shares                        | 4      | 1,000,000,000      | 1,000,000,000      | 1,000,000,000      |
| Value per share following the Transaction             | 11.3   | \$0.0034           | \$0.0037           | \$0.0039           |
| <b>Total value of consideration</b>                   |        | <b>\$3,400,000</b> | <b>\$3,700,000</b> | <b>\$3,900,000</b> |
| <b><u>Value of Assets to be Acquired</u></b>          |        |                    |                    |                    |
| Value of 78.4% interest in Hartshead                  | 11.1.1 | \$91,941           | \$426,923          | \$533,832          |
| <b>Total value of Assets to be Acquired (control)</b> |        | <b>\$91,941</b>    | <b>\$426,923</b>   | <b>\$533,832</b>   |

The above valuation ranges are graphically presented below:



The above pricing indicates that in the absence of any other relevant information, the Transaction is not fair for Shareholders.

## 13. Is the Acquisition reasonable?

### 13.1. Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Ansila a premium over the value resulting from the Acquisition (and more broadly, the Transaction).

### 13.2. Advantages of Approving the Acquisition (and more broadly the Transaction)

We have considered the following advantages when assessing whether the Acquisition (and more broadly, the Transaction) is reasonable.

#### 13.2.1. The value of an Ansila share following the Transaction is greater than the value of an Ansila share prior to the Transaction, under both our valuation approaches

The Acquisition is one component of a broader Transaction which includes the Placement. As such we have considered the overall effect of the related party transaction (the Acquisition) together with the Placement on the value of Shareholders' interests in the Company.

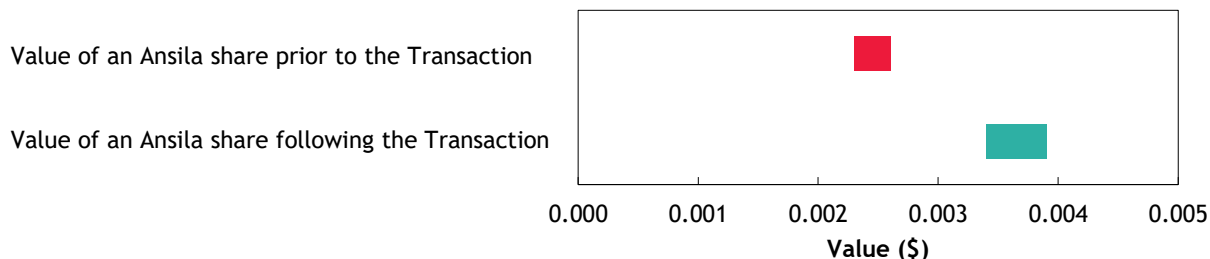
As summarised in Section 10.3 of our Report, there is a significant difference in the absolute values derived under our primary and secondary approach. Although we have not considered the following in our fairness assessment, we believe that assessing the relative change in the value of Shareholders' holdings prior to, and following the Transaction is an important consideration for Shareholders.

We have determined that under our primary valuation approach, the value of an Ansila share following the Transaction is greater than the value of an Ansila share prior to the Transaction, as set out below:

| Primary valuation approach                                    | Ref  | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|---------------------------------------------------------------|------|-----------|-----------------|------------|
| Value of an Ansila share prior to the Transaction (minority)  | 10.3 | 0.0023    | 0.0025          | 0.0026     |
| Value of an Ansila share following the Transaction (minority) | 11.3 | 0.0034    | 0.0037          | 0.0039     |

The above valuation ranges are graphically presented below:

**Valuation Summary (Primary valuation approach)**



We note that in absolute terms, the range of values derived under our primary valuation approach is much lower than the range of values derived under our secondary valuation approach, which is based on quoted market prices. This difference is largely a result of RISC's valuation representing a current market value based on there being a lack of a deep market of buyers of early stage gas exploration assets.

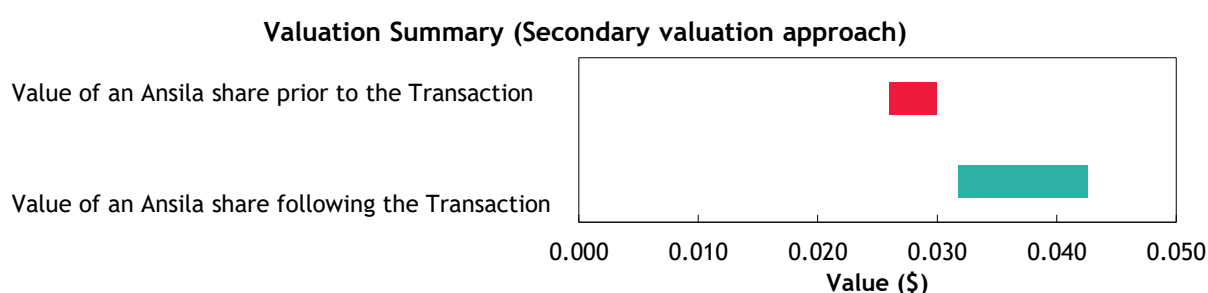
As such, based on current market conditions, it is unlikely that the assets could be realised at prices implied by the current market capitalisation of the Company. This is because the market price is likely to factor in the potential upside of the Company's assets as well as the potential value associated with holding the assets in order to capitalise on improved market conditions should they eventuate. For a detailed explanation of the differences between the results derived under our primary and secondary valuation approach, refer to Section 10.3 of Our Report.

However in relative terms, the post-Transaction value of an Ansila share is greater than the pre-Transaction value of an Ansila share under both our valuation approaches.

The values derived under our secondary valuation approach are set out below:

| Secondary valuation approach                                  | Ref  | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|---------------------------------------------------------------|------|-----------|-----------------|------------|
| Value of an Ansila share prior to the Transaction (minority)  | 10.2 | 0.0260    | 0.0280          | 0.0300     |
| Value of an Ansila share following the Transaction (minority) | 11.2 | 0.0318    | 0.0372          | 0.0426     |

The above valuation ranges are graphically presented below:



The above pricing indicates that under our secondary valuation approach, the value of an Ansila share following the Transaction is greater than the value of an Ansila share prior to the Transaction, which is consistent with the relative values derived under our primary valuation approach.

### 13.2.2. Increased exposure to the upside of Hartshead, should it materialise

If the Acquisition is approved, Ansila will go from holding a 21.6% interest in Hartshead to a 100% interest. Should the exploration and development of the Hartshead assets be successful and/or there is a change in current market conditions, Ansila will have a greater exposure to the potential upside of the Hartshead assets. Notwithstanding, the Company will issue 1 billion shares as consideration for the Acquisition and as a result existing shareholders' interests will be diluted to a minimum of approximately 26.87% of the Company (see Section 4). However, this may position Ansila as a more attractive takeover target to acquirers, which would therefore provide Shareholders the opportunity to partake in a takeover premium in the future.

### 13.2.3. Access to funding from the Placement

Given the Acquisition is contingent on the Company receiving firm commitments for the Placement, the Transaction provides the Company with a total of \$7 million which can be utilised to fund exploration and development or for general working capital. Should the Transaction not proceed, the Company will forego

the access to this cash and therefore may need to consider alternate capital raisings which could be less advantageous to the Company and/or more dilutive to Shareholders.

**13.2.4. The Acquisition will result in Ansila owning 100% of Hartshead which may improve the attractiveness of the Company's shares and may improve the likelihood of a potential takeover in the future**

If the Acquisition is approved and completed, Ansila will go from holding 21.6% of Hartshead to holding 100%. Having a 100% interest in what is likely to be the Company's flagship asset (based on RISC's valuation), may make the Company's shares more attractive and therefore could increase the likelihood of the Company receiving a takeover offer in the future. Therefore, potentially providing Shareholders with the opportunity to participate in a takeover premium in the future.

Further, the increased attractiveness of the Company's shares arising from sole ownership of Hartshead may improve the liquidity of the Company's shares. This would improve Shareholders' ability to realise their investment on market if they chose to exit their investment. Notwithstanding, our analysis in Section 10.2 indicates that the Company's shares display a high level of liquidity prior to the Transaction.

**13.3. Disadvantages of Approving the Transaction**

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include the following.

**13.3.1. Dilution of existing Shareholders' interests**

If the Transaction is approved, existing shareholders' interests will be diluted as a result of the issue of Consideration Shares, the shares issued pursuant to the Placement and the issue of the Advisor Shares, resulting in existing shareholders' interests being diluted to a minimum of approximately 26.87% of the Company on a fully diluted basis.

**13.4. Consequences of not Approving the Acquisition (and more broadly, the Transaction)**

**The Company will not receive the funds that are to be raised under the Placement**

If the Transaction is not approved, the Company will forego the \$7 million of funds that are to be raised pursuant to the Placement. As set out in Section 13.1, the Company may use these funds to fund the initial exploration and development of the Hartshead assets as well as for general working capital. If the Transaction is not approved, the Company may need to source alternative means of fund raisings. Given the current stage of Ansila's exploration assets and current market conditions, it is unlikely that debt funding would be available. In the absence of the Transaction, the Company may find it difficult to raise additional equity, therefore any equity raisings are likely to be at a significant discount to the market price, therefore diluting existing Shareholders' interests.



### 13.5. Other considerations

#### Market based valuation of an Ansila share following the Transaction

We have derived an implied market value of Ansila following the Transaction using a market based approach. Our approach is underpinned by the assumption that the current market for Ansila shares is liquid and active and therefore is accurately pricing in the value of Ansila's 21.6% interest in Hartshead. This approach is further supported by the deemed issue price of the Placement being \$0.025, which represents a post-Transaction value of an Ansila share. Our approach also assumes that the value of Ansila's projects in Poland, Gabon and Madagascar are of nil value, which is based on RISC's assessment that the value of all Ansila's projects were of negligible transaction value. As detailed in Section 11.2, this is one of the most significant limitations of this approach.

In the case of the Ansila's Poland Projects, RISC deems the Gora concession to be of negligible transaction value considering the technical risks and the likely unfavourable short to medium term market conditions. RISC also formed this view on the basis of Ansila withdrawing from the concession and the Jany-C1 appraisal program due to COVID-19 and the weakening in the oil price.

In the case of Ansila's Gabon and Madagascar Projects, Ansila does not intend to commit any further resources to these projects and the licences are likely to lapse if no work programme is progressed after partial relinquishment. In addition, any interested parties which may exist are likely to wait for the licences to expire and apply to the regulator for the block rather than striking a commercial deal with Ansila. Also, we note that no interested parties were willing to earn an interest in the project in Madagascar when Ansila tried to farm it out in 2020. RISC therefore concluded that the project has negligible value.

The above support for RISC's conclusion of negligible value does partly mitigate the limitation of the approach, however, it is unlikely that the market would not be attributing any value to the upside of these assets or to the value of the listed shell itself. As such, we consider an appropriate metric to present to Shareholders would be to calculate the value of the Poland, Gabon and Madagascar assets which would result in the value of Ansila following the Transaction being lower than the pre-Transaction value.

We have determined that should the market attribute a value less than approximately \$4.6 million to Ansila's projects in Poland, Gabon and Madagascar (approximately 28% of the pre-Transaction value using our assessed QMP values in Section 10.2), then the value of an Ansila share following the Transaction will be greater than the value of an Ansila share prior to the Transaction, under our market-based approach.

Similarly, should the market be attributing a value greater than \$4.6 million to the value of the Poland, Gabon and Madagascar assets, the value of an Ansila share following the Transaction will be less than the value of an Ansila share prior to the Transaction under the market based approach. This can be explained by the fact that the greater portion of the value that is attributed to Ansila's projects (other than Hartshead), the less value that is attributed to Ansila's 21.6% interest in Hartshead, and as a result, this reduces the grossed up value of 100% of Hartshead.

Therefore, should the market value Ansila's projects (other than its interest in Hartshead) at less than \$4.6 million, then the value of an Ansila share following the Transaction will be greater than the value of an Ansila share prior to the Transaction.

## 14. Conclusion

We have considered the terms of the Acquisition as outlined in the body of this report and have concluded that the Acquisition is not fair but reasonable to Shareholders.

It is not fair because the value of the additional interest to be acquired in Hartshead is less than the value of the Consideration Shares, which incorporate the value of the additional interest in Hartshead and the cash raised in the Placement, to be issued to the Vendors.

It is reasonable in particular because the value of an Ansila share following the Transaction is greater than the value of an Ansila share prior to the Transaction.

## 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Share Sale Agreement;
- Audited financial statements of Ansila for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- Unaudited management accounts of Hartshead for the period for the period from 1 May 2019 to 30 April 2020 and 1 May 2020 to 30 September 2020;
- Independent Valuation Report of Ansila and Hartshead's oil and gas assets dated 4 November 2020 performed by RISC;
- Share registry information;
- RBA Monetary Policy Decision dated 19 March 2020, 7 April 2020, 5 May 2020, 2 June 2020, 7 July 2020 and 1 September 2020;
- Australian Bureau of Statistics - Consumer Price Index August 2020;
- Australian Federal Government - September 2020 Resources and Energy Quarterly;
- Australian Federal Government - 2020-21 Budget Overview;
- Vanguard - Vanguard Economic Update October 2020;
- Consensus Economics;
- US Energy Information Administration - 2020 BP Statistical Review of World Energy;
- IBISWorld Industry Report - the International Energy Agency Oil Market Report - May 2020;
- International Energy Association - Oil Market Report - August 2020;
- International Energy Association - Gas Market Report - August 2020;
- OGUK - Business Outlook 2020: Markets & Investment;
- OGUK - Business Outlook 2020: Security of Supply;
- Bloomberg; and
- Discussions with Directors and Management of Ansila.

## 16. Independence

BDO is entitled to receive a fee of \$43,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO has been indemnified by Ansila in respect of any claim arising from BDO Ltd's reliance on information provided by the Ansila, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO has considered its independence with respect to Hartshead and Ansila and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO's opinion it is independent of Hartshead and Ansila and their respective associates.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of Ansila.

A draft of this report was provided to Ansila and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

## 17. Qualifications

BDO has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes, Adam Myers and Ashton Lombardo of BDO. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 350 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans over 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Ashton Lombardo is a member of the Australian Institute of Chartered Accountants. Ashton has over nine years of experience in Corporate Finance and has facilitated the preparation of numerous independent expert's reports and valuations. Ashton has a Bachelor of Economics and a Bachelor of Commerce from the University of Western Australia and has completed a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

## 18. Disclaimers and consents

This report has been prepared at the request of Ansila for inclusion in the Notice of Meeting which will be sent to all Ansila Shareholders. Ansila engaged BDO to prepare an independent expert's report to consider the proposed acquisition of all the issued shares of Hartshead that Ansila does not already own.

BDO hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO.

BDO takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Hartshead.

BDO provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction tailored to their own particular circumstances.

Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Ansila, or any other party.

BDO has also considered and relied upon independent valuations for mineral assets held by Ansila and Hartshead.

The valuer engaged for the mineral asset valuation, RISC, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**

Two handwritten signatures in black ink. The signature on the left is 'Sherif Andrawes' and the signature on the right is 'Adam Myers'.

