

5 April 2023

Hartshead Executes Transformational Farm-Out Agreement, Providing Substantial Value to Shareholders and a Pathway to Production

Highlights:

- Hartshead and RockRose have together executed a binding agreement for Hartshead to farm-out 60% of its UK Southern Gas Basin assets (License P2607) to Rockrose for **A\$196.3m** of gross value for phase 1, this amount includes **A\$48.4m** of UK government Investment & Capital Allowance. There is a potential additional bonus of A\$9.0m of phase 2 (**Farm-out**).
- **A\$536m** of gross project expenditure satisfied by transaction, with proceeds of the farm-out to be applied to the companies 40% portion of project development cost.
- **Hartshead to retain P2607 Operatorship** at completion and transferring to RockRose at a mutually agreed future date.
- **Farm-out provides a defined and value accretive pathway to production for Hartshead and its South Basin Gas assets.**
- The Company has received firm commitments from institutional and sophisticated investors for a \$20m placement at \$0.04 per share which will see Hartshead **fully-funded to meet its estimated share of the non-debt project development costs**¹. In addition, subject to shareholder approval, directors have agreed to subscribe for an additional \$750,000 at the placement price.

Hartshead Resources NL (**Hartshead**, **HHR** or the **Company**) is pleased to announce that it has entered into a Farm-out Agreement (**FOA**) with established UK North Sea independent RockRose Energy (**RockRose**) for a divestment of a 60% equity interest in its UK Southern Gas Basin License P2607 (**Farm-out**). The total gross consideration under the FOA is approximately A\$196.3m, comprising of reimbursement of past costs, a partial carry on HHR's share of development costs, bonus milestone payments and \$48.4m of UK government Investment & Capital Allowance.

The Farm-out is a major milestone for the Company, materially de-risking the project and providing a clear pathway to the full financing and subsequent development.

Additionally, Hartshead is pleased to announce that it has received firm commitments for a placement to raise A\$20m, which saw strong support from new and existing institutional and sophisticated investors. Net proceeds from the

¹ Based on CAPEX requirements detailed in ASX announcement dated 23 June 2022 'Substantial Uplift in Project Value Following Independent Technical and Commercial Audit of Anning and Somerville Gas Fields'. Updated CAPEX numbers will be prepared as part of FEED completion & Field Development Plan as part of the Final Investment Decision Process.

placement will augment proceeds from the Farm-out and are estimated to see Hartshead fully-funded through its share of non-debt project development costs.

Chris Lewis, Hartshead CEO, commented *“The successful execution of a farm-out agreement with RockRose materially de-risks the Phase I development of the Anning and Somerville gas fields by securing over \$536m of gross project expenditure, provides technical and commercial validation of our gas development and implies a material uplift in value for the project.*

This is a landmark transaction for Hartshead shareholders. I am delighted to welcome RockRose to the P2607 Joint Venture and I am looking forward to working with the team as we progress the Phase 1 development and other opportunities in the License.

We are also very pleased to welcome new domestic and international investors to the Company and are very pleased with the level of support shown during the Placement process.”

Transaction Overview:

Under the agreement with RockRose the gross total consideration of the transaction is approximately A\$196.3m, comprising reimbursement of past costs, a partial carry on HHR's share of development costs, bonus milestone payments and \$48.4m of UK government Investment & Capital Allowance

A summary of the consideration pursuant to the FOA is provided below.

Payment	Amount (AUD)	Description
Initial Payment & Past Costs	\$12.2m	Initial cash consideration and RockRose's 60% share of the pre-completion joint-venture costs paid on completion of the transaction
Free Carry	\$95.0m	Paid by RockRose in relation to HRL's development costs from Phase I FID as a work programme carry
Bonus Payments	\$40.7m	Cash Phase I bonus to be used exclusively for Phase I development of which \$9.8 million is available from Phase I FID and \$31.7 million from Phase I Field Development Plan (FDP) approval by UK government
EPL tax benefit ¹	\$48.4m	By way of UK government Oil and Gas Investment allowance
SUBTOTAL	\$196.3m	
Conditional Bonus	\$9.0m	Phase II Bonus in cash on NSTA approval of the FDP for the Phase II Lovelace and/or Hodgkin gas fields
TOTAL	\$205.3m	

Note 1: Investment & Capital Allowance defined by the UK government North Sea Transition Authority (NSTA) as a “super-deduction” style investment allowance for the oil and gas sector to invest in the UK. This is not part of the consideration paid directly by RockRose.

Following completion of the Farm-out transaction the joint-venture partners intend to sign a JOA (which is in agreed form). Completion of the Farm-out transaction is subject to conditions precedent, including government approval of the transaction, as noted in Annexure A.

