



Hartshead Resources NL

ACN 150 624 169

Interim Report

for the half-year ended

31 December 2021

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Matthew Foy

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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STOCK EXCHANGE LISTING

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ASX Code – HHR

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AUDITOR

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Perth WA 6000

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DIRECTORS' REPORT

The Directors of Hartshead Resources NL (**Company, HHR or Hartshead**) and the entities it controls (**Consolidated Entity or Group**) present their report for the half-year ended 31 December 2021.

DIRECTORS

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

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

COMPANY SECRETARY

- Mr Matthew Foy, Company Secretary

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

FINANCIAL SUMMARY

The Group made a net loss after tax of \$1,721,432 for the financial half-year ended 31 December 2021 (31 December 2020: loss \$321,172).

At 31 December 2021, the Group had net assets of \$5,660,509 (30 June 2021: \$6,767,917) and cash assets of \$4,703,964 (30 June 2021: \$6,899,356).

REVIEW OF OPERATIONS

OUTLOOK FOR 2022

HARTSHEAD HAS MADE MATERIAL PROGRESS ACROSS ALL THREE PHASES OF ITS UK SOUTHERN GAS BASIN PORTFOLIO DURING THE HALF-YEAR PERIOD AND IS NOW WELL POSITIONED TO DELIVER ON AN ARRAY OF OPERATIONAL AND CORPORATE MILESTONES THROUGHOUT 2022.

PHASE I CONCEPT SELECT HAS IDENTIFIED A DUAL-PLATFORM GREENFIELD DEVELOPMENT CONCEPT AND NEGOTIATIONS ARE PROGRESSING WITH POTENTIAL THIRD PARTY GAS TRANSPORTATION & PROCESSING HOSTS TO PROVIDE A ROUTE TO MARKET WITH APPROVAL OF THE COMPANY'S CONCEPT SELECT REPORT (CSR) EXPECTED IN Q2 2022.

INTERPRETATION OF REPROCESSED 3D SEISMIC DATA ACROSS THE PHASE II ASSETS, COMBINED WITH A REVISED PHASE III PROSPECT INVENTORY, POTENTIALLY ADDS ADDITIONAL RESOURCE UPSIDE TO THE HARTSHEAD PORTFOLIO. THE PROGRESS ACHIEVED DURING THE LATTER HALF OF 2021 ENSURES THAT HARTSHEAD IS WELL POSITIONED TO PLAY ITS ROLE IN THE UK ENERGY TRANSITION AND TO TAKE ADVANTAGE OF THE STRUCTURAL CHANGES TO THE EUROPEAN ENERGY MARKETS.

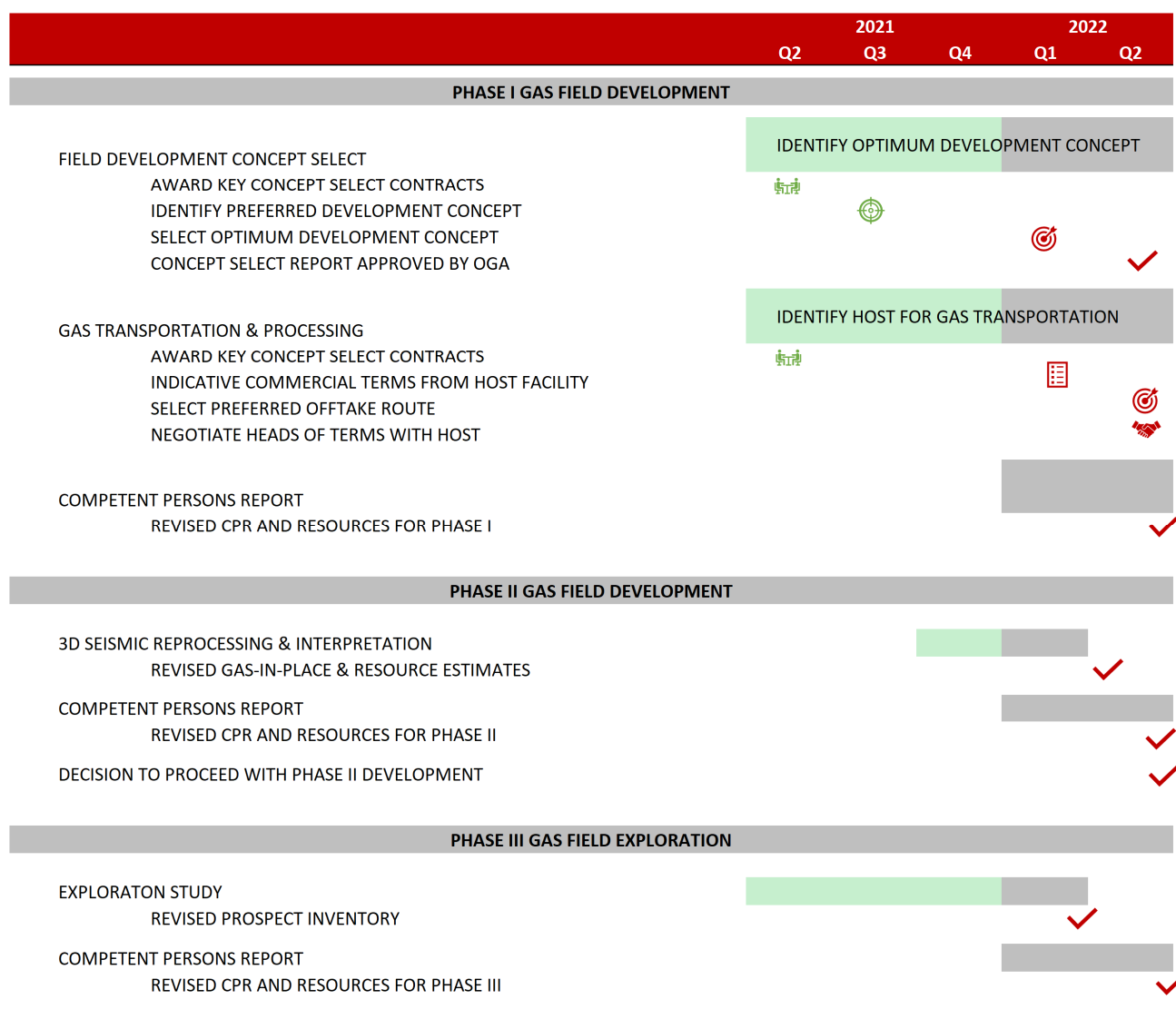


Figure 1. Provisional timetable of activity across the Hartshead Resources portfolio to Q3 2022.

The following activities being conducted across the Hartshead portfolio during 1H 2022 are:

PHASE I ACTIVITIES

- Concept Select Report submission and approval
- Updated audit of gas Resources/Reserves (Competent Persons Report (CPR))
- Identification of preferred 3rd party host for gas transportation and processing
- Progress Heads of Agreements with 3rd party host with key commercial terms
- Commencement of tendering process for detailed engineering and well planning (FEED)
- Commencement of tendering for environmental surveys for pipeline route and platform locations

PHASE II & PHASE III ACTIVITIES

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

REVIEW OF OPERATIONS

SEAWARD PRODUCTION LICENSE P2607, OFFSHORE UNITED KINGDOM

(HARTSHEAD RESOURCES 100% AND OPERATOR)

Hartshead Resources NL (**Hartshead, HHR or the Company**) Seaward Production License P2607 covers five contiguous blocks (48/15c, 49/6c, 49/11c, 49/12d and 49/17b) located in the Southern North Sea (Figure 2) with four existing discoveries totalling **354 Bcf¹** of 2C Contingent Resources.