**Sherif Andrawes**

Director

**Adam Myers**

Director

# Appendix 1 - Glossary of Terms

| Reference             | Definition                                                                                            |
|-----------------------|-------------------------------------------------------------------------------------------------------|
| Acquisition           | The acquisition of the remaining 78.4% of Hartshead that Ansila does not already own                  |
| Advisor Shares        | 20,000,000 shares at an issue price of \$0.00001 to be issued to CPS Capital                          |
| AFCA                  | Australian Financial Complaints Authority                                                             |
| Ambilobe Project      | Ansila's Ambilobe Project which is located offshore Madagascar                                        |
| APES 225              | Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' |
| Assets to be Acquired | A 78.4% interest in Hartshead Resources Limited                                                       |
| ASIC                  | Australian Securities and Investments Commission                                                      |
| ASX                   | Australian Securities Exchange                                                                        |
| BDO                   | BDO Corporate Finance (WA) Pty Ltd                                                                    |
| BOE                   | Bank of England                                                                                       |
| CJRS                  | Coronavirus Job Retention Scheme                                                                      |
| Conditions Precedent  | The certain conditions precedent to the Acquisition                                                   |
| Consideration Shares  | 1 billion shares in Ansila                                                                            |
| CPI                   | Consumer Price Index                                                                                  |
| CPS Capital Pty Ltd   | CPS Capital                                                                                           |
| DCF                   | Discounted Future Cash Flows                                                                          |
| DGH                   | Directorate General for Hydrocarbons                                                                  |
| EBIT                  | Earnings before interest and tax                                                                      |
| EBITDA                | Earnings before interest, tax, depreciation and amortisation                                          |
| EPB                   | European Permian Basin                                                                                |

| Reference        | Definition                                                                                                                                                                                       |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exclusivity Fee  | The £250,000 exclusivity fee in consideration for the exclusive right to acquire an interest in the Poland Projects                                                                              |
| Existing Options | The 20,000,000 unlisted options, exercisable at \$0.04 with an expiry date of 31 December 2021 that the Company currently has on issue                                                           |
| Existing Rights  | The 64,884,991 performance rights with an expiry date of 30 September 2022 that the Company currently has on issue                                                                               |
| FME              | Future Maintainable Earnings                                                                                                                                                                     |
| FOS              | Financial Ombudsman Service                                                                                                                                                                      |
| FSG              | Financial Services Guide                                                                                                                                                                         |
| FVOCI            | Fair value through other comprehensive income                                                                                                                                                    |
| GDP              | Gross Domestic Product                                                                                                                                                                           |
| Gemini           | Gemini Resources Limited                                                                                                                                                                         |
| GFC              | Global Financial Crisis                                                                                                                                                                          |
| Hartshead        | Hartshead Resources Limited                                                                                                                                                                      |
| HRL              | Hartshead Resources Limited                                                                                                                                                                      |
| IS 214           | Information Sheet 214: Mining and Resources: Forward-looking Statements                                                                                                                          |
| Jacka            | Jacka Resources Limited                                                                                                                                                                          |
| LNG              | Liquefied natural gas                                                                                                                                                                            |
| m <sup>3</sup>   | Cubic metres                                                                                                                                                                                     |
| Milestone 1      | Completion of an initial feasibility study that derives a Net Present Value (utilising a discount rate of 10%) of at least \$200 million for the Gora Project, based on a 2C Contingent Resource |
| Milestone 2      | Securing necessary funding to undertake the drilling of an additional well at the Poland Projects                                                                                                |
| Milestone 3      | The Company's VWAP being at least \$0.05 over 10 consecutive trading days                                                                                                                        |
| Milestone 4      | The Company's VWAP being at least \$0.08 over 10 consecutive trading days                                                                                                                        |
| Milestone 5      | Securing necessary funding to commence production at the Poland Projects                                                                                                                         |
| 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                                                                   |

| Reference      | Definition                                                                                          |
|----------------|-----------------------------------------------------------------------------------------------------|
| Milestone 7    | Successful completion of fracking and/or flow testing on the Poland Projects                        |
| mm bbls/d      | Million barrels per day                                                                             |
| MMBtu          | Million British Thermal Units                                                                       |
| NAV            | Net Asset Value                                                                                     |
| NBP            | National Balancing Point                                                                            |
| Nkembe Project | Ansila's Nkembe Project which is located offshore Gabon                                             |
| OGA            | UK Oil & Gas Authority                                                                              |
| OPEC           | Organisation of the Petroleum Exporting Countries                                                   |
| our Report     | This Independent Expert's Report prepared by BDO                                                    |
| p/th           | Pence per therm                                                                                     |
| Placement      | Placement of \$7 million via the issue of 280,000,000 shares at an issue price of \$0.025 per share |
| PSC            | Production Sharing Contract                                                                         |
| QMP            | Quoted market price                                                                                 |
| RBA            | Reserve Bank of Australia                                                                           |
| RG 111         | Content of expert reports                                                                           |
| RG 112         | Independence of experts                                                                             |
| RG 170         | Prospective financial information                                                                   |
| RG 74          | Acquisitions Approved by Members                                                                    |
| RG 76          | Related party transactions                                                                          |
| RISC           | RISC Advisory Pty Ltd                                                                               |
| SG Basin       | Southern Gas Basin                                                                                  |
| Shareholders   | Non-participating shareholders of Ansila                                                            |



| Reference           | Definition                                                                                                              |
|---------------------|-------------------------------------------------------------------------------------------------------------------------|
| SSA                 | Share Sale Agreement                                                                                                    |
| The Act             | The Corporations Act 2001 Cth                                                                                           |
| The Company         | Ansila Energy NL                                                                                                        |
| the Poland Projects | The Gora & Nowa Sol Oil and Gas Projects                                                                                |
| The Transaction     | The acquisition of the remaining 78.4% of Hartshead that Ansila does not already own and the placement of \$7.0 million |
| UK                  | United Kingdom                                                                                                          |
| UKCS                | United Kingdom Continental Shelf                                                                                        |
| Vanguard            | Vanguard Asset Management Limited                                                                                       |
| VWAP                | Volume-weighted average price                                                                                           |

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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

## Appendix 2 - Valuation Methodologies

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Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

### 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows ('DCF')**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

## Appendix 3 - Independent Valuation Report

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*decisions with confidence*

# Independent Technical Specialist's Report on assets of Hartshead Resources Ltd and certain assets of Ansila Energy NL

For BDO on behalf of Ansila Energy NL

11 November 2020



## 1. Executive Summary

Independent Directors  
Ansila Energy NL  
Level 1, 89 St Georges Terrace,  
Perth, WA 6000, Australia

Sherif Andrawes  
Director  
BDO Corporate Finance (WA) Pty Ltd,  
38 Station Street  
Subiaco, WA 6008, Australia

**11 November 2020**

Dear Independent Directors and Independent Expert,

### **Independent Technical Specialist's Report (ITSR) on the assets of Ansila Energy NL and Hartshead Resources Ltd**

Ansila Energy NL ('Ansila') has appointed BDO Corporate Finance (WA) Pty Ltd ("BDO") to provide an Independent Expert's Report (IER) on the proposed transaction to acquire the remaining shares in Hartshead Resources Limited ('Hartshead'). BDO has requested RISC to provide an ITSR on the current market value of the oil and gas assets held by Ansila and Hartshead in relation to a proposed transaction. RISC has therefore carried out an asset valuation and not a company valuation.

Ansila holds 21.6% of the issued share capital of Hartshead, a UK private entity, which has been provisionally awarded 100% interest in five contiguous blocks in the UK North Sea, offshore United Kingdom, which contain multiple fields with undeveloped gas resources and a number of exploration prospects. Ansila is proposing to acquire the additional 78.4% of the issued capital of Hartshead that it does not already own.

In addition to its current holding in Hartshead, Ansila has interests in exploration assets in Gabon, Madagascar and Poland. RISC has conducted a review of Ansila's interests in Gabon, Madagascar and Poland and deemed them to have negligible transaction value in the current market.

RISC has reviewed the UK blocks likely to be awarded to Hartshead, comprising Contingent Resources associated with the redevelopment of several gas fields in the Southern North Sea (SNS). There are four fields under consideration for redevelopment within the licences awarded to Hartshead. RISC considers the Phase 1 development consisting of the Victoria and Viking Wx Fields to hold some transaction value at the present time but notes that there is still risk that development will not proceed. The Phase 2 development consisting of the Audrey NW and Tethys North opportunities carries significant technical risk at this stage and is conditional on a successful Phase 1 development. Based on RISC's assessment of these technical risks and the present-day market conditions, we conclude that Phase 2 has no material value at present. If UK gas prices return to levels seen in 2018 we recognise it is possible for Phase 2 to carry some future value. Identified exploration prospects within the block are not considered to have material value.

This report provides an independent opinion on the value that the Phase 1 SNS project would change hands for as at the date of the report in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion.

### **Fair market value of Phase 1 SNS Project**

The paucity of comparable transactions since the drop in oil and gas prices in Q4 2014 highlights the poor state of the transaction market for Contingent gas resources in the UK North Sea.



RISC estimates a fair market value range (at the date of this report) for the Phase 1 development consisting of the Victoria and Viking Wx Fields of between GBP£ 0 (A\$ 0) and GBP£ 0.310 million (A\$ 0.5642 million) with a best estimate of **GBP£ 0.235 million (A\$ 0.4277 million)** (Table 1-1).

**Table 1-1: Valuation of SNS Phase 1 Development – [Gross]**

| Asset               | Valuation Range in GBP£ & A\$                                    |                                                                             |                                                                                  |
|---------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------|
|                     | Low                                                              | Best                                                                        | High                                                                             |
| <b>SNS Phase 1</b>  | <b>GBP£0</b><br><b>A\$0*</b>                                     | <b>GBP£235,000</b><br><b>A\$427,700*</b>                                    | <b>GBP£310,000</b><br><b>A\$564,200*</b>                                         |
| Valuation rationale | Farm-in at ground floor level with no contribution to back costs | Farm-in at ground floor level for 50% equity plus 50% back costs of Phase 1 | Farm-in at ground floor level for 75% equity plus 100% back costs of both Phases |

\*GBP£1 = A\$1.82

RISC valued Phase 1 with two methods: 1) Using comparable transaction analysis for Contingent Resources. and 2) Using costs to mature the project to be ready for Financial Investment Decision (FID), whereby the Contingent Resources would be classified as '*Development Pending*' and prior to classification as Reserves. In Europe, it is commonplace to negotiate payment of some, or all back costs with farminees as part of any transaction, so we consider the future cost farm-in to be the most appropriate method to value the project at its current level of maturity (i.e.: Contingent Resources, subclass Development Unclassified).

The historic transactions used to benchmark the comparable transaction method for Contingent Resources were for UK assets which had been technically matured further than the Hartshead UK assets and the assets therefore contained less risk than the Hartshead UK assets. Consequently, this method is unrepresentative of the Hartshead assets and was not used.

RISC did not use a Discounted Cash Flow (DCF) method of valuation. The DCF method is not appropriate for valuation of Contingent Resources where development is unclassified, since the uncertainty in the range of outcomes for production volume and development costs is too wide to be informative.

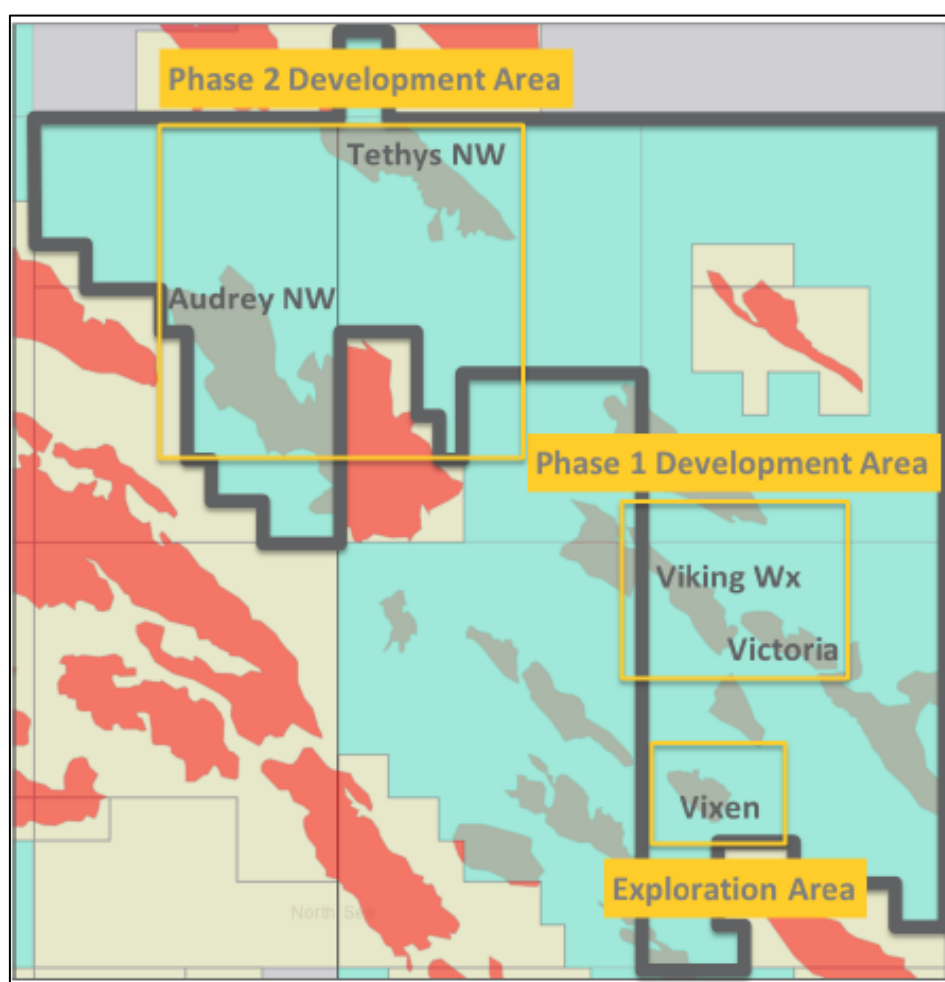
Several unquantified opportunities potentially exist for Hartshead (section 4.5.2). Some of these include; improvements in gas pricing; increase in transaction market due to stability in long term forward price; increase in transaction market with supermajors exiting the Southern North Sea to be replaced by new entrants looking to diversify into relative stable and attractive fiscal regimes; expansion of the hydrocarbon tax allowance schemes which lobbyists argue is the stimulus needed to achieve the publicly stated ambition of the UK regulatory body, the Oil and Gas Authority (OGA) to drive the economic development of tight gas reservoirs across the Southern North Sea (like those of Hartshead) and exploit remaining resources before the infrastructure disappears. However, there is no indication of the timing of these potential incentives at the present time.

## Asset Summary

Hartshead have been informed by the OGA, that they are "*minded to offer*" Hartshead 100% of five blocks in the UK Southern North Sea in the 32<sup>nd</sup> offshore licencing round (namely blocks 48/15c, 49/6c, 49/11c, 49/12d and 49/17b). It is expected that these blocks will be collectively grouped into a single licence,

provisionally numbered P2607 by the OGA. At the date of this report, Hartshead have received a Data Verification letter. The letter does not constitute a formal offer but clarifies the details of the work program required of Hartshead if a formal award is made. The five blocks are located approximately 40 km north of the producing Leman Field and adjacent to the abandoned Audrey field.

The blocks contain several fields that have ceased production and other potential development and exploration opportunities identified by Hartshead. These include the Victoria Field, Viking Wx Field, Tethys Field and a potentially untapped area of the Audrey Field named Audrey NW. Hartshead's initial plan is to conduct further technical studies and build towards a phased development with Phase 1 FDP (Victoria and Viking Wx) submitted within 2.5 years. The licences are going to be awarded on 'Innovate' Licence terms with work commitments for technical studies required to mature the opportunities over three years (OGA Phase A), which when completed leads to an option to drill a well (OGA Phase C, there being no OGA Phase B for this licence).



**Figure 1-1: Hartshead Licences and Phased Development areas**



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## 2. Terms of reference and basis of assessment

### 2.1.1. Terms of reference and context

This assignment has been conducted following instructions provided by BDO in a letter to RISC dated 24 September 2020. BDO has requested a report on the current market value of the oil and gas assets held by Ansila Energy NL and Hartshead Resources Limited. Ansila holds 21.6% of the issued share capital of Hartshead), a UK private entity, which has been provisionally awarded five contiguous blocks in the UK North Sea, offshore United Kingdom, which contain multiple fields with undeveloped gas resources and a number of drill ready exploration prospects. Ansila is proposing to acquire the additional 78.4% of the issued capital of HRL that it does not already own.