Placement Details:

In parallel with today's announcement, Hartshead is pleased to announce that it has received firm commitments for a placement to raise \$20m (**Placement**) via the issue of 501m shares at a price of \$0.04/sh (**Offer Price**). Shares issued under the Placement will be issued utilising the Company's ASX Listing Rule 7.1 (272,431,800 shares) and 7.1A capacity (228,568,200 shares). In addition, directors have agreed, subject to shareholder approval, to subscribe for an additional 18.75m shares at the placement price to raise a further \$750,000.

Bell Potter Securities Limited and Euroz Hartleys Limited acted as Joint Lead Managers to the Placement.

The Offer Price of \$0.04/sh which represents a 20.0% discount to the last close of \$0.05/sh and a 9.5% discount to the 5-day VWAP of \$0.0442/sh.

Together with the Farm-out consideration, the Placement completes the estimated equity funding requirements for the Company's share of development costs.

Key dates relating to the Placement are provided in the timetable below:

Event	Date
Announcement of the Placement	Wednesday, 5 April 2023
Trading Halt Lifted – Trading Resumes on the ASX	Wednesday, 5 April 2023
Settlement of New Shares Issued Under Tranche 1 of the Placement	Thursday, 13 April 2023
Allotment and Normal Trading of New Shares Issued under Tranche 1 of the Placement	Friday, 14 April 2023
General Meeting of Hartshead Shareholders to Consider Tranche 2 of the Placement	Indicatively late May 2023
Settlement and Issue of New Shares Under Tranche 2 of the Placement	Indicatively late May 2023

Path to Phase I Final Investment Decision (FID) and Next Steps:

The successful Farm-out of License P2607 to RockRose and today's announced Placement represent key milestones for the Company and materially de-risks the Company's path to FID for Phase 1 of the project. The following sets out the key milestones that the Company will be focussed on over the coming period:

1) Project Funding

Completion of the Farm-out not only delivers the cornerstone of funding for the project but also de-risks Hartshead's remaining development finance requirements, with a credible joint-venture partner a critical consideration for prospective funding providers. Initial discussions with funding providers suggest that a conservative target debt level, which together with the Farm-out and Placement proceeds, sees the Company funded through its estimated share of development costs.

Hartshead has been progressing discussions with various debt providers and is planning to raise its development finance through a combination of one or more of the following instruments:

- Reserve Based Lending (RBL)
- Corporate/Nordic Bonds
- Prepayment/Commodity Offtake Facility
- Infrastructure Funds
- Further sell down of minority interest in the License (post project advancement)

Finalisation of the preferred debt option and execution of debt agreements are a key focus and are targeted for Q3 2023.

2) Completion of FEED

The completion of FEED studies is a key deliverable in order to reach FID and will be a focus for the Company in the immediate term.

Completion of FEED is targeted for Q2 2023.

3) Finalisation of Gas Transport & Processing Agreement with Shell

As announced to the market on 22 March 2023 the Company has agreed with Shell (on a non-binding basis) on the key commercial terms to transport and process Hartshead's Phase I gas through Shell's infrastructure. The Company and Shell will now progress to preparation and negotiation of binding fully-termed agreements for tie-in, transport and processing of Hartshead's Phase I gas through Shell's infrastructure, the agreement will also detail any required brownfield modifications required as part of the gas offtake route for the Anning and Somerville gas fields. The negotiation and finalisation of the fully-termed agreements will progress in parallel with the FEED, and FDP submission.

4) FDP submission

Completion of FEED and Basis of Design work for Wells will form the basis of a more detailed and revised schedule and budget for the Phase I development. These key FDP inputs are targeted for completion in Q2 prior to FDP submission to the NSTA.

In summary, the following sets out the key objectives and timing for the Company:

- Completion of FEED Q2 2023
- Submission of the FDP Q2 2023
- Execution of debt financing Q3 2023
- Target FID Q3 2023

Director Placement Participation and Incentives:

It is the intention of the Company directors to continue their support of the business by subscribing for an additional A\$750,000 of shares under Tranche 2 of the Placement (subject to shareholder approval). The directors have a strong

track record of supporting the company's capital raisings with a \$500,000 participation in the previous placement and also on market buying.

Further, the Company intends subject to shareholder approval (to be considered at the same shareholder meeting as participation in Tranche 2 of the Placement), to seek approval for an incentive package for directors. The package to be considered by shareholders is intended to remunerate the company directors for the value accretive achievements to date over the previous two years and provide directors with incentives aligned to the future success of the Company.