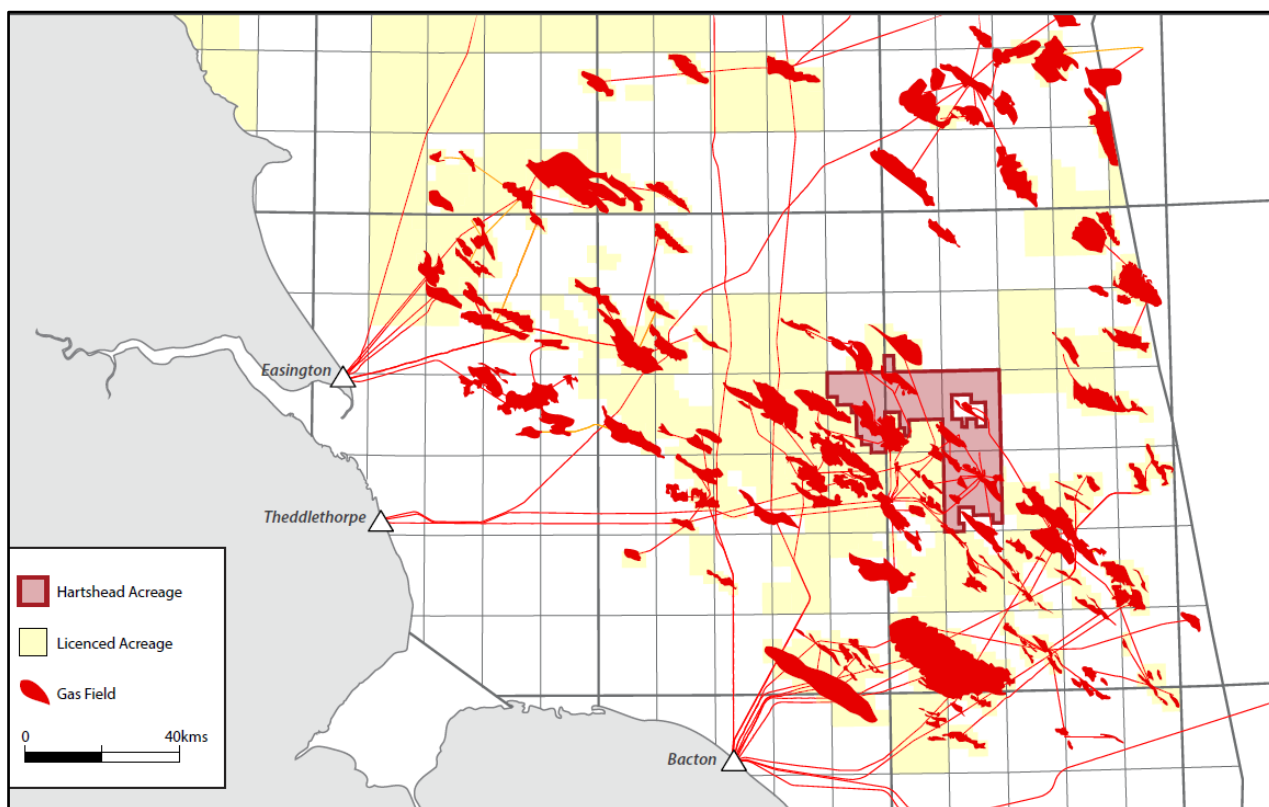


Figure 2. Location of the Hartshead Resources Seaward License P2607 in the Southern Gas Basin, United Kingdom.

During 2H 2021 the Hartshead portfolio, encompassing Phases I, II and III, was substantially progressed with a number of milestones being achieved across all three phases of the multi-phased development. The Company aims to finalise this work and provide an updated audit and CPR on the volumetrics and resources across the entire portfolio by mid-2022. Following this, the Phase I field development of the Anning and Somerville fields is expected to enter detailed Front-End Engineering & Design (FEED) following the OGA approval of the Phase I Concept Select Report (CSR).

The reporting period also saw the Company adopt a new naming convention for the gas fields and prospects within License P2607 based on exceptional British and Irish women in Science, Technology, Engineering and Medicine. The new field and prospect names are listed below (figure 3) along with their previous names.

NEW FIELD NAME	ORIGINAL FIELD NAME
ANNING	Victoria
SOMERVILLE	Viking Wx
HODGKIN	Audrey NW
LOVELACE	Tethys N

¹ Hartshead Resources management estimates.

NEW PROSPECT NAME	ORIGINAL PROSPECT NAME
GARROD	Vixen SW
AYRTON	Vixen SE

Figure 3. License P2607 new field and prospect naming convention.

PHASE I DEVELOPMENT – ANNING AND SOMERVILLE GAS FIELDS

The progress achieved by the Phase I Concept Select work program, covering the Anning and Somerville gas field developments with 2C contingent resources of 217¹ bcf, is expected to result in the Phase I CSR being submitted to the UK OGA by Q2 2022. Following approval of the CSR by the UK OGA Hartshead will enter a period of detailed design, engineering and costing studies to reach a Final Investment Decision (FID) and approved Field Development Plan (FDP) for the Phase I development, which is expected in mid-2023.

Importantly, as a result of the multiple workstreams conducted across the Phase I development during the reporting period the following milestones have been achieved:

- Additional gas-initially-in-place (GIIP) volumes have been identified in the Somerville field taking Phase I GIIP to 587 Bcf;
- A preferred Phase I development concept has been generated by Petrofac and detailed in a Greenfield Concept Select Report and;
- Discussions with third party infrastructure owners in the UK Southern Gas Basin regarding commercial gas transportation options and access to infrastructure have advanced with the expectation of indicative commercial terms (ICTs) being received soon.

SUBSURFACE INTERPRETATION & MODELLING

The construction of the Somerville geo-cellular static field model was completed by Xodus during the reporting period and has resulted in a calculated GIIP volume of 368 Bcf. The new GIIP volume is comparable to the calculation made by Hartshead and independently as part of the OPC CPR and shows a 109 Bcf increase on that reported in the CPR.

SOURCE	Gas-Initially-In-Place (Bcf)
Xodus (deterministic – best technical case)	368
CPR (deterministic – mid case) ²	259
CPR (stochastic – P50) ³	262
Hartshead (stochastic – P50) ²	256

Figure 4. Revised Somerville Gas-Initially-In-Place (GIIP) Volume from Xodus.

² Volumetric estimates are from Oilfield Production Consultants (OPC) Ltd, Independent Competent Persons Report (CPR) entitled “Contingent Resources Review and Audit (Victoria and Viking Wx)” dated October 2020. See Qualified Persons Statement for contingent resource reporting notes.