BDO asked for the following to be provided in the RISC report:

- A competent person statement for the author and all contributors that demonstrates our claims against the requirements of a Specialist and the competency to conduct the work we have been engaged to do;
- The sources of any material information or data used and whether Consent has been required;
- Our fee and whether it is dependent on our conclusions, success or failure of the Proposed Transaction, or time and cost restrictions that negatively affect the depth of analysis or extent of detail required to provide shareholders with the information they require to make an informed decision;
- The provision of any previous reports;
- If commercially sensitive information has been excluded;
- A tenure list appropriately prepared;
- Quality and reasonableness statements for any mineralisation, mineral resources, or ore reserves [PRMS categories];
- An evaluation on risks.

Our report provides our expert opinion of the current market value of Ansila and Hartshead assets as at the date of the Independent Technical Specialist Report (ITSR), on the basis of an unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion.

The ITSR is prepared in accordance with the Petroleum Resources Management System (2018) and the VALMIN (2015) codes. Our services have been carried out in compliance with ASIC Regulatory Guides 111 Content of expert reports and 112 Independence of Experts, and RISC is independent of Ansila Energy NL and Hartshead Resources Limited and their subsidiaries and associates.

### 2.1.2. Basis of assessment

The data and information used in the preparation of this report were provided by Ansila and supplemented by public domain information. RISC has relied upon the information provided by Ansila. Data provided by Ansila included the following:

- May 2019 CPR on Gora and Nova Sol Concessions, Poland by NSAI;
- PowerPoint – Ansila Energy NL Introduction to assets Sept 2019;
- April 2020 Siciny Update and Way Forward PowerPoint from Gemini Resources;
- Siciny-2 Fracture and Flowback Review Report from Frac Diagnostics;
- UK Licence Application Documents for 32<sup>nd</sup> round application prepared by Hartshead;
- Environmental Sensitivity Assessment for UK 32<sup>nd</sup> round licence application;

- 32<sup>nd</sup> Round Licence provisional award letter from UK Oil and Gas Authority;
- 32<sup>nd</sup> Round Licence Data Verification letter for P2607 from UK Oil and Gas Authority;
- Draft CPR on the UK 32<sup>nd</sup> Round awarded blocks / assets prepared by OPC for Hartshead in September 2020;
- Final CPR (Competent Persons Report) on the UK 32<sup>nd</sup> Round awarded blocks / assets prepared by OPC (Oilfield Production Consultants) for Hartshead in October 2020;
- Hartshead PowerPoint – Technical Information on geophysical evaluation and depth conversion for Victoria and Viking Wx;
- Various Excel files containing data regarding Victoria and Viking Wx depth conversion and velocity model;

A site visit was not considered necessary given the early stage of Ansila's and Hartshead's assets and was not undertaken as part of our valuation. RISC was provided enough information from Ansila to reach our conclusions and allow an informed evaluation.

### **2.1.3. Exploration evaluation**

A range of oil and gas industry accepted practices can be used to estimate the value of exploration assets and these are discussed below. RISC has collated relevant data and information for the alternative valuation methods as below.

We have used our experience, skill and judgment to select the most appropriate methodology or methodologies for our valuation. Where and when possible, we have used more than one valuation method to reduce the risk that our opinion is being distorted by the choice of methodology.

The VALMIN Code defines Value as the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion.

#### **2.1.3.1. Comparable transaction metrics**

The value of exploration assets can be estimated using recent comparable transactions. Such transactions may provide relevant metrics such as value per unit of Reserves, Contingent or Prospective Resources, and price paid per unit area of the permit or percentage interest. The VALMIN Code advises value must also consider risk and premium or discount relating to market, strategic or other considerations. For exploration assets, comparable transaction analysis can identify appropriate farm-in promotion factors.

#### **2.1.3.2. Farm-in promotion factors**

An estimate of value can be based on an estimation of the share of future costs likely to be borne by a notional farmee under prevailing market conditions. A premium or promotion factor may be paid by the farmee. The promotion factor is defined as the ratio of the proportion of the activity being paid for and the amount of equity being earned.

The nominal permit value is defined as the amount spent by the farmee divided by the interest earned. This represents the perceived value of the permit (i.e. the amount of money a willing investor is willing to spend to progress the opportunity including the future work program). However, it is not the cash value which would exclude the future work program cost. The cash value excluding the future work program costs is referred to as the premium value.

The premium value for the permit is the difference between the nominal value and the cost of the activity. This represents a cash amount that would be paid by the farmee to take on the future work program. The premium value is equivalent to the farmee paying the farmor a cash amount in return for the acquisition of the interest in the permit and can be taken as an indication of market value.

The premium or promotion factor will be dependent upon the perceived prospectivity of the property, competition and general market conditions. A farmin at 'Ground Floor level' is where no premium or promotion factor is paid.

Farm-in transactions may have several stages. For example, a farmee may acquire an initial interest by committing to a future cost in the first stage of the transaction but has an option to acquire an additional interest or interests in return to committing to funding a further work program or programs.

Farm-in agreements can also include re-imbursement of past costs and bonus payments once certain milestones are achieved, for example declaration of commerciality, or achieving threshold reserves volumes. Depending on their conditionality, such future payments may contribute to value. However, they may need to be adjusted for the time value of money and probability of occurring.

#### **2.1.3.3. *Work program commitments***

The costs of a future work program may also be used to estimate value. The work program valuation relies on the assumption that unless there is evidence to the contrary, the permit is worth what a company will spend on it. This method is relevant for permits in the early stages of exploration and for expenditure which is firmly committed as part of a venture budget or as agreed with the government as a condition of holding the permit. This assumes that the work program and options could be farmed out for some level of promote. There may also need to be an adjustment for risk and the time value of money.

#### **2.1.3.4. *Market factors***

Since the latter part of 2014, oil prices have substantially declined from over US\$ 100/bbl to under US\$ 70/bbl in January 2020. Since then, oil prices have dropped to around US\$ 20/bbl with the outbreak of Covid-19 before recovering to around US\$ 40/bbl for Brent at the time of writing this report (Figure 2-1).

UK gas prices can either be sold through contract or on the daily spot market. Historically, gas prices have been correlated with oil price but vary seasonally due to generally higher demand and higher prices in winter months, and lower demand and corresponding lower prices in summer months. The Gas Spot Price is the current price in a marketplace at which natural gas can be traded for immediate delivery. In the UK, the Gas Spot Price is commonly referenced to the UK National Balancing Point (NBP). In this model, gas anywhere in the national transmission system within the UK counts as NBP gas which allows simplification of trading as buyers and sellers are united in the same marketplace. The UK NBP gas market was established in the late 1990's, making it the most long-lived gas market in Europe. The NBP gas market permits trading from a wide range of participants; financial traders, industrial users, utilities companies, power generators, LNG suppliers and oil and gas producers. The UK gas market is supplied from a wide range of sources including the liquefied natural gas tankers, imports piped from Norway and continental Europe, storage and the UK's own natural gas production.

The Spot gas price is denominated in energy units of UK pence per therm. One therm is equal to about 105.5 megajoules and can also be provided by about 96.7 cubic feet (2.74 m<sup>3</sup>) of natural gas depending upon the specific calorific heating value of that gas.

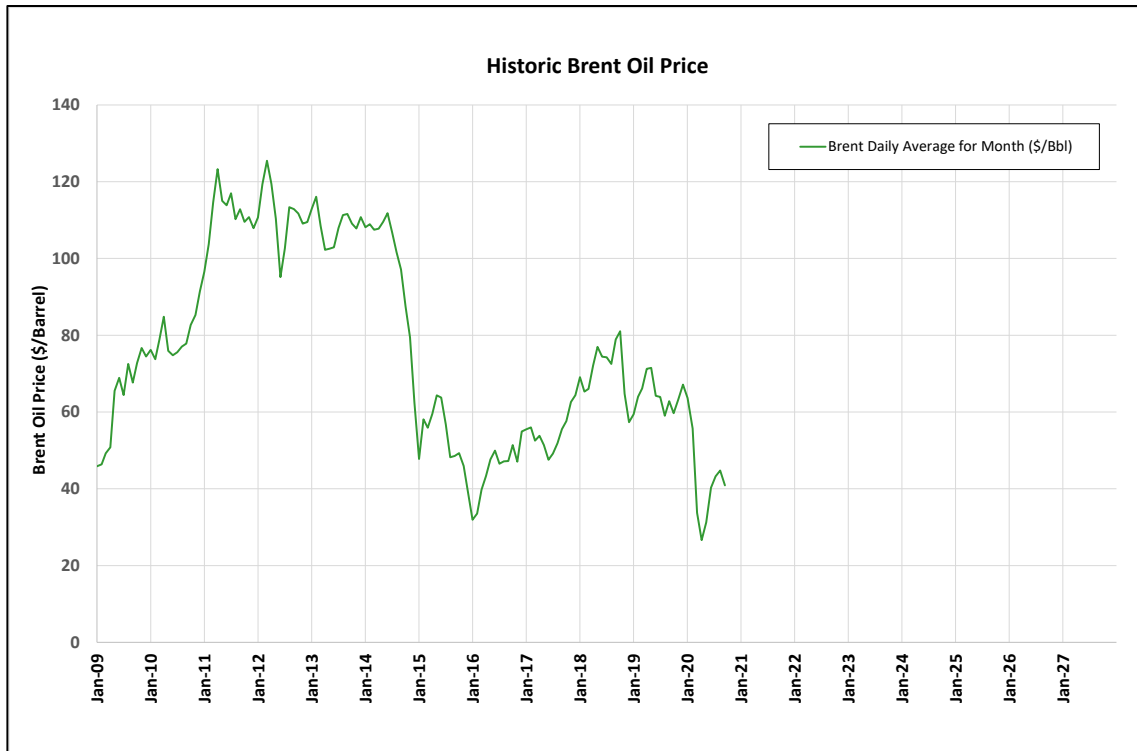


Figure 2-1: Historic Brent Oil Price (US\$/Barrel)

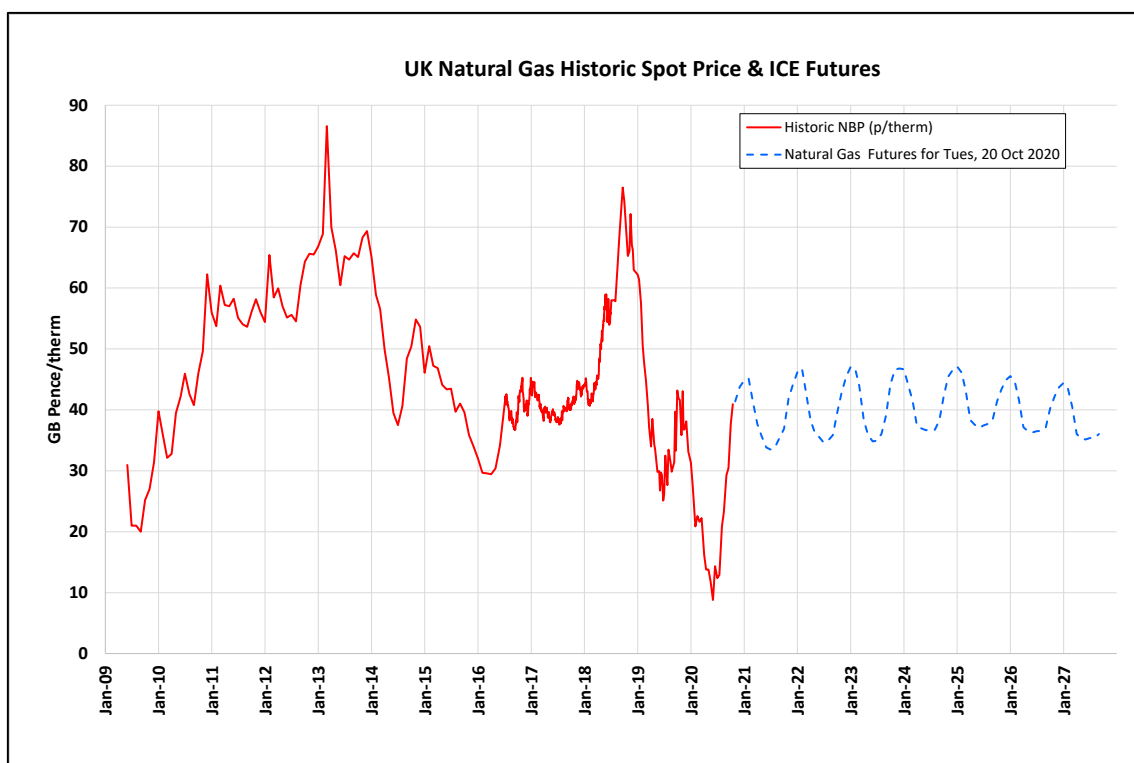


Figure 2-2: Historic UK NBP Spot gas price & ICE Futures (p/therm)



Prior to the mid-2014 oil and gas price decline (Figure 2-2), interest in exploration opportunities was high and farm-in promotes of up to two were seen for some quality acreage. Since then, there has been a significant decline in exploration activity with only approximately on average 14 exploration wells being drilled per year in the UK sector between 2015 and 2019. There have been no UK exploration-only deals in the last five years and very few UK transactions which did not include either some production or near-term development opportunity. Anecdotally, RISC has identified that the few buyers that do exist for exploration and appraisal are seeking farm-in promotes at ground floor level.

In response to the market factors, our experience has been that oil and gas companies have either significantly reduced or completely cut their exploration budgets and the value of exploration companies has declined significantly over the last five years. Although there were some signs that with the stabilisation and recovery in prices in early 2020 (pre-Covid-19), exploration activity was beginning to improve, we now see that interest in exploration assets has fallen significantly again in response to the Q2 2020 crash in oil prices.

The average UK NBP gas price between 2010 and end 2014 was approximately 55p/therm. The relatively low average long term UK NBP price of approximately 40p/therm coupled with the extreme volatility seen in the market since 2018 and the relatively mature state of the geological basin has also resulted in a significant drop in exploration activity for gas.

## 3. Introduction

### 3.1. Hartshead Assets

#### 3.1.1. United Kingdom - Southern North Sea

Hartshead have been informed by the UK regulator, the Oil and Gas Authority (OGA), that they are “*minded to offer*” 100% of five blocks in the UK Southern North Sea in the 32<sup>nd</sup> offshore licencing round (namely 48/15c, 49/6c, 49/11c, 49/12d and 49/17b). The provisional licence award letter was received from the OGA on 3<sup>rd</sup> September 2020 and has been reviewed by RISC. A further Data Verification letter was received on 3<sup>rd</sup> November 2020. It is standard practice for the OGA to publicly announce licence awards as provisional prior to final award. The Data Verification Letter lays out the work program, licence coordinates and environmental requirements for the licence and requires Hartshead to confirm the work program within two weeks. Formal award would be expected shortly afterwards. Hartshead are yet to receive final award from the OGA, however RISC see no reason to believe that this will not take place imminently. Hartshead have provided RISC with documentation and email correspondence with the OGA that supports this opinion. These blocks will be collectively grouped into a single licence number P2607.