The Company is proposing to issue 10m fully paid ordinary shares to each director in recognition of their efforts in driving the Company's achievements to date including:

- Farm-Out Divestment of 60% of asset for circa A\$200m.
- Identification, selection and negotiation of gas offtake route via Shell infrastructure and securing commercial terms.
- Substantial increase in resource upgrades increasing from 354 Bcf of 2C to over 800 Bcf across 3 phases, including 52m MMboe of 2P Reserves.
- Concept Select approval from NSTA for advancement of P2607 towards production.
- Identification and application of complementary assets for HHR in the NSTA 33rd bid round.

In addition, as an incentive to reward the directors for future success of the Company, it is proposed to issue 20m performance rights to each director that have significant value accretive hurdles which are detailed below:

- Phase 1 NPV of \$300m AUD attributable to Hartshead's 40% interest in licence P2607, determined by an independent reserve auditor incorporating final metrics from the FEED and Field Development Plan.
- Submission to the North Sea Transition Authority of the Field Development Plan (FDP) for licence P2607 and receipt of a notification of no technical objection from the North Sea Transition Authority.
- Award of a licence or licenses in the British North Sea Transition Authorities 33rd Offshore Oil and Gas Licensing round with a minimum aggregate 2C resources of 100 bcf within the licence(s) area as determined by an independent resource auditor.
- The 20 trading day volume weighted average share price of the Company's shares traded on the ASX being equal to or great than \$0.10.
- A Final Investment Decision (FID) on the Phase 1 development for licence P2607 being made and the Company having funds or binding contractual commitments to meet its share of the development costs.

The full terms and conditions of the incentive package will be detailed in the subsequent Notice of Meeting to be sent to shareholders.

Board Resignation:

Dr Andrew Matharu has resigned from his position as Executive Director and Chief Financial Officer of the Company.

Bevan Tarratt, Non-Executive Chairman, commented: "On behalf of the Board I would like to thank Andy for his dedication and service to Hartshead since its early stage. Andy was integral in the advancement of Hartshead's UK Southern Gas Basin assets and has played a key role in the successful management of the Company's financial activities. It has been a privilege to work with Andy and we wish him every success in his future endeavours."

About RockRose Energy:

RockRose Energy, a wholly owned subsidiary of the Viaro Energy Group (**Viaro**), is an oil & gas production and infrastructure company focused on production and infrastructure projects in the UK and Netherlands. RockRose is an established UK independent oil & gas company on the UKCS (Figure 1) with current production of circa **27,000 boepd** with combined 2P Reserves and 2C Contingent resources of **80.6 MMboe** as of 1 January 2021.

RockRose Energy currently holds interests in **more than 30 oil and gas assets in the North Sea**, with associated interests in the supporting infrastructure and in key onshore terminals in both the UK and the Netherlands. The RockRose team has a strong and demonstrable technical capability and experience with both operated and non-operated oil and gas assets in the North Sea and internationally, working collaboratively within Joint Venture partnerships to deliver added value through the application of relevant experience in the management of mature assets, with several personnel having held key positions within operating companies.