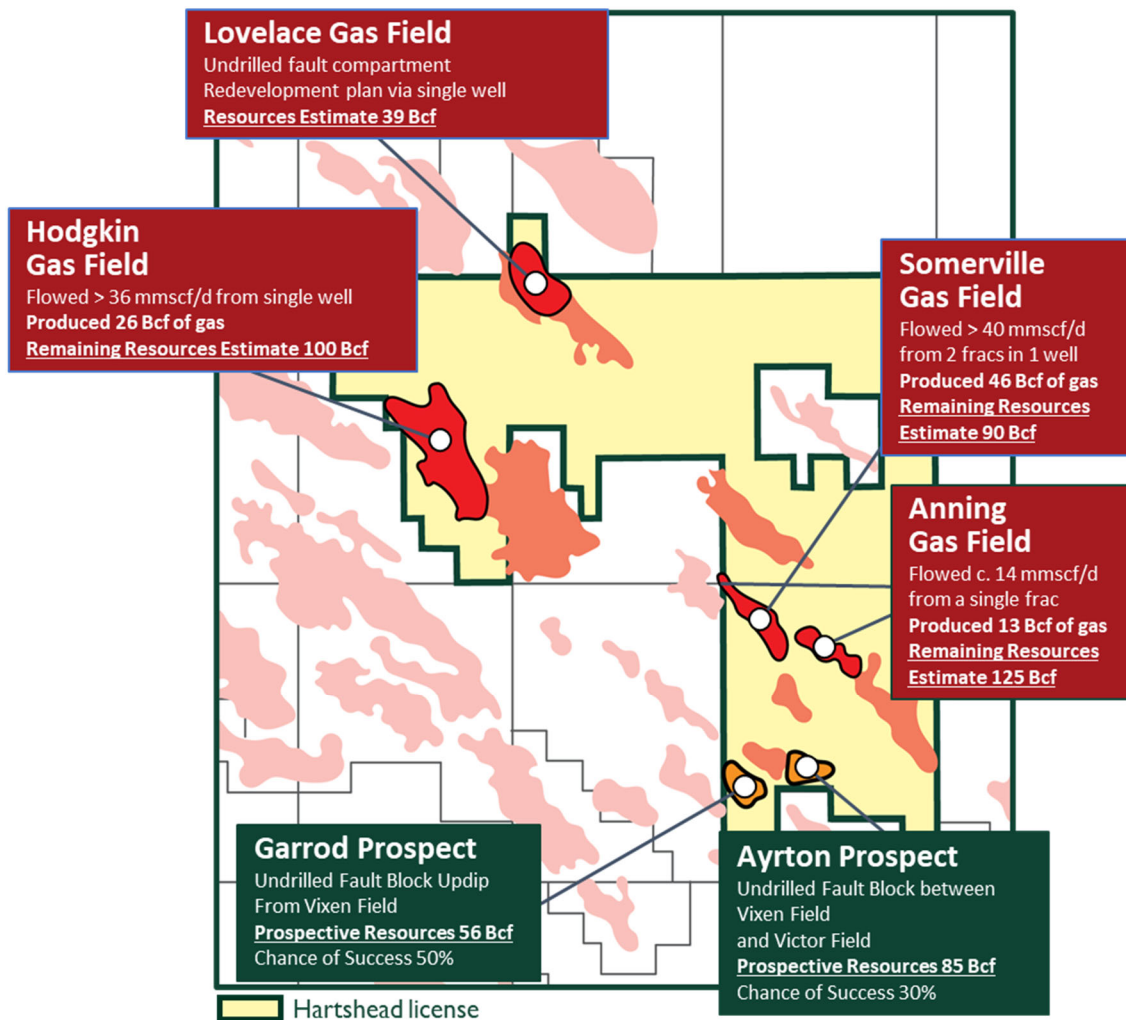


Figure 5. Hartshead Resources Seaward License P2607 holds Multiple Gas Fields and Prospects.

In addition to the confirmation of existing GIIP estimates, an extension to the Somerville gas field has been identified as a fault block in the south-east part of the field. This fault block contains 40 Bcf of additional gas in place (included in the new total field estimate) and will be evaluated as an additional target location for development drilling, which is expected to add recoverable resources to the Phase I development. Adjacent and to the northeast of the field, an undrilled structure has also been identified that will be evaluated as a potential, near field, exploration prospect that could also add further gas volumes to the Phase I development. This undrilled prospective structure is not currently included in the total field GIIP estimate.

The Anning and Somerville static field models have been used to construct a full field dynamic reservoir simulation model to match against historic gas production from the field and will be used to optimise frac and well placement and generate production profiles and updated recoverable resource estimates.

GREENFIELD CONCEPT SELECT REPORT

A Greenfield Concept Select Report identifying the preferred greenfield development concept has been issued by Petrofac, which is based on cost estimates for CAPEX, OPEX, ABEX and drilling cost estimates (the latter provided by Fraser Well Management) and the gas production revenue projections.

The preferred Greenfield Development Concept is based on a minimum facilities, two unmanned wireline capable production platforms (figure 6), one each at the Anning and Somerville fields. This development concept is believed to provide a superior economic performance and a reduction in drilling risk when compared to a single platform development. In addition, it is envisaged that production from Somerville will tie in subsea to the Anning export pipeline, thus allowing both platforms to operate independently and mitigates outages on one platform stopping production from the other.

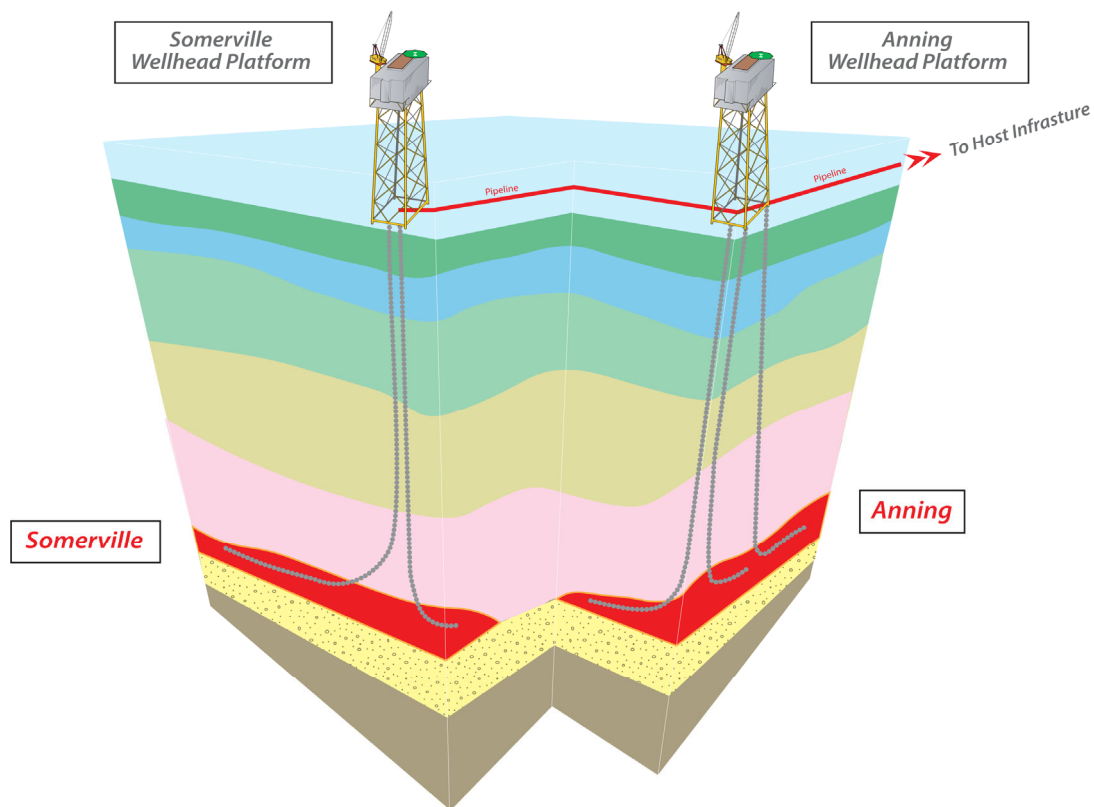


Figure 6. Phase I Minimum Facilities Unmanned Dual-Platform Greenfield Development Concept.

The Phase I minimum facility unmanned dual-platform development concept will also be a key component of the Company's ESG strategy aimed at minimising emissions and power requirements whilst making full use of on-platform renewable energy sources, such as wind and solar power.

GAS TRANSPORTATION AND PROCESSING INFRASTRUCTURE

The UK Southern Gas Basin, together with the Bacton gas terminal and offshore wind power infrastructure, form the Bacton Catchment Area (figure 7). The location of Hartshead's assets within this area of the UK North Sea ensures a number of options are available to the Company with regards to third party infrastructure access for the transportation and processing of gas and a route to market.

The Company is currently in negotiations with owners of gas transportation and processing infrastructure local to the Phase I development area and a number of workshops have been held with the operators of potential host platforms and pipelines to identify the optimum gas transportation route for gas produced as part of the Phase I development. Discussions with these infrastructure owners continue with a view to the receipt of indicative commercial terms (ICTs) and commencing engineering feasibility studies for the tie-in of Hartshead's facilities and gas offtake in the near future.