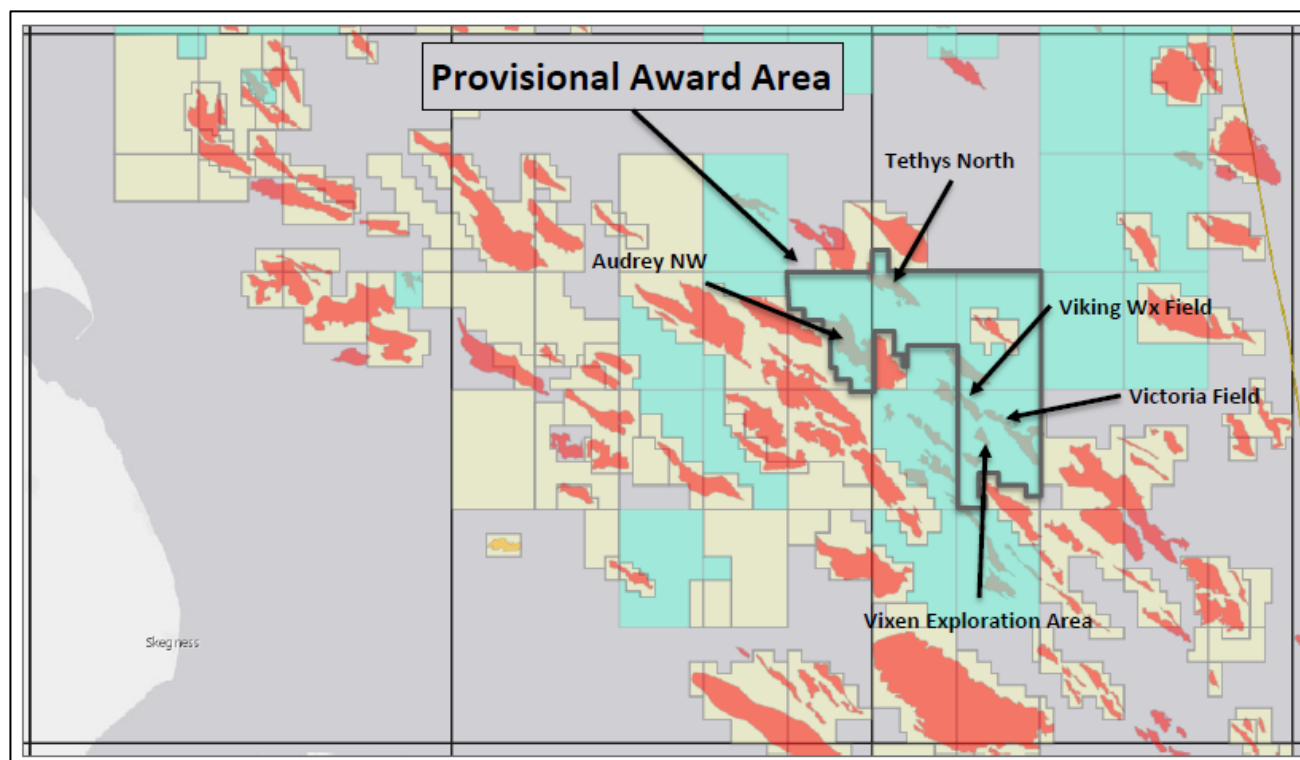
The five blocks are located approximately 40km north of the Leman Field and adjacent to the Audrey field. The blocks contain several fields that have previously produced and have now ceased production and other potential exploration opportunities identified by Hartshead. These include the Victoria Field, Viking Wx Field and Tethys Field and a potentially untapped area of the Audrey Field named Audrey NW. Hartshead’s initial plan is to conduct further technical studies and build towards a phased development with Phase 1 FDP (Victoria and Viking Wx) submitted within 2.5 years. The licences have been awarded on ‘Innovate’ licence terms with work commitments for technical studies required to mature the opportunities to FDP. No new seismic acquisition or wells are committed.

No site visit was made to the licence area and RISC are satisfied that sufficient current information is available to allow an informed evaluation to be made without an inspection. As part of the licence application process Hartshead conducted an environmental assessment on the licence area. This did not highlight anything significant that would prevent Hartshead being able to conduct seismic or drilling operations within the licences whilst following the stringent guidelines and regulations already in place for UK North Sea.

Hartshead’s UK exploration portfolio which includes the following offshore blocks in the table below and Figure 3-1:

**Table 3-1: Hartshead's Provisional Awarded Blocks in UK Southern North Sea**

| Asset          |        | Company   | Hartshead Working Interest | Licence Start Date | Initial Term | Approx Licence area (km <sup>2</sup> ) | Work Program                    |
|----------------|--------|-----------|----------------------------|--------------------|--------------|----------------------------------------|---------------------------------|
| Country        | Block  |           |                            |                    |              |                                        |                                 |
| United Kingdom | 48/15c | Hartshead | 100%                       | 01/12/2020         | 3 Years      | 161.7                                  | Phase A Studies - Drill or Drop |
|                | 49/6c  | Hartshead | 100%                       | 01/12/2020         | 3 Years      | 8.2                                    | Phase A Studies - Drill or Drop |
|                | 49/11c | Hartshead | 100%                       | 01/12/2020         | 3 Years      | 147.4                                  | Phase A Studies - Drill or Drop |
|                | 49/12d | Hartshead | 100%                       | 01/12/2020         | 3 Years      | 202.7                                  | Phase A Studies - Drill or Drop |
|                | 49/17b | Hartshead | 100%                       | 01/12/2020         | 3 Years      | 209.7                                  | Phase A Studies - Drill or Drop |



**Figure 3-1: Location of UK Licence awards by Oil & Gas Authority**

## 3.2. Ansila Assets

### 3.2.1. Poland

ANA acquired a 35% interest in the Gora and Nowa Sol concessions, onshore Poland, from Gemini Resources Limited (GRL) in 2019.

The Gora concession covers a Carboniferous unconventional gas play, discovered with the Siciny-2 well drilled in 2012 and was estimated to contain 2C Contingent Resources of 1.6 trillion cubic feet (Tcf) on May 1<sup>st</sup>, 2019 (NSAI CPR) prior to re-entering the Siciny-2 well and testing. The licence also hosts a conventional Rotliegendes gas play, containing multiple exploration prospects, that are yet to be drilled.

During the 2020 financial year, ANA funded the re-entry of the Siciny-2 well and successfully undertook a two-stage fracture stimulation of the Carboniferous interval. However, the well failed to prove commercial gas production rates with only traces of gas recorded and formation water being the primary fluid recovered from the well. The results of this stimulation indicate that there are issues with permeability of the reservoir which would increase future production well costs and there is also a significant risk that further drilling will fail to establish natural gas flow. The location of the gas water contact is not known and likely limits any potential accumulation to areas updip of the Siciny-2 well which will significantly reduce potential resources.

The near term focus on the Gora concession is expected to be the conventional prospectivity where several conventional Permian, Rotliegendes prospects were mapped. Most of them are relatively small and most likely uneconomic according to the NSAI CPR. However, the Rawicz North and Rawicz South prospects are larger with P50 recoverable volumes which might be economic in a success case. The chance of economic success is listed as 24% for Rawicz North and 34% for Rawicz South.

RISC has performed a review of the Siciny-2 opportunity and well results based on the data made available by Ansila, in addition to the identified Permian exploration potential. RISC conclude that the Gora concession would present negligible transaction value considering the technical risks and absence of a current market for exploration prospects, and absence of a current market for a tight carboniferous play which has already been fracked and failed to flow. RISC does not rule out an improvement in market conditions over the next few years, but given the risk/reward profile, there does not appear to be a market in Europe for drilling these on a promote or ground floor basis at the present time. **RISC does not include these assets as part of this review as they have negligible value at the present time.**

The Nowa Sol concession contains the Jany-C1 unconventional Zechstein Dolomite oil discovery drilled in 2013. The Jany-C1 appraisal program, consisting of the fracture stimulation and flow testing of the previously discovered 2C Contingent Resources of 36 MMbbls (NSAI CPR) of oil within the tight Zechstein Dolomite formation at the Nowa Sol concession, was originally scheduled for Q2 2020. However, the market turmoil surrounding the COVID-19 pandemic and a material weakening in the oil price during the period saw investor support for the risks associated with exposure to unconventional oil projects diminish. This led to ANA's withdrawal from the Nowa Sol concession and the A\$2.24 million Jany-C1 appraisal program in order to allocate capital to lower risk conventional resource projects and new ventures whilst preserving capital in the near-term. **RISC does not include these assets as part of this review as they have negligible value.**

### 3.2.2. Gabon

Ansila holds interests in the Nkembe block, Offshore Gabon in water depths of 50 to 1,100 metres. The block contains the Loba oil discovery drilled in 1976 which failed to flow on test. Drilling of the larger prospects to

the west of Loba would be in deeper water where cheaper Jack-up rigs cannot operate and Ansila would therefore face more expensive well costs with a drill ship.

The licence was awarded in January 2013 with a term of seven years for the exploration phase. In 2019, it was reported that the government had terminated the agreement and released Ansila of its interest in the Nkembe PSC. At the time, the Directorate General for Hydrocarbons believed Ansila was still contractually obliged to satisfy its outstanding financial and technical commitments. Ansila dispute this. The start date of the PSC has been an issue for some time. The Ministry considers January 2013 is appropriate which means the first phase has already expired. Ansila are claiming a later start date of December 2014 when the presidential decree was issued and based on that, it has no outstanding financial obligations. In April 2019, Ansila made a force majeure claim, suspending all obligations under the PSC pending a resolution with the government.

Ansila does not intend to commit any further resources to the project unless they reach a resolution with the government that enables Ansila to obtain third party funding. However, even with the later December 2014 start date, the licence is likely to lapse at the end of 2021 if no farm in partner is found to progress the work program. Any interested farm in parties which may exist are likely to consider the dispute with the government as a significant commercial risk and let the licence expire and apply to the regulator for the block rather than strike a commercial deal with Ansila. RISC also consider it unlikely that the State will allow Ansila to recover the disputed signing bonus. We therefore conclude it contains negligible commercial value since there is little chance of resolution with the government and Ansila does not intend to commit any further resources to the project. **RISC does not include these assets as part of this review as they have negligible value.**

### 3.2.3. Madagascar

Ansila holds interests in the Ambilobe block, offshore Madagascar in water depths ranging from shoreline to 3,000 metres. The Ambilobe PSC was first awarded in 2004. Ansila gained 50% of its interest in the block in December 2013, when it farmed into Sterling Energy plc by carrying the costs associated with the acquisition of a 3D seismic program. Sterling withdrew in 2016 and Ansila took over the remaining 50% and operatorship. The seismic program completed all the work requirements for Phase 2 of the PSC which ended in 2017. The licence is now in Phase 3 with work commitments which include drilling one exploration well and relinquishment of part of the area. Ansila has the option to extend this work program to January 2021.

Although there are several onshore heavy oil discoveries, there has been limited drilling offshore in the area and little data exists to de-risk prospectivity. As such any prospectivity would be considered wildcat or frontier and highly risky. There is too little time remaining to find a farm in partner for this well under the present PSC term and Ansila have made no statement that it intends to commit to a well 100%. Ansila failed to farm out the well earlier in 2020 and any interested parties which may remain are likely to let the licence expire and apply to the regulator for the block rather than strike a commercial deal with Ansila. Consequently, Ansila have applied for the second special two year extension of the Ambilobe PSC to give them more time to find a farm in partner.

RISC does not rule out an improvement in market conditions for exploration over the next few years, but there does not appear to be a market for exploration at the present time. We therefore conclude it contains negligible commercial value at the present time. **RISC does not include these assets as part of this review as they have negligible value at the present time.**

## 4. United Kingdom – Southern North Sea

### 4.1. Regional Background

The evolution of the Southern North Sea Basin occurred through several main phases in geological history.

Firstly, was the creation of the Sub-Cambrian peneplain, before the Caledonia Orogeny in the late Silurian to Devonian. The Variscan Orogeny followed throughout the Carboniferous and into the Permian causing folding and faulting of Carboniferous strata. This generated a dominant north west to south east orientated structural grain in the Southern North Sea Basin with a subordinate orthogonal north east to south west (De Keyzers) fault set exhibiting a dominant strike-slip offset rather than vertical movement. These fault trends controlled the early deposition of the Permian sandstones that provide the dominant reservoir rocks in the Southern North Sea, with deposition unconformable above a largely peneplaned Carboniferous subcrop.

Basinal extension and subsidence throughout the Permian and into the Mesozoic provided accommodation space. Deposition of the Permian Zechstein evaporites followed Permian clastic deposition, providing the regional seal for the Permian Sandstone play. Continued extension and regional subsidence into the Mesozoic resulted in widespread continental clastic deposition in the Triassic before sea level rise towards the end of the Triassic resulted in marine conditions in the Jurassic and Cretaceous Periods. Uplift during Late Cretaceous and Tertiary inversions, associated with the Alpine orogeny, resulted in almost all of the Late Mesozoic section being eroded. Undifferentiated Quaternary-Tertiary marine sands and clays top the regional stratigraphy.

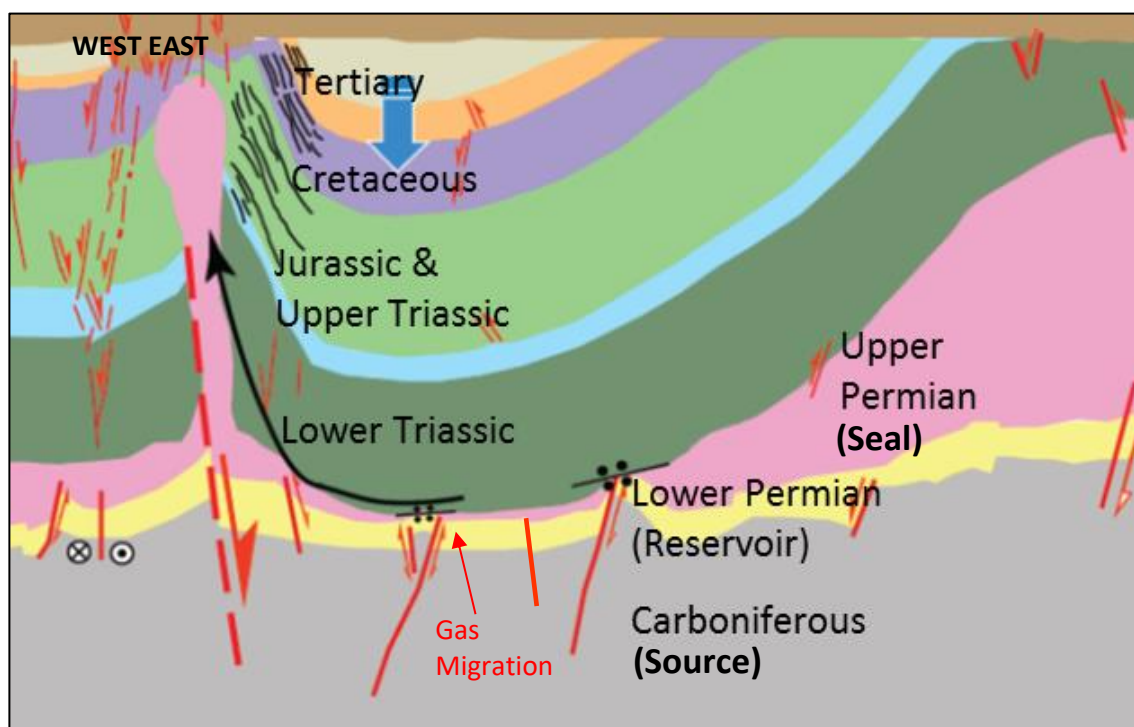


Figure 4-1: Regional geological cross section through Southern North Sea



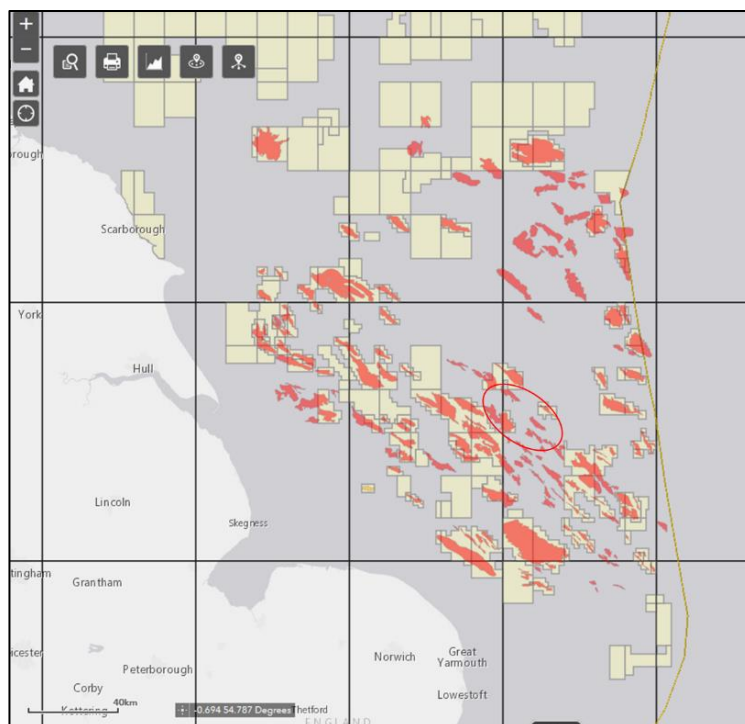


Figure 4-2: Southern North Sea Field Location Map (Ansila Acreage Area Circled)

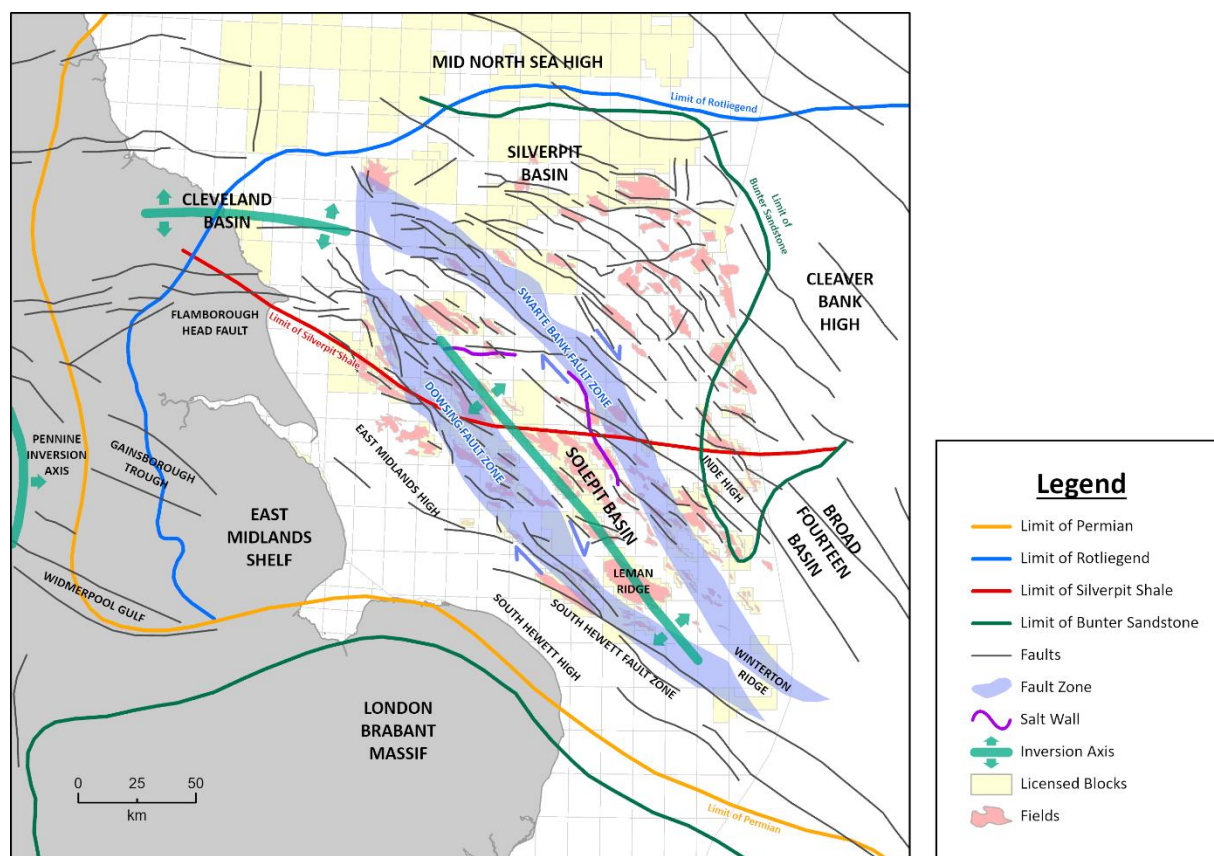


Figure 4-3: Southern North Sea Structural Elements

#### 4.1.1. Source Rocks

Hydrocarbons encountered in the Southern North Sea are thought to be sourced from Carboniferous Westphalian Coals and Namurian marine shales. These either directly underlie the Permian reservoir sands or lie adjacent to eroded palaeohighs. Consequently, migration pathways are generally short and often vertical with intra-Carboniferous sands acting as carrier beds. Gas quality and composition are known to vary across the basin in relation to local geological conditions.

#### 4.1.2. Reservoirs

The primary reservoir exploited in the region is the Lower Leman Sandstone Formation of Rotliegendes (Permian) age, comprising aeolian, fluvial and sabkha facies, deposited along the southern margin and to the south of the Silverpit Lake (Figure 4-4). Reservoir facies and thickness are known to vary locally in relation to local structural setting and climatic controls. Aeolian deposition dominates to the south and west, whilst fluvial influence increases with proximity to the Silverpit Lake which itself is characterised by mudstone and evaporitic facies. Reservoir quality is heavily dependent on depositional facies with the aeolian sequences providing the best quality reservoir.

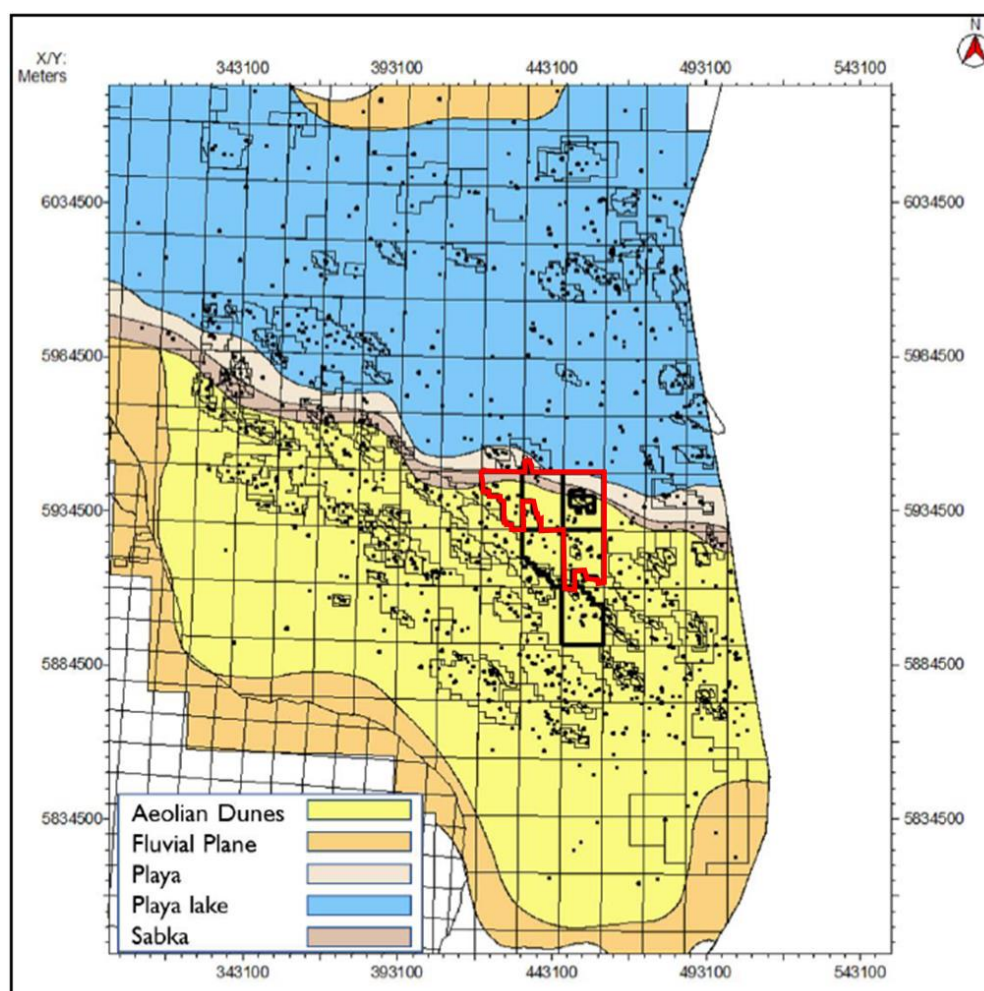


Figure 4-4: Upper Leman Palaeogeography (OGA and Lloyd's Register SNS Regional Geological Maps (Awarded Blocks – Red)



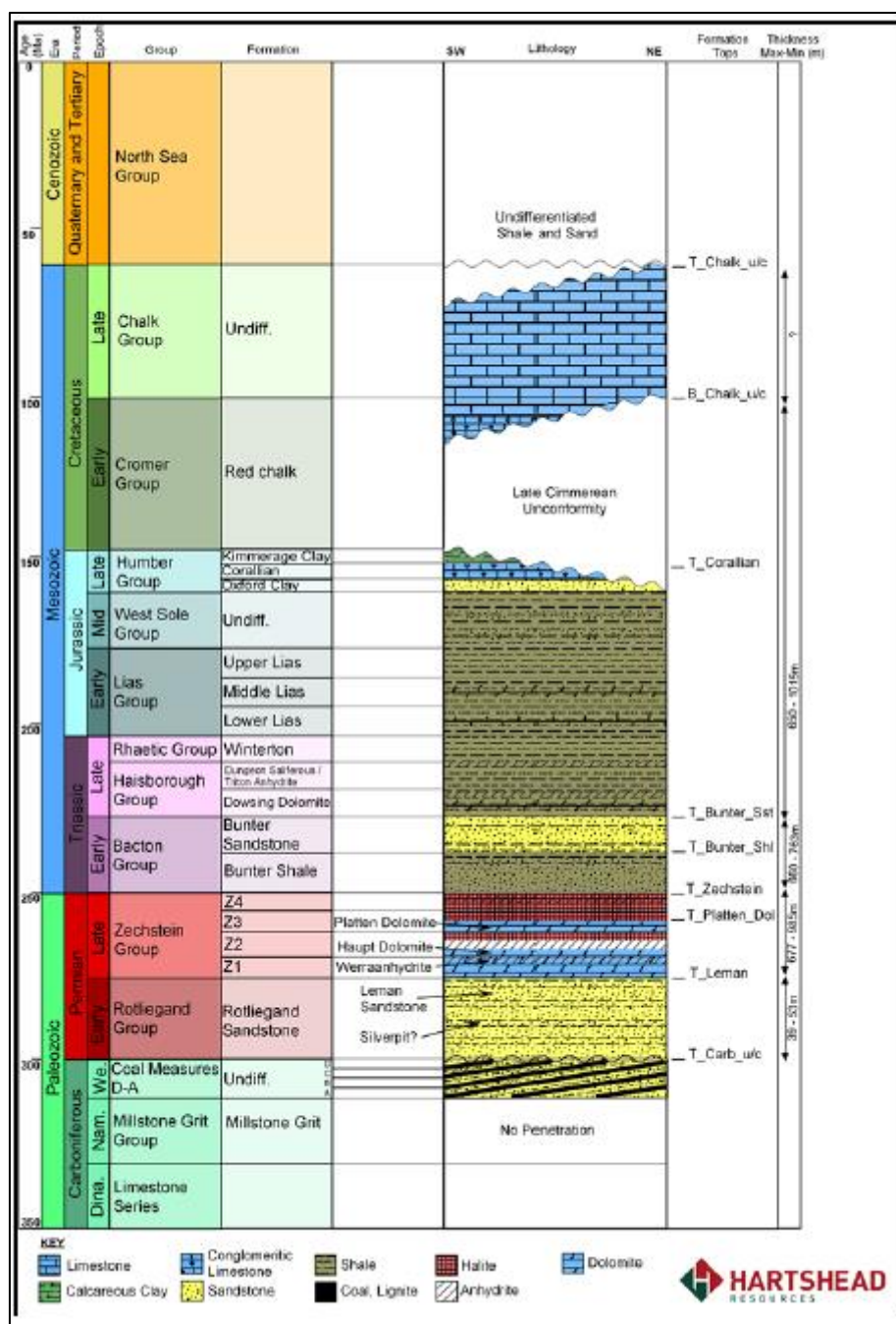


Figure 4-5: Southern North Sea Stratigraphy

### 4.1.3. Traps

All producing fields in the Southern North Sea are wholly structural traps apart from Ravenspurn North which lies on the fringe of the basin and has an element of stratigraphic trapping on the northern flank due to pinch out of the reservoir. Traps are dominantly fault bound structural closures where the top seal is provided by the Silverpit mudstones (where developed) or the Zechstein evaporites. Fault seal is commonly provided by juxtaposition of Leman Sandstones against Silverpit Mudstones.

## 4.2. Data

Various data sources were available to Hartshead in their evaluation of the blocks for the licence round application as well as to OPC who performed an independent review of the Viking Wx and Victoria Fields. The main dataset used is listed below which was supplemented by public domain data.

RISC has not reviewed original data such as seismic or wells logs but has independently and critically reviewed the OPC CPR and various other documents and PowerPoints supplied by Ansila / Hartshead summarising their interpretations. This has not affected our opinion or valuation of the Southern North Sea Assets. The dataset utilised by RISC is listed in Section 2.1.2.

### 4.2.1. Seismic Data

Hartshead has purchased 3D seismic data over all the blocks for their licence application. This data was licensed from the Oil and Gas Authority (OGA) through the National Data Repository (NDR) in 2019 and covers an area of 23,000 km<sup>2</sup>. The data is the Multi Client 3D mega-merge seismic survey released by OGA on the NDR in 2019.

A subset of this data, covering 1,476 km<sup>2</sup> was used to interpret the area over, and immediately adjacent, to the blocks (Figure 4-6).

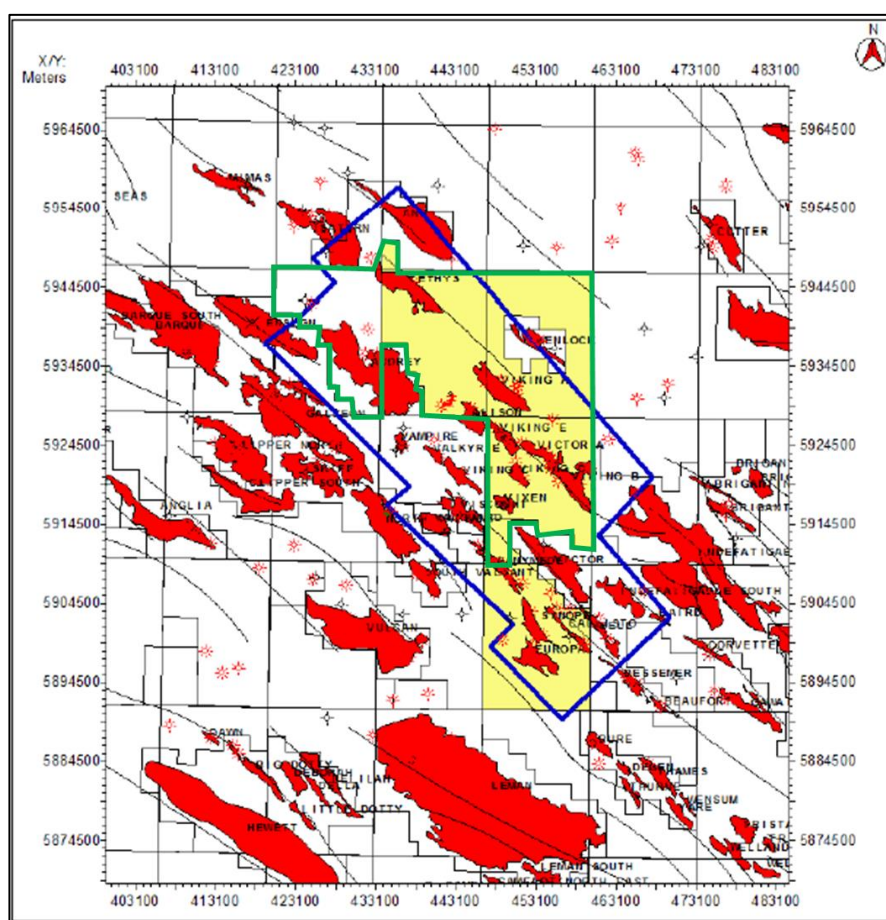


Figure 4-6: 3D Seismic Outline covering the awarded blocks (green outline)

## 4.2.2. Well Data

Hartshead had access to well information via membership of NDR. Through these organisations Hartshead had access to an extensive database of released well data from over 106 offset wells. This included drilling reports, logs, down-hole pressures, core and geochemical data, and litho-stratigraphic tops.