Once identification of the gas transportation and processing host and selection of the gas offtake route, the commercial terms and engineering feasibility studies will generate the basis of design requirements for the Anning and Somerville platforms to be refined the preferred development concept.

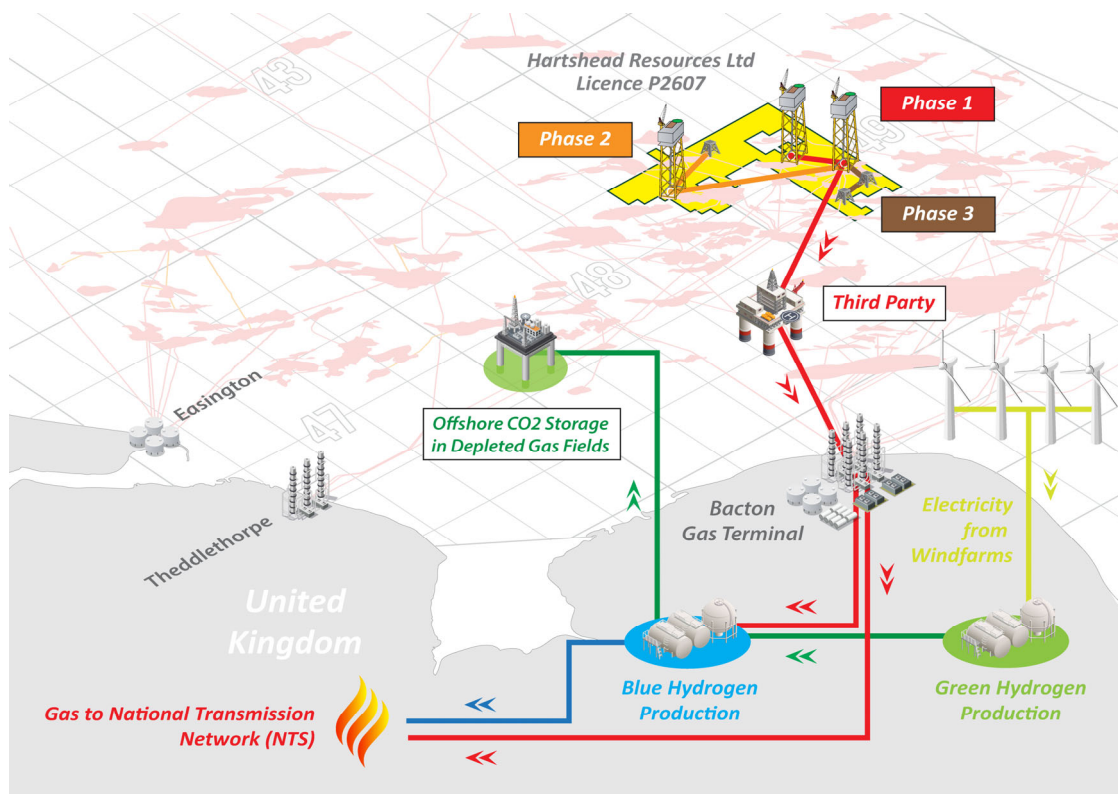


Figure 7. The Bacton Energy Hub, Hartshead Resources Multi-Phased Development, Infrastructure and Processing Network.

BACTON ENERGY HUB AND FUTURE HYDROGEN GENERATION

As part of the UK’s 2050 net zero target, the Bacton Catchment Area has been the focus of a recent study by the OGA to consider how it could be developed into an energy and infrastructure hub for future hydrogen generation.

Hartshead’s gas developments could provide material volumes of natural gas feedstock into the Bacton Energy Hub for blue hydrogen generation and the Company’s future offshore infrastructure could potentially be utilised in Carbon Capture & Storage and electrification projects and, therefore, form a core element of the Company’s ESG strategy.

During the reporting period the Company announced that it had been selected to participate in several Special Interest Groups (SIGs) established by the UK Oil & Gas Authority (OGA) as part of the Bacton Energy Hub initiative. This initiative is focussed on future hydrogen generation at the Bacton gas terminal, where Hartshead intends to process its natural gas production. Hartshead will work alongside its North Sea peers and contribute to the Hydrogen Supply, Infrastructure and Regulatory Affairs SIGs.

PHASE II DEVELOPMENT – HODGKIN AND LOVELACE GAS FIELDS

In addition to the material progress reported on the Phase I field development the Company also commenced the Phase II subsurface work programme, covering the Hodgkin and Lovelace field developments, during the reporting period.

The receipt of pre-stack depth migrated (PSDM) 3D seismic datasets for the Annabel and Audrey fields and an Audrey field extension from the previous Operator of the Audrey Field, Spirit Energy, has enabled the Company to commence the Phase II subsurface workstreams. This data was reprocessed between 2011 and 2013, incorporating six separate 3D seismic surveys and covers both the Hodgkin and Lovelace Fields.

The new work programme & budget for the Phase II subsurface workstreams is now targeting completion in Q2 2022 and will encompass the construction of a new geological and geophysical database, detailed interpretation of the new 3D seismic data, petrophysical analysis and reservoir engineering to deliver revised in place gas volumes, recoverable 2C contingent resources and production profiles for both the Hodgkin and Lovelace gas fields.

DIRECTORS' REPORT

The Hodgkin and Lovelace fields are located in the north-west part of License P2607 and are currently estimated to contain a combined **139² Bcf** of 2C Contingent Resources (figure 8). Following completion, the Phase II work programme the contingent resources at Hodgkin and Lovelace will be independently audited and the results compiled and announced as part of an updated Competent Persons Report (CPR) covering the Phase I and Phase II assets and Phase III prospect inventory.

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

Figure 8. Phase II Field Development – Contingent Resources of the Hodgkin and Lovelace Fields.

On completion of the Phase II subsurface workstreams revised production forecasts and recoverable volumes for Hodgkin and Lovelace will become available and a decision made to proceed with field development planning for the two fields. This will present the opportunity to utilise the Phase I infrastructure in order to monetise the Phase II gas production which may lead to potentially enhanced economics of the Hodgkin and Lovelace fields.

PHASE III DEVELOPMENT – GARROD AND AYRTON EXPLORATION PROSPECTS

The Phase III development currently comprises of two exploration prospects, Garrod and Ayrton, with combined prospective resources of 141 Bcf² (figure 9). Given their location adjacent to fully developed gas fields (Vixen and Victor) we have excellent reservoir data from the vicinity and the prospects are clearly imaged with the existing 3D seismic dataset. If exploration drilling proves to be successful both Garrod and Ayrton could be tied back to the Phase I infrastructure to monetise in the same way as with the Phase II field development.

In addition to Garrod and Ayrton, further subsurface analysis is underway to identify additional prospectivity across license P2607 which may result in the identification of further exploration prospects.

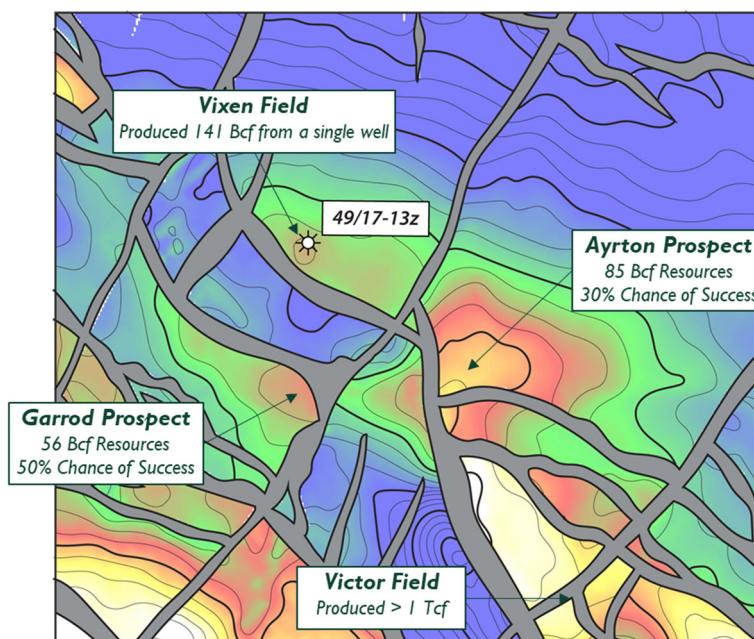


Figure 9. Top Reservoir Structure Map of the Garrod and Ayrton Prospects.