**Table 4-1: Main database of offset wells used in Hartshead evaluation**

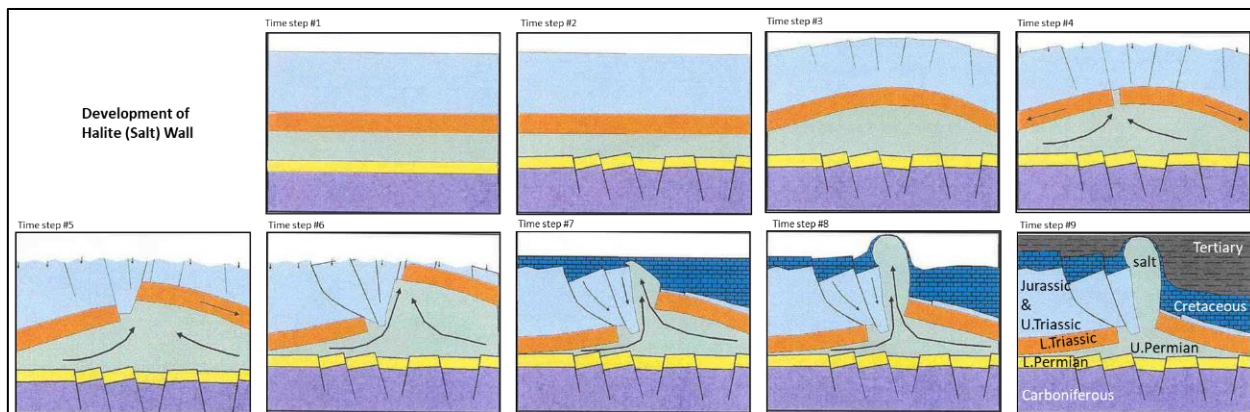
|            |            |            |           |           |           |
|------------|------------|------------|-----------|-----------|-----------|
| 43/16-2    | 48/10b-N3  | 49/11b-8   | 49/12a-K5 | 49/17-12  | 49/17-G3  |
| 44/22a-D9  | 48/15a-1   | 49/11b-T1  | 49/16-11  | 49/17-13  | 49/17-G5  |
| 48/09-1    | 48/15a-2   | 49/12-1    | 49/16-12  | 49/17-13z | 49/17-L2  |
| 48/09-2    | 48/15a-3   | 49/12-2    | 49/16-13  | 49/17-14  | 49/17-L2z |
| 48/09-3    | 48/15a-4   | 49/12-3    | 49/16-2   | 49/17-2   | 49/21-9   |
| 48/09a-N1  | 48/15b-10  | 49/12-A1   | 49/16-4   | 49/17-3   | 49/21-9z  |
| 48/10-1    | 48/10b-8   | 49/12-A10  | 49/16-5   | 49/17-4   | 49/22-15  |
| 48/10a-12  | 49/11a-1   | 49/12-A2   | 49/16-5z  | 49/17-5   | 49/22-16  |
| 48/10a-14  | 49/11a-2   | 49/12-A3   | 49/16-6   | 49/17-6   | 49/22-19  |
| 48/10a-15  | 49/11a-3   | 49/12a-4   | 49/16-E3a | 49/17-9   | 49/22-2   |
| 48/10a-15y | 49/11a-4   | 49/12a-5   | 49/16-E4  | 49/17-B2  | 49/22-6   |
| 48/10a-15z | 49/11a-4z  | 49/12-A6   | 49/16-V2  | 49/17-B3  | 49/22-8   |
| 48/10a-7   | 49/11a-6   | 49/12-A7   | 49/16-V3  | 49/17-B4  | 49/22-9z  |
| 48/10b-10  | 49/11a-7   | 49/12a-9   | 49/16-V3y | 49/17-B5  | 49/22-N1z |
| 48/10b-13  | 49/11a-9   | 49/12a-K2  | 49/16-V3z | 49/17-B7  | 49/22-N2z |
| 48/10b-13z | 49/11a-9y  | 49/12a-K3  | 49/16-W1z | 49/17-B8  | 49/22-N3  |
| 48/10b-2   | 49/11a-9z  | 49/12a-K4  | 49/17-1   | 49/17-G2  | 49/22-N6  |
| 48/10b-5   | 49/11a-B1x | 49/12a-K4z | 49/17-11  |           |           |

In addition, basic well data including well headers, well tops, deviation surveys and time-depth information was used by Hartshead for a total of 544 wells (Figure 4-6).

## 4.3. Technical Evaluation Review

### 4.3.1. Geoscience Summary

The main reservoir in the UK Southern North Sea is the lower Permian Leman sandstone which is overlain by thick sections of upper Permian Zechstein which consists of five evaporite sequences each consisting of dolomites, anhydrites and halites. The halite is mobile when subjected to pressure provided by the overburden and moves or 'flows' over geological time to form salt diapirs of up to several thousand feet (Figure 4-7). The concentration of thick sections of salt in the salt wall creates significant velocity anomalies and therefore distortions in the time migrated seismic data used by Hartshead. The Zechstein evaporite rocks (dolomite, anhydrite and halite) act as lens-like features (similar to a pair of spectacles) which bend the seismic image. The goal of the depth conversion is to adjust for these distortions in a vertical direction based on an interpretation of the relative thicknesses of salt and overlying strata and also in a horizontal direction so that the location in the subsurface is correct for positioning of faults and eventually a drilling location.



**Figure 4-7: Upper Permian, Zechstein Salt Wall development stages**

RISC has reviewed the two licence applications, the OPC CPR and the velocity information used for structural depth conversion from seismic two-way time provided by Hartshead.

Various types of seismic data are available commercially which adjusts for a significant majority of the lateral positioning uncertainty and most but not all of the vertical positioning uncertainty. This data is generally known as depth migrated data. However, it appears that Hartshead and OPC have used PSTM data for structural interpretation and only used depth migrated data as a visual comparator for identification of the seismic reflector. Time migrated seismic data still contains lateral errors in areas of thick salt like the licences covering the field areas described in this report. Time migrated data also contains significant depth uncertainty unless converted to depth using a complex velocity model.

RISC agrees with OPC's comment in their CPR that the  $V_0/K$  depth conversion method is robust in terms of interval selections but RISC highlights that a considerable degree of uncertainty exists in the depth surfaces because of the significant scatter of data in the well regression plots and mistie correction surfaces at top reservoir. The depth maps provided to RISC for this evaluation contained depth misties at well locations of between -93 to +120 m on the Victoria field map with misties between -4 and +46 m at the key wells, and misties at well locations of between -73 to +126 m on the Viking Wx field map with misties between -35 and +59 m at the key wells. The depth conversion misties on key wells amounts to less than 2% in depth on Victoria and up to 3% on Viking Wx. Regional work shows that the Upper Permian Zechstein section overlying the Lower Permian Leman reservoir varies in velocity due to the clay content (approx. 14,000 ft/s) of the halite in the uppermost Zechstein, producing slower velocity than the predominant halite salt (approx. 14,500 ft/s). This velocity variation is compounded by subtle changes in thickness of the anhydrites and dolomites in the mid and lower Zechstein which have much faster velocities (approx. 20,000 ft/s) compared to halite. These subtle changes in lithology of the Zechstein result in differences in the Zechstein velocity field which need to be corrected at known calibration points like the wells. However, depth uncertainty increases the further one moves away from these calibration wells and towards the flanks of the structures. Uncertainty therefore still remains as to the degree of mistie away from the known well calibration points at the key wells and uncertainty remains in the range of gross rock volume of the structures.

RISC agrees with OPC that a more detailed seismic interpretation is recommended in order to verify both subsurface lateral and vertical positioning which has a material impact on location of faults and associated drilling risk and volume uncertainty.



Major lateral and depth uncertainty exists at the Audrey NW location. A salt wall similar to that shown in Figure 4-7 immediately overlies the Audrey field and the Audrey NW appraisal location lies just outside the wall but the seismic data is nonetheless still adversely affected by the significant velocity contrast between the salt and the other lithologies. Seismic migration is the process by which seismic events are geometrically re-located in either depth and lateral space or seismic two way time to the location the event occurred in the subsurface rather than the location that it was recorded by the acquisition boat at the seas surface, thereby creating a more accurate image of the subsurface. The time migrated data used by Ansila is a merge of several very old seismic surveys (dating back to approximately 1996) whereby the parameters of the worst quality survey in the merge dominate the whole dataset. This time migrated data should not be used to obtain a depth surface for the Audrey NW field area. Ideally for this area, Pre Stack Depth Migrated (PSDM) data should be obtained where the data has been migrated with more modern mathematical algorithms and more complex velocity fields that are now understood to be required for these salt flank areas. These more modern migration algorithms are recognised as best practice for complex salt areas in the Southern North Sea.

The Victoria fault block is separated from the adjacent Viking B Extension fault blocks by northeast-southwest trending De Keyser lineaments. If these De Keyser do not seal then there is a risk that Victoria has been pressure depleted by Viking B production. The sealing characteristics of De Keyser are not only affected by DeKeyser fault cements, but the DeKeyser geometries themselves, which are rather complex and vary across the Southern North Sea. DeKeyser are reactivated basement features, and so their propagation into the overburden (Permian) varies.

At the Ensign field which is 30 km to the north west of Victoria, DeKeyser geometries are characterised by pairs of very well-developed barriers of low perm fault/fracture cements which form strong compartmentalisation (calcite, clay smears, anhydrite cement). At the Ann field, 30 km to the north of Victoria field, there are poorer developed DeKeyser structures that may only be single lineaments, although Ann is overlain by thicker salt however, so this may be a seismic imaging issue. Well and core data suggest higher permeability fracture & fault cements at Ann.

On a regional scale, De Keyser can be quite continuous but can behave differently on a field to field basis. For example, the De Keyser faults in the Greater Markham field area (55 km to the north east of Victoria field) proved to be non-sealing so some of the fault compartments were already depleted. In RISC's experience De Keyser seal approximately 60% of the time based on studies of the Glein, Markham, Ensign, and Ann fields.

Hartshead have completed an adequate initial geological and geophysical evaluation suitable for a licence application for the Phase 1 fields Viking Wx and Victoria, independently reviewed in detail by OPC in their CPR. The use of the merged seismic 3D data allows for basic structural mapping but is not of high enough quality to select future well locations. The initial interpretation has adequately described the range in volumes, but it is likely that a better and more modern data set would narrow the range of volume uncertainty, improve the interpretation of the De Keyser faults and may also improve confidence in their sealing capacity. RISC agree with OPC that further detailed subsurface work is required to fully characterise the Phase 1 fields and their uncertainties. RISC consider the Gas Initially In-Place estimates for Viking Wx and Victoria fields within the OPC CPR to be reasonable. These form the basis for Contingent Resources estimates reported in Section 4.4. The technical evaluation of the Phase 2 fields (Audrey NW and Tethys North) is less mature and requires significant further work. RISC do not consider these fields as Contingent Resources for this valuation.

### 4.3.2. Reservoir Engineering Summary

RISC has reviewed the relevant section within the OPC CPR relating to the Phase 1 development of the Viking Wx and Victoria Fields. Hartshead plan to use horizontal fracked wells to develop the possible untapped resources associated with these fields. This type of technology and well design is proven very successful in the Southern North Sea, however there are a significant number of examples of poor well results and failures. Further technical work will be required on the subsurface to fully understand the in-field faulting, compartmentalization and depletion by previous production.

Clipper South is used as a possible analogue to these fields, but RISC cannot confirm whether this is a suitable analogue at this stage of the technical assessment, and we believe that other analogue fields could be used to provide a range of possible production outcomes rather than the single success case represented by Clipper South. A significant amount of addition work is required to understand the geomechanics and stress state in order to develop firm well locations / orientations, frack and completion designs as well as work to understand production flow assurance uncertainties.

At this very early (conceptual) stage of evaluation RISC considers the plans are adequate, but RISC (and Hartshead) recognise that significant further work is required to progress this opportunity to field development decision.

### 4.4. Resource Estimates

RISC consider the Phase 1 development consisting of the Victoria and Viking Wx Fields to hold some transaction value at the present time but there is still significant risk that development will not proceed. RISC include resource estimates for Phase 1 from the OPC CPR below.

The Phase 2 development consisting of the Audrey NW and Tethys North opportunities is considered to carry significant technical risk this stage and is fully conditional on a successful Phase 1 development and is therefore not included within RISC's valuation and no resource estimates are included here.

OPC have provided independent verification of the Hartshead Contingent Resources for the Phase 1 development fields Viking Wx and Victoria shown below in Table 4-2.

**Table 4-2: Contingent Resources in Phase 1 of SNS Project from OPC CPR (2020)**

| SNS Project                                                                                                                                                                                         | Contingent Resources (Bcf) |                  |           |     |           |     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------|-----------|-----|-----------|-----|
|                                                                                                                                                                                                     | 1C (Low)                   |                  | 2C (Best) |     | 3C (High) |     |
|                                                                                                                                                                                                     | Gross <sup>1</sup>         | Net <sup>2</sup> | Gross     | Net | Gross     | Net |
| Phase 1 – Viking Wx                                                                                                                                                                                 | 62                         | 62               | 90        | 90  | 124       | 124 |
| Phase 1 - Victoria                                                                                                                                                                                  | 84                         | 84               | 125       | 125 | 177       | 177 |
| Phase 1 Total <sup>3</sup>                                                                                                                                                                          | 146                        | 146              | 215       | 215 | 301       | 301 |
| Notes:<br>1) Gross = The 100% working interest Contingent Resource estimates.<br>2) Net = Net Hartshead entitlement calculated as 100% based on block equity.<br>3) Total represents arithmetic sum |                            |                  |           |     |           |     |

RISC has reviewed the material provided including the OPC CPR and conclude that the resource estimates appear reasonable considering this early stage of technical evaluation. RISC agrees with OPC in their assertion that significant amount of further technical work is required to fully understand the full range of potential production outcomes on these fields, work which is planned as part of the work commitments on the licence prior to concept select stage.

#### **4.4.1. Development Plan**

RISC has reviewed the relevant section within the OPC CPR relating to the Phase 1 development of the Viking Wx and Victoria Fields. The notional development plan detailed in the CPR is summarised as a five well subsea development connected back to either the Clipper or Indefatigable host by a 16" fully rated carbon steel pipeline, before being treated and connected directly to shore at the Bacton Terminal. A single multiphase meter will be installed for well monitoring and allocation purposes. A manifold at the Victoria Field will provide tie-ins for additional developments. Host modifications include a hydraulic power unit and subsea control system to interface with the host platform control system.

RISC believe this to be a reasonable notional development plan at this early stage of the evaluation, but there are several concerns around flow assurance and potential modifications required on the host facilities. RISC would expect these concerns and uncertainties to be addressed by Hartshead in their future work program prior to completing a Field Development Plan (FDP).

#### **4.5. Risks and Opportunities**

The Hartshead SNS licence and re-development project could offer an exciting opportunity to maximize recovery from existing fields that have not fulfilled their potential by adopting different drilling methods and a new approach to development. However, at this early stage of evaluation there are a number of potential risks identified by RISC, some of which we would be expected to be resolved by Hartshead with further detailed technical work as proposed in the license commitment for Phase A studies.