PROSPECTIVE RESOURCES ³			P90	P50	P10	GCOS
PHASE III	49/17b	Garrod	29	56	94	50%
EXPLORATION	49/17b	Ayrton	43	85	142	30%

Figure 10. Phase III Field Development – Prospective Resources of the Garrod and Ayrton Prospects.

UK GAS MARKETS

The Russia invasion of Ukraine has caused turmoil in the gas and wider commodity markets, putting huge pressure on European gas prices, including the UK National Balance Point (NBP) price. During December 2021 uncertainty surrounding the future of the new Nordstream-2 pipeline from Russia to Germany resulted in gas flows from the Yamal-Europe pipeline going into reverse from Germany into Poland as Gazprom fails to book winter pipeline capacity for contracted volumes. The reverse Yamal-Europe flow has resulted in European gas storage levels falling below their five-year average and Norwegian gas being diverted to the EU leading to further tightness in the UK market. However, since the Russian invasion of Ukraine commenced, Germany has blocked the certification of Nordstream-2, Shell has pulled out of the pipeline consortium and Nordstream-2 has filed for bankruptcy in Switzerland following US sanctions resulting in European gas prices hitting records highs. Effectively, it now appears that Nordstream-2 is terminated depriving Europe of gas supplies which will now have to be sourced from a combination of LNG and other piped sources from Norway and North Africa.

During December 2021 the UK front month NBP contract reached a record 452 pence per therm⁴ (p/therm) with near-term NBP futures (May 2022 contract) trading at over 380 p/therm, reflecting the impact of the conflict in Ukraine. The UK gas pricing environment led the regulator, Ofgem (the Office of Gas and Electricity Markets), to increase the domestic market price cap by 45% with effect from 1 April 2022. This change to the price cap will result in a material price increase for approximately 22 million UK domestic gas and electricity accounts.

³ Prospective resources are estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. These prospective resources estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

⁴ Source: InterContinental Exchange (ICE) and Factset.

DIRECTORS' REPORT

UK NBP futures currently point to a winter 2024/25 price in excess of 90 p/therm. Hartshead's internal economic evaluation of the Phase I development is based on a gas price assumption of 46 p/therm highlighting the potential for considerable economic upside should market conditions persist.

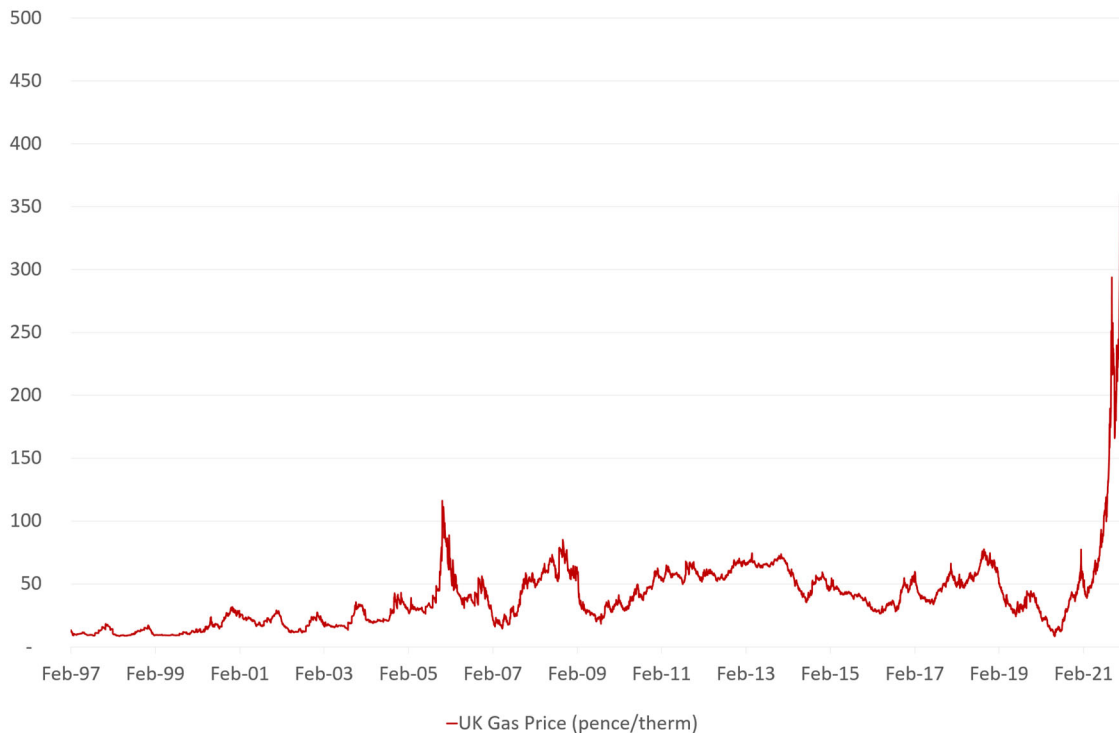


Figure 11. UK Historical NBP Forward Month Gas Price.

CORPORATE & FINANCIAL

CORPORATE ACTIONS

During the reporting period the vendors of Hartshead Resources Ltd (UK) reached an agreement to extend their voluntary escrow period for a further 12 months from 3 February 2022.

The extended escrow period applies until 3 February 2023 or until such time as one of the events listed below occurs:

- A transaction involving a joint venture, farm-out or sale of the Company's 2P Reserves contained within the Phase I and/or Phase II assets for at least US\$3 per boe; or
- The Company achieves a listing on the AIM or London Stock Exchange (LSE) with an associated debt instrument, equity raising and/or vendor/off-taker financing of a least \$10 million.

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

A Share Sale Facility for holders of Unmarketable Parcels of shares in the Company, with a market value of less than \$500, was announced on 19 November 2021. The facility was open to all shareholders holding 25,000 or less shares in the Company, based on the closing price on the ASX of \$0.20 the day before the Record Date of 17 November 2021 and the closing date of the facility was 7 January 2022. The price at which shares were sold was based on market conditions on the Closing Date of the facility. All shareholders who sold their shares through the facility received the same price per share.

DIRECTORS' REPORT

INVESTOR RELATIONS

An updated corporate presentation was released via the ASX on 23 November 2021 which focussed on Hartshead's multi-phased gas development project in the UK Southern Gas Basin and how this has the potential to deliver material volumes of natural gas feedstock for blue hydrogen generation as part of the UK government's Bacton Energy Hub initiative. The role of the natural gas and electricity markets as part of the UK's 2050 net zero emission targets and the energy transition is also addressed in addition to the Company's developing ESG strategy.

TREASURY

Hartshead's closing cash and cash equivalents at 31 December 2021 was \$4.7 million.

PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2021

	% Interest	Tenement	Location
Held at end of the quarter	100%	Seaward Production License P2607	Offshore United Kingdom
	100% ⁵	Nkembe Block	Offshore Gabon
	100% ⁶	Ambilobe Block	Offshore Madagascar

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

PETROLEUM REPORTING STATEMENTS

SOUTHERN NORTH SEA LICENSE P2607 (UNITED KINGDOM) – CONTINGENT AND PROSPECTIVE RESOURCES

Please refer to the qualified person's statement relating to the reporting of contingent and prospective resources on Hartshead Resources Southern North Sea License P2607 in Hartshead's ASX Announcement dated 14 December 2020 (see Schedule 3). The Company is not aware of any new information or data that materially affects the information about the contingent resource and prospective resource estimates included in this announcement and all the material assumptions and technical parameters underpinning those estimates in this announcement continue to apply and have not materially changed.

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

CONTINGENT RESOURCES (BCF)				
PHASE I PROJECTS		1C	2C	3C
ANNING	49/17b	84	125	177
SOMERVILLE	49/17b	62	90	124
COMBINED ⁷	49/17b	161	217	285

⁵ Hartshead's interest is subject to the right of the State of Gabon to participate in any development for up to a 20% interest under the Nkembe PSC

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

⁷ Volumes combined stochastically to give portfolio volume

DIRECTORS' REPORT

CONTINGENT RESOURCES (BCF)			1C	2C	3C	GCoS
PHASE II	49/6c, 49/11c	Lovelace	14	39	70	100%
	48/15c	Hodgkin	35	100	387	100%
PROSPECTIVE RESOURCES ⁴			P90	P50	P10	GCoS
PHASE III EXPLORATION	49/17b	Garrod	29	56	94	50%
	49/17b	Ayrton	43	85	142	30%

COMPETENT PERSONS STATEMENT

Hartshead has prepared the Contingent Resource and Prospective Resource information in this announcement in accordance with the ASX Listing Rules and the 2007 Petroleum Resources Management System published by the Society of Petroleum Engineers (SPE-PRMS). The Contingent Resource estimates and Prospective Resource estimates presented in this report were originally disclosed to the market in an announcement released 14 December 2020. Hartshead confirms that it is not aware of any new information or data that materially affects the information included in the aforesaid market announcement and that all the material assumptions and technical parameters underpinning the estimates in the aforesaid market announcement continue to apply and have not materially changed. The information in this announcement that relates to Contingent Resource information in relation to the Phase I Anning and Somerville fields is based on information compiled by technical employees of independent consultants, Oilfield Production Consultants Ltd, which information was subsequently reviewed by Mr Christopher Lewis. The information in this announcement that relates to Contingent Resource information in relation to the Phase II Hodgkin and Lovelace fields and the Prospective Resource information in relation to the Garrod and Ayrton prospects is based on information compiled by Mr Christopher Lewis and information compiled by technical consultants contracted to Hartshead which has been subsequently reviewed by Mr Christopher Lewis. Mr Lewis has consented to the inclusion of such information in this announcement in the form and context in which it appears and the resources information in this report is based on, and fairly represents, information and supporting documentation reviewed by, or prepared under the supervision of, Mr Christopher Lewis. Mr Lewis is a Director of Hartshead and has a BSc from the Imperial College, University of London and is a member of The American Association of Petroleum Geologists (AAPG) and the European Association of Geoscientists and Engineers (EAGE). Mr Lewis is qualified in accordance with the requirements in ASX Listing Rule 5.41.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

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

The Company's Corporate Governance Statement as at 30 September 2021 was approved by the Board on 29 September 2021. The Company's Corporate Governance Statement can be viewed on the Company's website www.hartshead-resources.com.au under the Corporate menu tab.

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

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

On 24 January 2022, the Company announced the completion of an Unmarketable Parcel Share Sale Facility which was previously announced on 19 November 2021.

A total of 710 Unmarketable Parcel shareholders, holding a total of 7,502,862 Shares, did not elect to "opt-out" of the Facility and retain their Shares. The Company facilitated the sale of the Shares held by these shareholders and as a result the Company reduced its share register from approximately 2,471 shareholders to 1,762 shareholders as at 21 January 2022. The Shares were purchased by management and Directors of the Company at an average price of \$0.021 per Share. A total of 6,652,862 Shares under the share Facility were purchased by Directors Bevan Tarratt and Nathan Lude.

On 8 March 2022, Hartshead reported a material increase in its Phase III exploration prospect inventory following a study by Xodus. The study generated a new prospect inventory with a total of 14 prospects and leads with unrisksed 2U Prospective Resources of 344 Bcf.

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

AUDITOR'S INDEPENDENCE DECLARATION

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

On behalf of the Directors



Bevan Tarratt

Non-Executive Chairman

Perth, Western Australia

15 March 2022

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

As lead auditor for the review of Hartshead Resources NL for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Ashleigh Woodley
Director

BDO Audit (WA) Pty Ltd
Perth, 15 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 \$	31 December 2020 \$
Revenue from continuing operations			
Interest income		2,358	-
Total income		2,358	-
Expenses			
Exploration and evaluation expenditure	3	(373,813)	(346,323)
Depreciation expenses		(1,585)	(1,003)
Administrative expenses	3	(768,569)	(8,175)
Share-based payments expense	3	(572,643)	-
Unrealised foreign exchange gain/(loss)	3	(7,180)	34,329
Loss before income tax		(1,721,432)	(321,172)
Income tax expense		-	-
Loss after income tax attributable to the owners of the Company		(1,721,432)	(321,172)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		41,762	-
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income (FVOCI)	5	(381)	-
Other comprehensive income for the half-year, net of tax		41,381	-
Total comprehensive income/(loss) for the half-year attributable to the owners of the Company		(1,680,051)	(321,172)
		Cents	Cents
Earnings per share for the half-year attributable the owners of the Company			
Basic and Diluted loss per share		(0.09)	(1.93)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 December 2021 \$	30 June 2021 \$
Current assets			
Cash and cash equivalents		4,703,964	6,899,356
Other receivables		252,586	85,255
Total current assets		4,956,550	6,984,611
Non-current assets			
Plant and equipment		18,396	15,311
Financial assets at FVOCI	5	207,084	207,465
Exploration assets	6	1,082,311	432,769
Total non-current assets		1,307,791	655,545
Total assets		6,264,341	7,640,156
Current liabilities			
Trade and other payables	7	603,832	872,239
Total current liabilities		603,832	872,239
Total liabilities		603,832	872,239
Net assets		5,660,509	6,767,917
Equity			
Issued capital	8	12,950,822	12,950,822
Share-based payment reserve		839,942	267,300
Financial assets at FVOCI		9,623	10,005
Foreign exchange reserve		62,128	20,364
Accumulated losses		(8,202,006)	(6,480,574)
Total equity		5,660,509	6,767,917

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Issued capital \$	Reserves \$	Accumulated gain/(loss) \$	Total equity \$
Balance at 1 July 2020	590,174	-	(467,430)	122,744
		-		
Loss for the half-year	-	-	(321,172)	(321,172)
Other comprehensive income/(loss) for the half-year	-	-	-	-
Total comprehensive income/(loss) for the half-year	-	-	(321,172)	(321,172)
Transactions with owners in their capacity as owners				
Contributed equity	-	-	-	-
Balance at 31 December 2020	590,174	-	(788,602)	(198,428)
Balance at 1 July 2021	12,950,822	297,669	(6,480,574)	6,767,917
Loss for the half-year	-	-	(1,721,432)	(1,721,432)
Other comprehensive income/(loss) for the half-year	-	41,381	-	41,381
Total comprehensive income/(loss) for the half-year	-	41,381	(1,721,432)	(1,680,051)
Transactions with owners in their capacity as owners				
Retention and performance rights expense recognised during the half-year	-	572,643	-	572,643
Balance at 31 December 2021	12,950,822	911,693	(8,202,006)	5,660,509

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note	31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities		
Payments to suppliers, consultants and employees	(1,214,106)	(489)
Payments for exploration and evaluation expenditure	(377,681)	(58,216)
Interest received	2,358	-
Net cash outflow from operating activities	(1,589,429)	(58,705)
Cash flows from investing activities		
Payments for plant and equipment	(4,550)	(4,515)
Payments for capitalised exploration	(606,779)	(12,802)
Net cash outflow from investing activities	(611,329)	(17,317)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Proceeds from issue of options	-	-
Share issue costs	-	-
Net cash inflow/(outflow) from financing activities	-	-
Net decrease in cash and cash equivalents	(2,200,758)	(76,022)
Cash and cash equivalents at the beginning of the half-year	6,899,356	148,785
Effects of exchange rate changes on cash and cash equivalents	5,366	-
Cash and cash equivalents at the end of the half-year	4,703,964	72,763

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1. REVERSE ACQUISITION ACCOUNTING

On 3 February 2021, Hartshead Resources NL, the legal parent and legal acquirer completed the acquisition of Hartshead Resources Limited. The acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations. Instead, the acquisition has been accounted for as a share-based payment by which Hartshead Resources Limited acquires the net assets and listing status of Hartshead Resources NL.