##### **4.5.1. Risks**

The significant, possible and probable risks facing Hartshead in Phase 1 are:

- There is a risk that Phase 1 does not proceed after the initial Phase A studies are completed. This could be for a variety of reasons such as:
  - The resource base is too low;
  - Development costs are too high;
  - The proposed host platform is unable to cater for the development;
  - Gas pricing is too low;
  - Inability to source funding;
- Drilling and production risks associated with inaccurate fault mapping and unknown fault / De Keyser sealing capacity.
- Potential for depletion within targeted areas of the fields from previous production.
- Potential well failure due to inadequate fracture stimulation in the well to deliver commercial rates.
- Risk of the induced fractures connecting with the water leg either directly or via faults and killing the well.
- Flow assurance uncertainties in relation to host facilities, pipeline and compression.
- Limited ability for remedial action in planned subsea wells.

#### 4.5.2. Opportunities

The following list of opportunities exist for Hartshead and are those that we consider either possible or probable based on history of the UK Southern North Sea, public knowledge or standard industry working practices:

- If UK gas prices rise back to those levels last seen between start of 2011 and end 2014, and during most of 2018 (i.e.: approximately 50p/therm), or prices stabilize at an average 40p/therm like that seen between mid-2016 and end 2017, then it is possible for Phase 2 to carry some future transactional value as confidence in forward pricing strengthens.
- If Hartshead matures Phase 1 to a material volume (> 50 Bcf) which is classified as any one of the three categories of Reserves (Justified for Development, Approved for Development or On Production), then the Hartshead portfolio is likely to be of great interest to mid-cap operators active in the basin.
- If Hartshead matures Phase 1 to a material volume (> 100 Bcf) which can be classified as Contingent Resources within the sub-class '*Development Pending*', then it is likely to be of interest to other small operators active in the basin, or new entrants with conditions in the Sale and Purchase Agreement likely to be based on FID and/or first production.
- Hartshead may have an opportunity to benefit from lessons learned by operators on other fields in the region which have undergone stimulation (e.g.: Ensign, Chiswick, Breagh, Clipper South fields). A combination of horizontal and hydraulic fracturing technology was applied to exploit these reservoirs with average permeability values ranging from as low as 0.01 to 1mD. Stimulation represents a potential means to positively improve well performance in reservoirs with a range of scalable and flexible solutions and is particularly suited to tight, low permeability reservoirs and very low permeability reservoirs. The benefits are higher production rates, higher recovery factors and lower cost.
- Tax changes have been introduced by the UK government to revitalize and encourage the development of hydrocarbons on the UK continental shelf. Field Allowances were first introduced in 2009 to provide an incentive for development of commercially marginal oil and gas fields. These include the Small Fields Allowance, Shallow Water Allowance and Brown Field Development Allowance. Additional allowances are considered probable to help achieve the UK Oil and Gas Authority's tight gas ambition to drive the economic development of tight gas reservoirs across the Southern North Sea. However, there is no indication of the timing of these potential incentives.
- The Coronavirus pandemic and following price crash has led to many operators focusing their efforts on what they would describe as their 'core business' of oil and gas production, with efforts directed towards production optimization and cost reduction. Consequently, little budget has been available for acquisition based growth in new ventures/new business development. The dissipation of Covid-19 may have the impact of refocusing operators on their mid and long term growth strategies and less on the immediate short term crisis management. This should improve the transaction market in the Southern North Sea.
- While European supermajors Shell and Total continue to view the North Sea as one of their core assets, a number of supermajors have exited selected basins in the North Sea over the last twenty years including BP, Chevron, Marathon, and ConocoPhillips. Exxon's investment in the North Sea is managed through a 50/50 joint operation with Shell but in 2019 Exxon announced a sale of some, or part of its assets in the UK North Sea. The sale of producing assets may reinvigorate the transaction market in the Southern North Sea and bring in new operators from new regions (e.g.: Middle East & Far East). These new entrants are also likely to consider adding development opportunities (i.e.: Contingent Resources) to their new UK portfolio.



## 4.6. Past Costs

RISC understand that Hartshead has undertaken general desktop studies including seismic interpretation, petrophysical interpretation, geological review and volumetrics analysis as input to the licence application document. Ansila / Hartshead have provided an unaudited estimate of £210,000 of costs in total for both of the licence applications (1: Viking Wx & Victoria, 2: Audrey NW & Tethys N) and approximately a further £100,000 in costs post application which is in line with RISC's estimate. RISC considers a total cost of £310,000 to be reasonable for the amount of technical work carried out on the licence to date. Although these are sunk costs, it is general industry practice to include a demand for some percentage of back costs in farm-out deals when there is no production or reserves.

## 4.7. Work Program and Commitments

The Initial Term of a UK licence consists of Phases, A, B and C which when complete can progress to the Second Term. The licence will expire at the end of its Initial Term unless the Licensee has completed the agreed Initial Term work program and surrendered a fixed amount of acreage. The work commitments associated with the P2607 Hartshead blocks are determined as 'Phase A' and are a firm commitment. The work commitments involve Geotechnical and well planning studies designed to build confidence in resource estimates and potential geological risks towards concept selection for development (section 4.7.1). No seismic acquisition, reprocessing or wells are committed. The licensee (Hartshead) has the option to proceed into Phase C (drilling a well) or drop the licence, colloquially known as 'drill or drop'. The three years for Phase A allows Hartshead to prepare development concepts and submit a Field Development Plan so they will be in a position to take a decision to proceed with development drilling.

The blocks are held by annual rental costs of GBP £15 / km<sup>2</sup>. The total provisional licence area is 729.7 km<sup>2</sup> resulting in an annual rental cost in the initial term to hold the licence of GBP£10,946 (A\$19,922<sup>1</sup>), payable on licence award and annually afterwards.

Hartshead will hold 100% equity in these blocks and are solely responsible for the completion of the work program commitments and rental costs.

### 4.7.1. Initial Term

#### Phase A (Firm Commitment) – 3 Years

- (a) Complete a seismic interpretation and mapping study across the licensed area;
- (b) Complete a geo-mechanical and fracture modelling study;
- (c) Build a fracture model;
- (d) Build 3D static and dynamic models for each pool, incorporating the fracture model;
- (e) Complete a cluster model for integrated polls with a surface model;
- (f) Complete sensitivity analysis on wells and fractures using the models above;
- (g) Complete a technology review for drilling and completions;
- (h) Complete a well trajectory study;

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<sup>1</sup> GBP £1 = A\$ 1.82

**There is no Phase B**

**Phase C – 2 Years**

The Licensee shall drill a well to 2,800m TVDSS, or 30m below the base Permian Unconformity, whichever is the shallower.

## 5. Southern North Sea Project Valuation

RISC estimates a fair market value range for the Phase 1 development consisting of the Victoria and Viking Wx Fields of between GBP£ 0 (A\$ 0) and GBP£ 0.310 million (A\$ 0.5642 million) with a best estimate of **GBP£ 0.235 million (A\$ 0.4277 million)** (Table 5-1).

Table 5-1: Valuation of SNS Phase 1 Development

| Asset               | Valuation Range in GBP£ & A\$                                    |                                                                             |                                                                                  |
|---------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------|
|                     | Low                                                              | Best                                                                        | High                                                                             |
| SNS Phase 1         | GBP£0<br>A\$0*                                                   | GBP£235,000<br>A\$427,700*                                                  | GBP£310,000<br>A\$564,200*                                                       |
| Valuation rationale | Farm-in at ground floor level with no contribution to back costs | Farm-in at ground floor level for 50% equity plus 50% back costs of Phase 1 | Farm-in at ground floor level for 75% equity plus 100% back costs of both Phases |

\*GBP£1 = A\$1.82

RISC valued Phase 1 with two methods: 1) Using comparable transaction analysis for Contingent Resources. and 2) Using costs to mature the project close to FID, whereby the Contingent Resources would be classified as '*Development Pending*' and prior to classification as Reserves. We consider the future cost farm-in to be the most appropriate method to value the project at its current level of maturity.

### 5.1. Comparable Transaction Analysis

To aid in our valuation, comparable transactions on appraisal, pre-development acreage deals have been identified. RISC has used a database compiled by GlobalData for identifying comparable transactions. A transaction was considered comparable if it met the following criteria:

- Conventional asset transactions in UK North Sea;
- Assets in the Contingent Resource stage as opposed to reserves and producing assets;
- Transactions occurring since December 2015;
- Transactions for gas assets only;
- Transactions where the value has been disclosed.

Offshore UK North Sea has only seen two asset sales of solely Contingent gas resources in the last ten years due to the uncertainty in economics and most field areas in the southern gas basin being held by majors like Conoco-Phillips, Shell and Exxon and smaller privately owned Perenco, who historically have not traded individual assets since they were also the infrastructure owners. New entrants and investors have preferred to include production or developments which have already reached or is about to reach the Financial Investment Decision. The list of comparable transactions is presented in Table 5-2.

Table 5-2: Comparable gas transactions in the period January 2010 – May 2020 (GlobalData)

| Completion Date | Buyer                       | Seller              | Total transaction value US\$ million | Contingent Resources Value                | Asset Description (Block number or field)                                                                |
|-----------------|-----------------------------|---------------------|--------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Oct 2016        | Independent Oil and Gas Plc | Verus Petroleum UK  | 7.24                                 | US\$0.14/Boe<br>US\$0.02/Mcf <sup>2</sup> | 48/25b North West Vulcan Area; 49/21a Vulcan East; 49/21c All; 49/21d All; Elland; Nailsworth; Southwark |
| Aug 2020        | Royal Dutch Shell Plc       | Egdon Resources Plc | 5.0                                  | US\$0.17/Boe<br>US\$0.03/Mcf <sup>2</sup> | 41/18a All; 41/19a All; 41/24 All; Endeavour; Resolution                                                 |

Although only two comparable transactions have taken place, there is a relatively small range in value per Boe of the Contingent Resources. We therefore consider a mid-value to be US\$0.15/Boe with a low side of US\$0.05/Boe and high side of US\$0.20/Boe.

Table 5-3: SNS Phase 1 development valuation @ 29 October 2020 – Transaction based valuation

| Asset                                         | Valuation Range                                  |                                                  |                                                                                      |
|-----------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------------------|
|                                               | Low                                              | Best                                             | High                                                                                 |
| Resource status                               | Development Unclassified                         | Development Unclassified                         | Development Unclassified                                                             |
| Contingent Resources Volume in Bcf            | 1C = 146                                         | 2C = 215                                         | 3C = 301                                                                             |
| Oil Equivalent Volume in MMBoe <sup>3</sup>   | 1C = 24.3                                        | 2C = 35.8                                        | 3C = 50.2                                                                            |
| Contingent Resources Value (US\$/Boe)         | 0.05                                             | 0.15                                             | 0.20                                                                                 |
| Contingent Resources Value (A\$/Boe)          | 0.07                                             | 0.21                                             | 0.28                                                                                 |
| SNS Phase 1 Contingent Resources Value in A\$ | <b>A\$1.7</b><br><b>£0.9 mill</b>                | <b>A\$7.5</b><br><b>£4.1 mill</b>                | <b>A\$14.1</b><br><b>£7.7 mill</b>                                                   |
| Valuation rationale                           | Assets less mature than IOG & Shell transactions | Assets less mature than IOG & Shell transactions | Improving stability of NBP gas price and market for Contingent Resource transactions |

\*GBP£1 = USD\$1.3 and USD\$1 = A\$1.4

<sup>3</sup> Conversion factor of 6 Bcf = 1 MMBoe

These are significantly higher values compared to the farm in approach, because of the maturity of the assets and the technical work on the fields in the sample of completed transactions compared to those secured by the licence application.

The purchase of Contingent Resources by Shell in 2020 for US\$5 million represented 85% of the costs of acquisition and processing of a 3D seismic survey needed to satisfy the work commitment.

The purchase of Contingent Resources by Independent Oil & Gas from Verus Petroleum in 2016 for US\$7.24 million was for discovered fields collectively known as the Vulcan Satellites and required no further appraisal. Although listed as Contingent Resources at time of the transaction they were classified as reserves justified for development by a third-party auditor less than 12 months later. None of the three Vulcan Satellites had previously been in production unlike Victoria and Viking Wx. The Vulcan Satellites developments therefore were at initial pressure and consequently easier and cheaper to drill than Victoria and Viking Wx which may be partially pressure depleted.

If prices increase and stabilize at an average of approximately 40p/therm then it is possible for operators similar to those noted above to become interested in growing their development portfolio and taking an interest in the Hartshead portfolio.

## 5.2. Valuation based on farm-in

The valuation using farm-in promotion factors assumes hypothetical farm-in scenarios.

It is standard practice for the OGA to publicly announce licence awards as provisional prior to final award which usually takes place a short time afterwards and is confirmed with the Data Verification Letter. Hartshead are yet to receive this formal notification from the OGA of the award of the licences, however RISC see no reason to believe that this will not take place imminently. Hartshead have provided RISC with documentation and email correspondence with the OGA that supports this opinion. The Data Verification Letter will lay out the exact Licence term, work program and licence rental costs. All companies acting as licence administrator for the licence applications have been informed of the potential awards by the OGA. This is a public document and blocks 48/15c, 49/6c, 49/11c, 49/12d, 49/17b will be offered to Hartshead under a 'Phase A-Studies' work commitment with a 'Drill or Drop' decision to be made before licence expiry.

RISC estimate licence application costs to total approximately £125,000 for Phase 1, Victoria and Viking Wx and approximately £75,000 for Phase 2, Audrey NW and Tethys. Approximately an additional £100,000 is estimated to have been spent on technical support by OPC and some internal Hartshead time for the CPR following licence application. One licence will cover both Phase 1 and Phase 2 and the fees will total approximately £10,000 per year. These will need to be paid on the start date of the licence or Hartshead would forfeit the licence.

In light of current market factors for Contingent Resources in PRMS 2018 category of '*Development Unclassified*', we have used a market-adjusted range of farm-in factors in our valuation based on sunk costs of the work required for the licence application and the first year's licence fees. Further work and expenditure will be required to mature and move the Contingent Resources into the '*Development Pending*' category prior to reaching FID.

In light of current market factors, we have discounted any promotion factors and used a market-adjusted range of promotion factors in our valuation (Table 5-4).

**Table 5-4: Range of market-adjusted Phase 1 development farm-in valuations @ 29 October 2020**

| Project Phase                | Low                                                              | Best                                                                        | High                                                                             |
|------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Application Costs            | £125,000                                                         | £125,000                                                                    | £200,000                                                                         |
| Licence fees (Year 1)        | £10,000                                                          | £10,000                                                                     | £10,000                                                                          |
| Post Application Costs (CPR) | £100,000                                                         | £100,000                                                                    | £100,000                                                                         |
| Contribution to back costs   | £0                                                               | £117,500                                                                    | £310,000                                                                         |
| Gross Value SNS Phase 1      | <b>GBP£0<br/>A\$0*</b>                                           | <b>GBP£235,000<br/>A\$427,700*</b>                                          | <b>GBP£310,000<br/>A\$564,200*</b>                                               |
| Valuation rationale          | Farm-in at ground floor level with no contribution to back costs | Farm-in at ground floor level for 50% equity plus 50% back costs of Phase 1 | Farm-in at ground floor level for 75% equity plus 100% back costs of both Phases |

\*GBP£1 = A\$1.82

### 5.3. Valuation summary

RISC considered two valuation methods as described in Section 2.1.3. Given the very limited number of transactions for Contingent Resources in the UK North Sea in recent years, the short time between award of the licence and technical immaturity of the assets, valuation using the sunk costs invested in the licence applications was considered most appropriate.

The asset was valued using farm-in promotion factors and equivalent US\$ / boe from comparable transactions.

UK imports of LNG may have permanently altered the fundamental natural gas supply picture in the UK. 2019 regasification showed a dramatic 169% year-on-year increase, and consequently slashed average NBP spot prices by half. Consequently, the Southern North Sea Gas Basin has shown very limited farm-in interest in recent years due to low and very volatile gas prices. As such, we consider farm-in promotion factors to be the most appropriate method for the valuation.