Accordingly, during the prior year the consolidated financial statements were prepared as if Hartshead Resources Limited acquired Hartshead Resources NL, not vice versa as represented by the legal position.

The comparative information for 31 December 2020 is that of Hartshead Resources Limited. The comparative information for 30 June 2021 represents the combination of both Hartshead Resources NL and Hartshead Resources Limited.

2. SEGMENT INFORMATION

Management has determined that the Group has three reportable segments. The first being an interest to develop and explore for gas fields in the UK North Sea in Seaward Production License P2607. Hartshead's Seaward Production License P2607 was formally awarded in January 2021, with an effective date of 1st December 2020. The second being an interest to explore for oil in acreage known as, the Nkembe block, located at offshore Gabon. The third interest being at the Ambilobe block, located at offshore Madagascar. During the prior period, the Group had a fourth segment being an interest to appraise and explore for gas fields in acreage in Poland.

This determination is based on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources. As the Group is focused on oil and gas development and exploration, the Board monitors the Group based on actual versus budgeted development and exploration expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing development and exploration activities, while also taking into consideration the results of development and exploration work that has been performed to date. During the prior period, the company was only corporate in nature as the business searches for viable tenements/operations.

	Income from external sources \$	Reportable segment profit/(loss) \$	Reportable segment assets ⁽¹⁾ \$	Reportable segment liabilities \$
For the half-year ended 31 December 2021				
<i>Exploration activities</i>				
United Kingdom	-	(308,604)	3,969,589	(55,520)
Gabon	-	(1,034)	42,787	-
Madagascar	-	2,023	12,665	(404,065)
<i>Other corporate activities</i>	2,358	(1,413,817)	2,239,301	(144,246)
Total	2,358	(1,721,432)	6,264,342	(603,831)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

2. SEGMENT INFORMATION (continued)

	Income from external sources \$	Reportable segment profit/(loss) \$	Reportable segment assets ⁽¹⁾ \$	Reportable segment liabilities \$
	For the half-year ended 31 December 2020		As at 30 June 2021	
<i>Exploration activities</i>				
United Kingdom	-	(346,323)	2,142,332	(320,971)
Poland ⁽²⁾	-	-	-	-
Gabon	-	-	44,398	(16,233)
Madagascar	-	-	6,501	(396,029)
<i>Other corporate activities</i>	-	25,150	5,446,925	(139,006)
Total	-	(321,172)	7,640,156	(872,239)

1 As at 31 December 2021 Other corporate activities includes cash held of \$1,947,448, as at 30 June 2021 Other corporate activities includes cash held of \$5,221,352.

2 On 1 June 2021, Hartshead, through its wholly owned subsidiary, Gora Energy Australia Pty Ltd, announced its withdrawal from its 35% interest in the Gora concession (Gora), onshore Poland. This withdrawal completes a strategic exit of Hartshead from onshore Poland.

3. EXPENSES

	31 December 2021 \$	31 December 2020 \$
Profit/(Loss) before income tax includes the following specific items:		
<u>Exploration and evaluation expenditure</u>		
Polish JV assets	(3,868)	-
Southern North Sea assets	377,681	346,323
Total exploration and evaluation expenditure	373,813	346,323
<u>Share-based payments expense</u>		
Performance rights expense -issued to Directors and employees	473,713	-
Performance rights expense -issued to Advisors	98,930	-
Total share-based payments expenses	572,643	-
<u>Administrative expense includes</u>		
Employee benefits expense	210,483	7,010
Advisory and audit fees	199,769	-
Other expenses	358,317	1,165
Total administrative expense	768,569	8,175
<u>Unrealised foreign exchange loss/(gain) ⁽¹⁾</u>	7,810	(34,329)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

4. DIVIDENDS

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2021 (31 December 2020: Nil).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income (FVOCI) comprise of unlisted equity securities and listed equity securities on the Australian Securities Exchange (ASX).

	31 December 2021 \$	30 June 2021 \$
<u>Unlisted equity securities</u>		
Opening balance	207,465	-
Assets acquired on reverse acquisition		197,461
Movement in fair value	(381)	10,004
Closing balance	207,084	207,465

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

Significant accounting estimates, assumptions, and judgements

Classification of financial assets at fair value through other comprehensive income

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

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

Information about the methods and assumptions used in determining fair value is provided in Note 13.

6. EXPLORATION AND EVALUATION ASSETS

	Note	31 December 2021 \$	30 June 2021 \$
<i>UK North Sea</i>			
Opening balance		432,769	-
Exploration expenditure incurred		649,542	432,769
Closing balance		1,082,311	432,769

Significant accounting estimates and assumptions

Impairment of capitalised exploration and evaluation expenditure

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

6. EXPLORATION AND EVALUATION ASSETS (continued)

The carrying values of items of exploration and evaluation expenditure are reviewed for impairment indicators at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. There were no impairment indicators or impairment for the period ended 31 December 2021.

Significant accounting judgement

Capitalisation of exploration and evaluation expenditure

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

7. TRADE AND OTHER PAYABLES

	31 December 2021 \$	30 June 2021 \$
Trade and other payables	544,249	737,567
Other payables	59,583	134,672
	603,832	872,239

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

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

8. ISSUED CAPITAL

	31 December 2021 Securities	31 December 2020 Securities	31 December 2021 \$	31 December 2020 \$
Fully paid ordinary shares	1,849,772,127	166,667	12,893,786	590,174
Partly paid ordinary shares	5,703,550	-	57,036	-
	1,855,475,677	166,667	12,950,822	590,174

Movement in fully paid ordinary shares

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

Movement in partly paid shares

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

9. SHARE BASED PAYMENTS

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

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

	Note	31 December 2021 \$	31 December 2020 \$
As part of share-based payment expense:			
Performance rights issued	9(a)	572,643	-
		572,643	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

9. SHARE BASED PAYMENTS (continued)

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

(a) Performance rights

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

Each performance right will vest as an entitlement to one fully paid ordinary share upon achievement of certain performance milestones. If the performance milestones are not met, the performance rights will lapse, and the eligible participant will have no entitlement to any shares.

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

No performance rights have been issued during the current period.

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

Grant date	Expiry date	Exercise price	Balance on reverse acquisition	Granted during the period	Converted during the period	Balance at end of period	Vested at end of period
02-Sep-19 ⁽¹⁾	30-Sep-22	-	63,844,991	-	-	63,844,991	5,000,000
21-May-21	02-Jun-24	-	45,000,000	-	-	45,000,000	-
Total			108,844,991	-	-	108,844,991	5,000,000

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

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

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

No Milestones were achieved during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

9. SHARE BASED PAYMENTS (continued)

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

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

- Upon achieving either Milestone 1, Milestone 2, Milestone 3, Milestone 4, Milestone 5, Milestone 6 or Milestone 7, a third of the Performance Rights will be eligible to be converted into Shares upon exercise by the holder.
- Milestones are as follows:
 - Milestone 1 Completion of an initial feasibility study that derives a Net Present Value (NPV) (utilising a discount rate of 10%) of the Gora project of not less than based on a 2C Contingent Resource;
 - Milestone 2 Securing necessary funding to undertake the drilling of an additional well at the Gora project or Nowa Sol project, including via equity or debt (or a combination of both) or other funding mechanism such as joint farm-out or forward payments on a supply venture, agreement;
 - Milestone 3 The Company's VWAP over 10 consecutive trading days being at least \$0.05;
 - Milestone 4 The Company's VWAP over 10 consecutive trading days being at least \$0.08;
 - Milestone 5 Securing necessary funding to commence production at the Gora project or Nowa Sol project, including via equity or debt (or a combination of both) or other funding mechanism such as joint venture, farm-out or forward payments on a supply agreement;
 - Milestone 6 Execution of a binding gas sale agreement on the Gora project or oil sale agreement on the Nowa Sol project with a third party; or
 - Milestone 7 Successful completion of Fracking and/or Flow Testing on the Gora and Nowa Sol project, including flowing of oil and gas to surface and all necessary data acquisition for project evaluation.

No Milestones were achieved during the period.

As at 31 December 2021, management believe that the remaining performance and service hurdles will be met and accordingly have recognised a share-based payment expense over the respective vesting periods.

Total expense arising from the above performance rights is \$572,643.

10. RELATED PARTY TRANSACTIONS

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. There have been no changes to related party transactions since the last annual reporting date, 30 June 2021.

11. COMMITMENTS

There have been no changes to commitments since the last annual reporting date, 30 June 2021.

(a) Capital commitments

Gabon, Nkembe block

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

11. COMMITMENTS (continued)

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

Hartshead has received legal advice that its obligations to make the fund contributions (refer Note 12) under the Nkembe PSC commenced on the issue of the Presidential Decree, being 4 December 2014. Based on this advice, no fund contributions are outstanding. This issue, however, remains unresolved between Hartshead and the DGH and accordingly until this matter is resolved the Board believe it is prudent to disclose a contingent liability.

Madagascar, Ambilobe block

The third phase of the Ambilobe block began in January 2017, the work commitments for the third phase includes drilling one exploration well (to be funded by a future farminee) prior to the expiry of the third phase which reached its anniversary in July 2019. The third phase may be extended, at Hartshead's option, a representative of the Company's subsidiary has presented the final relinquishment proposal to the Madagascar Government (OMNIS) and the Company has applied for the 2nd special two (2) year extension of the Ambilobe PSC. Discussions with OMNIS are ongoing and at the date of this report the Company has not reached agreement with OMNIS on the terms of the 2nd special two (2) year extension of the Ambilobe PSC. The Ambilobe PSC includes an estimate of US\$2.5 million for the work commitments of the third phase.

12. CONTINGENCIES

There have been no material changes to the contingencies disclosed at 30 June 2021, there are no other contingent assets or liabilities as at 31 December 2021.

(a) Contingent liabilities

Gabon, Nkembe block

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

Hartshead has received legal advice that its obligations to make the fund contributions under the Nkembe PSC commenced on the issue of the Presidential Decree, being 4 December 2014. Based on this advice, no fund contributions are outstanding and consequently have not been provided for on the statement of financial position as at 31 December 2021. During a prior period, included within the other payables was an amount payable to the Directeur Général des Hydrocarbures (DGH) in Gabon in relation to fund contributions pursuant to the Nkembe PSC for approximately US\$2.91 million, based on the liability for fund contributions commencing on the date on which the Nkembe PSC was signed, being 11 January 2013. This issue, however, remains unresolved between Hartshead and the DGH. The potential undiscounted amount of the total payments that the group could be required to make if there was an adverse decision is estimated to be up to US\$2.91 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

13. FAIR VALUE MEASUREMENTS

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

Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2021 and 30 June 2021 on a recurring basis:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 31 December 2021				
Financial assets at FVOCI – Equity securities	-	207,084	-	207,084
As at 30 June 2021				
Financial assets at FVOCI – Equity securities	-	207,465	-	207,465

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

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

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

Valuation techniques used to determine fair values

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

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

Fair Value in Active Market (Level 1)

The fair value of the equity holdings held in ASX listed companies are based on the quoted market prices from the ASX on 31 December 2021, being the last traded price prior to half-year end.

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

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

14 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide a full understanding of financial performance, financial position and financing and investing activities of the consolidated entity as full year financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Hartshead Resources NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Going concern

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

During the year the Group incurred cash outflows from operating activities of \$2,200,758 and had a net loss of \$1,721,432.

As at 31 December 2021 Pura Vida Mauritius (a subsidiary of the Company) had commitments with an estimated value of \$3.46 million (US\$2.5 million) pertaining to the current exploration phase of the Ambilobe PSC. The third phase ended in July 2019 and may be extended, and the company is continuing its discussions with OMNIS regarding the 2nd special two (2) year extension of the PSC.

Hartshead is currently in a dispute with the Gabonese Government with regards to the Nkembe PSC, (refer to Note 11 and 12 for details on the dispute). Until such a time as the dispute is resolved it is not possible to quantify the likely commitments and/or payable (if any) in relation to the Nkembe PSC.

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

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

- at 31 December 2021 the consolidated entity had \$4.7 million of cash and a current working capital position of \$4.35 million;
- the Group is progressing realisation of the value of the consolidated entity's Seaward Production License P2607 in the Southern North Sea; and
- the Group has claimed force majeure in relation to the Nkembe PSC since 1 April 2018 (refer note 11 and 12 for details) and continues to consider its options to resolve the Gabonese dispute.

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

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

15. EVENTS OCCURRING AFTER REPORTING DATE

On 24 January 2022, the Company announced the completion of an Unmarketable Parcel Share Sale Facility which was previously announced on 19 November 2021.

A total of 710 Unmarketable Parcel shareholders, holding a total of 7,502,862 Shares, did not elect to “opt-out” of the Facility and retain their Shares. The Company facilitated the sale of the Shares held by these shareholders and as a result the Company reduced its share register from approximately 2,471 shareholders to 1,762 shareholders as at 21 January 2022. The Shares were purchased by management and Directors of the Company at an average price of \$0.021 per Share. A total of 6,652,862 Shares under the share Facility were purchased by Directors Bevan Tarratt and Nathan Lude.

On 8 March 2022, Hartshead reported a material increase in its Phase III exploration prospect inventory following a study by Xodus. The study generated a new prospect inventory with a total of 14 prospects and leads with unrisksed 2U Prospective Resources of 344 Bcf.

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

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements, and accompanying notes set out above, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date;
2. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Bevan Tarratt

Non-Executive Chairman

Perth, Western Australia

15 March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hartshead Resources NL.

Report on the Half-Year Financial Report

Qualified conclusion

We have reviewed the half-year financial report of Hartshead Resources NL (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for qualified conclusion

As disclosed in Note 11 and 12 to the financial statements, there is a dispute over the commencement date of the company's obligations under the Nkembe Production Sharing Contract (PSC), which has prevented the company progressing funding discussions to meet its obligations under the PSC and has therefore resulted in force majeure being claimed by the Company. The Company has stated that until such time as the dispute is resolved, it is not possible to quantify the likely commitment and/or payable (if any) under the PSC. As such management were unable to provide supporting evidence as to its commitment or obligation under the PSC as at 31 December 2021 and we were unable to obtain sufficient appropriate evidence to determine whether any adjustments to the commitments or contingent liabilities note disclosure was necessary.

Consequently, we were unable to determine whether any adjustments might have been necessary in respect of the carrying amount of other payables as at 31 December 2021, and the elements making up the statement of profit or loss and other comprehensive income.

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



Basis for conclusion

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

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

Material uncertainty related to going concern

We draw attention to Note 14 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Ashleigh Woodley'. Above the signature, the letters 'BDO' are written in a simple, hand-drawn style.

Ashleigh Woodley

Director

Perth, 15 March 2022