The valuation range provided on Table 5-1 is our independent assessment of the current market value of the Hartshead assets. The range represents our estimate of the value that Hartshead assets would change hands for as of the date of this report in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion.

### 5.4. Valuation assumptions

Our valuation has assumed that Hartshead UK assets have adequate Contingent Resources and development potential to be farmed-out in a transaction comparable to traditional asset transactions in the UK North Sea. In our analysis we used a range of potential farm-in equity levels, promotion factors which we have judged appropriate given current market conditions and comparable transaction analysis. The wide valuation range is due to the immature nature of the assets, the granting of the licence by OGA, an acceptable work program

defined by OGA, starting and making progress on the work program, the dependency on a successful farm-out, and current investment uncertainty in the UK gas sector.

## 6. Declarations

### 6.1. Qualifications

RISC is an independent oil and gas advisory firm. The RISC staff engaged in this assignment include qualified petroleum reserves and resources evaluators as specified in ASX listing rules, engineers, geoscientists and commercial analysts, each with many years of relevant experience and most have in excess of 20 years.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth and Brisbane, Jakarta and London. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/Portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

The preparation of this report has been undertaken by **Mr Gavin Ward**, Partner and London Office General Manager. Gavin has an economic, accounting and technical skill set from over 30 years in the oil and gas industry at major operators and independents. He has peer reviewed and valued assets and companies in Europe, Middle East, Far East, Africa and North America. Gavin is an expert on risk and volume estimation and is able to translate technical evaluations into meaningful economic and financial assessments as a Chartered Accountant and professional Geoscientist. He has used these skills previously as the Europe & Mediterranean Portfolio Manager for Noble Energy and Reserves and Economics Manager for Centrica Energy. He has an MBA from the Cranfield School of Management and is also a Chartered Accountant and Fellow of the Association of Chartered Certified Accountants (FCCA). Gavin is an honorary lifetime member of the Petroleum Exploration Society of Great Britain (PESGB), a member of the Society of Petroleum Engineers (SPE) and the Society of Petroleum Evaluation Engineers (SPEE). Gavin is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules and is a full-time employee of RISC.

### 6.2. ASIC Regulatory Guides and VALMIN

This Report has been prepared by RISC in accordance with the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112 and the VALMIN Code 2015.

### 6.3. Petroleum Resources Management System

In the preparation of this Report, RISC has applied the guidelines and definitions of the Petroleum Resources Management System approved by the Board of the Society of Petroleum Engineers in 2018 (PRMS).



## 6.4. Report to be presented in its entirety

RISC has been advised by BDO that this report will be presented in its entirety without summarisation. RISC provides consent for BDO to use this report in the form and context in which it will be published.

## 6.5. Independence

This report does not give and must not be interpreted as giving, an opinion, recommendation or advice on a financial product within the meaning of section 766B of the Corporations Act 2001 or section 12BAB of the Australian Securities and Investments Commission Act 2001.

RISC is not operating under an Australian financial services licence in providing this report.

In accordance with regulation 7.6.01(1)(u) of the Corporations Regulation 2001. RISC makes the following disclosures:

- RISC is independent with respect to Ansila and Hartshead and confirms that there is no conflict of interest with any party involved in the assignment;
- Under the terms of engagement between RISC and BDO for the provision of this report, RISC will receive an estimated fee of between A\$50k – A\$60k from Ansila. No part of the fee was contingent on the conclusions reached, or the content or future use of this report. Except for this fee, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report;
- Neither RISC nor any of its personnel involved in the preparation of this report has any material interest in Ansila or Hartshead or in any of the properties described herein;
- RISC has not provided advice to Ansila or Hartshead specifically in relation to the Proposed Transaction.
- RISC has not prepared any previous reports for Ansila or Hartshead over the last two years.

## 6.6. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from Ansila as well as information in the public domain.

The information provided to RISC has included electronic information supplemented with discussions between RISC and senior Ansila staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, we believe our review and conclusions are sound, but neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. We believe our review and conclusions are sound, but no warranty of accuracy or reliability is given to our conclusions.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

This report was substantially completed by 29 October 2020. We are not aware of any changes since that date that would have a material impact on the values and opinions contained within this report.

## **6.7. Consent**

RISC has consented to this report, in the form and context in which it appears, being included in the independent expert report. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC.

This Report is authorised for release by Gavin Ward dated 29 October 2020.

A handwritten signature in blue ink, appearing to read "Gavin Ward", written over a light blue rectangular background.

**Gavin Ward**

**Director**

## 7. List of terms

The following lists, along with a brief definition, abbreviated terms that are commonly used in the oil and gas industry and which may be used in this report.

| Term                 | Definition                                                                                                                                                                                                                                                                                                                                                          |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1P                   | Equivalent to Proved reserves or Proved in-place quantities, depending on the context.                                                                                                                                                                                                                                                                              |
| 1Q                   | 1st Quarter                                                                                                                                                                                                                                                                                                                                                         |
| 2P                   | The sum of Proved and Probable reserves or in-place quantities, depending on the context.                                                                                                                                                                                                                                                                           |
| 2Q                   | 2nd Quarter                                                                                                                                                                                                                                                                                                                                                         |
| 2D                   | Two Dimensional                                                                                                                                                                                                                                                                                                                                                     |
| 3D                   | Three Dimensional                                                                                                                                                                                                                                                                                                                                                   |
| 4D                   | Four Dimensional – time lapsed 3D in relation to seismic                                                                                                                                                                                                                                                                                                            |
| 3P                   | The sum of Proved, Probable and Possible Reserves or in-place quantities, depending on the context.                                                                                                                                                                                                                                                                 |
| 3Q                   | 3rd Quarter                                                                                                                                                                                                                                                                                                                                                         |
| 4Q                   | 4th Quarter                                                                                                                                                                                                                                                                                                                                                         |
| AFE                  | Authority for Expenditure                                                                                                                                                                                                                                                                                                                                           |
| Bbl                  | US Barrel                                                                                                                                                                                                                                                                                                                                                           |
| BBL/D                | US Barrels per day                                                                                                                                                                                                                                                                                                                                                  |
| BCF                  | Billion (10 <sup>9</sup> ) cubic feet                                                                                                                                                                                                                                                                                                                               |
| BCM                  | Billion (10 <sup>9</sup> ) cubic metres                                                                                                                                                                                                                                                                                                                             |
| BFPD                 | Barrels of fluid per day                                                                                                                                                                                                                                                                                                                                            |
| BOPD                 | Barrels of oil per day                                                                                                                                                                                                                                                                                                                                              |
| BTU                  | British Thermal Units                                                                                                                                                                                                                                                                                                                                               |
| BOEPD                | US barrels of oil equivalent per day                                                                                                                                                                                                                                                                                                                                |
| BWPD                 | Barrels of water per day                                                                                                                                                                                                                                                                                                                                            |
| °C                   | Degrees Celsius                                                                                                                                                                                                                                                                                                                                                     |
| Capex                | Capital expenditure                                                                                                                                                                                                                                                                                                                                                 |
| CAPM                 | Capital asset pricing model                                                                                                                                                                                                                                                                                                                                         |
| CGR                  | Condensate Gas Ratio – usually expressed as bbl/MMscf                                                                                                                                                                                                                                                                                                               |
| Contingent Resources | Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS. |
| CO <sub>2</sub>      | Carbon dioxide                                                                                                                                                                                                                                                                                                                                                      |
| CP                   | Centipoise (measure of viscosity)                                                                                                                                                                                                                                                                                                                                   |
| CPI                  | Consumer Price Index                                                                                                                                                                                                                                                                                                                                                |
| DEG                  | Degrees                                                                                                                                                                                                                                                                                                                                                             |
| DHI                  | Direct hydrocarbon indicator                                                                                                                                                                                                                                                                                                                                        |
| Discount Rate        | The interest rate used to discount future cash flows into a dollars of a reference date                                                                                                                                                                                                                                                                             |
| DST                  | Drill stem test                                                                                                                                                                                                                                                                                                                                                     |
| E&P                  | Exploration and Production                                                                                                                                                                                                                                                                                                                                          |
| EG                   | Gas expansion factor. Gas volume at standard (surface) conditions/gas volume at reservoir conditions (pressure and temperature)                                                                                                                                                                                                                                     |
| EIA                  | US Energy Information Administration                                                                                                                                                                                                                                                                                                                                |

| Term             | Definition                                                                                |
|------------------|-------------------------------------------------------------------------------------------|
| EMV              | Expected Monetary Value                                                                   |
| EOR              | Enhanced Oil Recovery                                                                     |
| ESMA             | European Securities and Markets Authority                                                 |
| ESP              | Electric submersible pump                                                                 |
| EUR              | Economic ultimate recovery                                                                |
| Expectation      | The mean of a probability distribution                                                    |
| F                | Degrees Fahrenheit                                                                        |
| FDP              | Field Development Plan                                                                    |
| FEED             | Front End Engineering and design                                                          |
| FID              | Final investment decision                                                                 |
| FM               | Formation                                                                                 |
| FPSO             | Floating Production Storage and offtake unit                                              |
| FWL              | Free Water Level                                                                          |
| FVF              | Formation volume factor                                                                   |
| GIIP             | Gas Initially In Place                                                                    |
| GJ               | Giga (10 <sup>9</sup> ) joules                                                            |
| GOC              | Gas-oil contact                                                                           |
| GOR              | Gas oil ratio                                                                             |
| GRV              | Gross rock volume                                                                         |
| GSA              | Gas sales agreement                                                                       |
| GTL              | Gas To Liquid(s)                                                                          |
| GWC              | Gas water contact                                                                         |
| H <sub>2</sub> S | Hydrogen sulphide                                                                         |
| HHV              | Higher heating value                                                                      |
| ID               | Internal diameter                                                                         |
| IRR              | Internal Rate of Return is the discount rate that results in the NPV being equal to zero. |
| JV(P)            | Joint Venture (Partners)                                                                  |
| Kh               | Horizontal permeability                                                                   |
| km <sup>2</sup>  | Square kilometres                                                                         |
| K <sub>rw</sub>  | Relative permeability to water                                                            |
| K <sub>v</sub>   | Vertical permeability                                                                     |
| kPa              | Kilo (thousand) Pascals (measurement of pressure)                                         |
| Mstb/d           | Thousand Stock tank barrels per day                                                       |
| LIBOR            | London inter-bank offered rate                                                            |
| LNG              | Liquefied Natural Gas                                                                     |
| LTBR             | Long-Term Bond Rate                                                                       |
| m                | Metres                                                                                    |
| MDT              | Modular dynamic (formation) tester                                                        |
| mD               | Millidarcies (permeability)                                                               |
| MJ               | Mega (10 <sup>6</sup> ) Joules                                                            |
| MMbbl            | Million US barrels                                                                        |
| MMscf(d)         | Million standard cubic feet (per day)                                                     |

| Term                  | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MMstb                 | Million US stock tank barrels                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| MOD                   | Money of the Day (nominal dollars) as opposed to money in real terms                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| MOU                   | Memorandum of Understanding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Mscf                  | Thousand standard cubic feet                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Mstb                  | Thousand US stock tank barrels                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| MPa                   | Mega ( $10^6$ ) pascal (measurement of pressure)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| mss                   | Metres subsea                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| MSV                   | Mean Success Volume                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| mTVDss                | Metres true vertical depth subsea                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| MW                    | Megawatt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| NPV                   | Net Present Value (of a series of cash flows)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| NTG                   | Net to Gross (ratio)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| ODT                   | Oil down to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| OGIP                  | Original Gas In Place                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| OOIP                  | Original Oil in Place                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Opex                  | Operating expenditure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| OWC                   | Oil-water contact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| P90, P50, P10         | 90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| PBU                   | Pressure build-up                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| PJ                    | Peta ( $10^{15}$ ) Joules                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| POS                   | Probability of Success                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Possible Reserves     | As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.                                                                                                                                                         |
| Probable Reserves     | As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.                                                                                                                                                                            |
| Prospective Resources | Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Proved Reserves       | As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as "Proven". |
| PSC                   | Production Sharing Contract                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| PSDM                  | Pre-stack depth migration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| PSTM                  | Pre-stack time migration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| Term             | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| psia             | Pounds per square inch pressure absolute                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| p.u.             | Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| PVT              | Pressure, volume & temperature                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| QA/QC            | Quality Assurance/ Control                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| rb/stb           | Reservoir barrels per stock tank barrel under standard conditions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| RFT              | Repeat Formation Test                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Real Terms (RT)  | Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Reserves         | RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status. |
| RT               | Measured from Rotary Table or Real Terms, depending on context                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| SC               | Service Contract                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| scf              | Standard cubic feet (measured at 60 degrees F and 14.7 psia)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Sg               | Gas saturation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Sgr              | Residual gas saturation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| SRD              | Seismic reference datum lake level                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| SPE              | Society of Petroleum Engineers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| SPE-PRMS         | Petroleum Resources Management System, prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC), Society of Petroleum Evaluation Engineers (SPEE), Society of Exploration Geophysicists (SEG), Society of Petrophysicists and Well Log Analysts (SPWLA) and European Association of Geoscientists and Engineers (EAGE), revised June 2018.                                                                                                             |
| s.u.             | Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| stb              | Stock tank barrels                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| STOIIP           | Stock Tank Oil Initially In Place                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Sw               | Water saturation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| TCM              | Technical committee meeting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Tcf              | Trillion (10 <sup>12</sup> ) cubic feet                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| TJ               | Tera (10 <sup>12</sup> ) Joules                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| TLP              | Tension Leg Platform                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| TRSSV            | Tubing retrievable subsurface safety valve                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| TVD              | True vertical depth                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| US\$             | United States dollar                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| US\$ million     | Million United States dollars                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| WACC             | Weighted average cost of capital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| WHFP             | Well Head Flowing Pressure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Working interest | A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| WPC              | World Petroleum Council                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| WTI              | West Texas Intermediate Crude Oil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |



ANSILA ENERGY

Ansila Energy NL  
ABN 11 150 624 169

## Need assistance?



**Phone:**  
1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)



**Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

ANARM

MR RETURN SAMPLE  
123 SAMPLE STREET  
SAMPLE SUBURB  
SAMPLETOWN VIC 3030



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **4:00 PM (AWST) on Wednesday, 27 January 2021.**

# Proxy Form

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## PARTICIPATING IN THE MEETING

### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form:

XX

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



IND

## Proxy Form

Please mark ☒ to indicate your directions

### Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Ansila Energy NL hereby appoint

☐

the Chairman  
of the Meeting

OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Ansila Energy NL to be held at Level 1, 89 St Georges Terrace, Perth, Western Australia on Friday, 29 January 2021 at 4:00pm (AWST) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 6 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 6 by marking the appropriate box in step 2.

### Step 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|   |                                                                                    | For                      | Against                  | Abstain                  |    |                                                             | For                      | Against                  | Abstain                  |
|---|------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|----|-------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| 1 | Adoption of Remuneration Report                                                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 9  | Approval to issue Consideration Shares to Dr Andrew Matharu | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | Re-election of Mr Nathan Lude as a Director                                        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 10 | Approval to issue Placement Shares                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 | Approval of 10% Placement Facility                                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 11 | Approval to issue Adviser Shares                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 | Renewal of Proportional Takeover Provisions in Constitution                        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |    |                                                             |                          |                          |                          |
| 5 | Amendment to Constitution                                                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |    |                                                             |                          |                          |                          |
| 6 | Adoption of Ansila Employee Securities Incentive Plan                              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |    |                                                             |                          |                          |                          |
| 7 | Approval to issue Consideration Shares to the Non-Related Party Vendors            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |    |                                                             |                          |                          |                          |
| 8 | Approval to issue Consideration Shares to Mr Christopher Lewis and related parties | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |    |                                                             |                          |                          |                          |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

**Update your communication details** (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