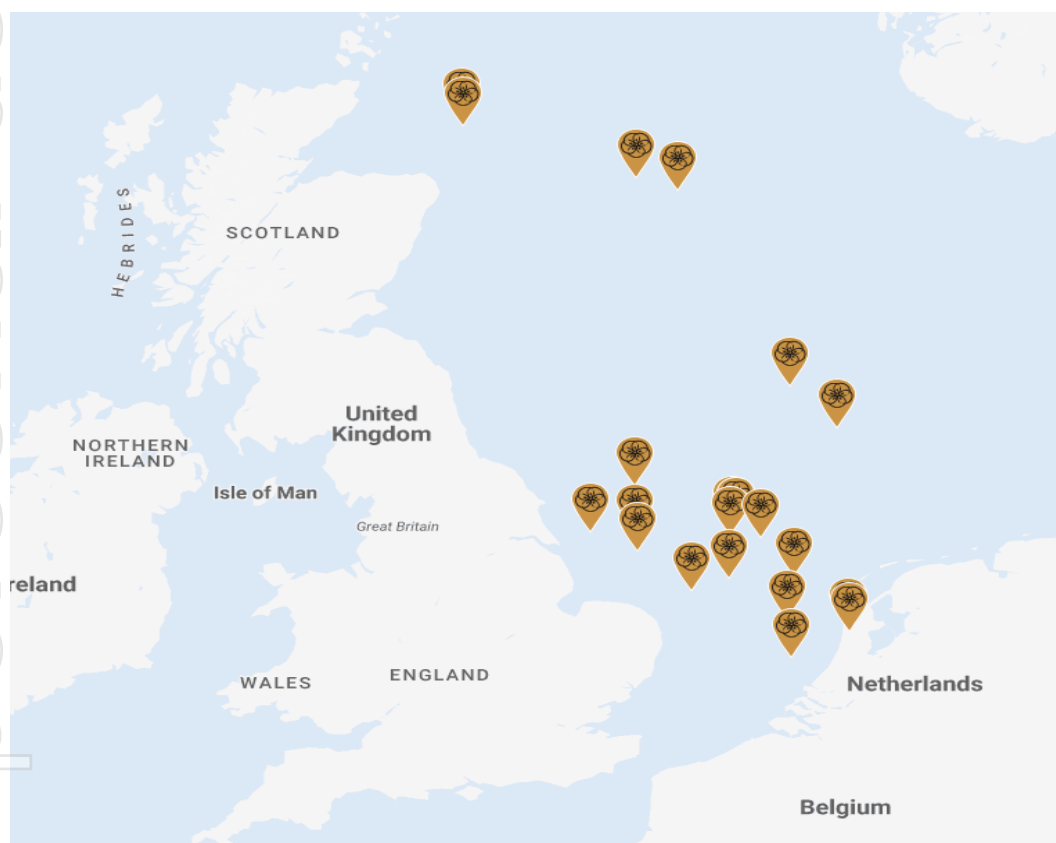


Figure 1. Location of RockRose Energy's oil & gas assets in the UK North Sea and the Netherlands

RockRose Energy was founded in 2015 and grew rapidly through a series of corporate and asset acquisitions, predominantly in the UK North Sea. The company made the following corporate and asset acquisitions across a relatively short time period which demonstrates the strategy of growing RockRose into a fully integrated oil & gas producer:

- Egerton Energy Ventures Limited (2017)
- Sojitz Energy Project Limited (2017) – UK Southern Gas Basin
- Idemitsu Petroleum UK Limited (2017)
- Dana Petroleum's interest in the Arran field (2018)

- Zennor Petroleum's interest in the Arran field (2018)
- Dyas B.V. group of companies – Netherlands (2018)
- Marathon Oil U.K. LLC (2019)
- Scottish & Southern Electric (SSE) plc's upstream assets (2021) – UK Southern Gas Basin
- Hague & London Oil B.V. – Netherlands (2021)
- Spark Exploration UK (P2412) Limited (2023)

The acquisition of the SSE assets further established RockRose Energy's position in the UK Southern Gas Basin as a non-operator and owner of several gas fields in close proximity to License P2607.

Viaro Energy Group

RockRose Energy is part of the Viaro group, an integrated energy group which has operations in commodity trading, energy trading and upstream oil and gas assets. In 2022, Viaro generated **revenue of US\$1.1 bn and EBITDA of US\$801m.**

-Ends-

The Board of Directors of Hartshead Resources NL authorised this announcement to be given to ASX.

For further information on this announcement, visit www.hartshead-resources.com.au or contact:

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Notes to Editors:

Hartshead Resources NL

ASX-listed Hartshead Resources NL is focussed on building a financially, technically and environmentally responsible European Energy business.

Hartshead's goal is to secure and invest in projects where resources can be extracted and delivered to meet Europe's growing energy demand while supporting the transition to a low carbon future.

In progressing this strategy Hartshead is focused on its 100% owned Production Seaward License P2607 comprising of five blocks which contain four existing gas fields in the UK Southern Gas Basin.

Hartshead brings together a highly experienced oil and gas team with specialised knowledge covering subsurface, engineering, commercial, QHSE and capital markets with the required skillsets needed to deliver oil and gas upstream projects successfully and safely.

UK Southern North Sea Production Seaward License P2607 – Reserves, Contingent and Prospective Resources

Please refer to the qualified person's statement relating to the reporting of reserves on Hartshead Resources Southern North Sea License P2607 in Hartshead's ASX announcements dated 23 June 2022. The volumetric estimates used to derive the estimates below have been made by combining probabilistically derived estimates of initial in place gas volumes with assumptions regarding the gas recovery factors from analogous fields, such as the Clipper South and Babbage gas fields located in the UK Southern Gas Basin.

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

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

RESERVES ²						
PHASE I	49/17b	Anning	1P		2P	3P
			Sales Gas (Bcf)	73	145.0	245
			Condensate (MMbbl)	0.081	0.192	0.375
	49/17b	Somerville	Sales Gas (Bcf)	107.0	156.5	213
			Condensate (MMbbl)	0.119	0.208	0.325
			Total (MMboe)	31.2	52.4	79.7
CONTINGENT RESOURCES ³ (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 (BCF)			1U	2U	3U	GCoS
PHASE III	49/17b	Garrod	16	52	125	50%

² Reserves estimates are from ERC Equipose Limited, Independent Competent Persons Report (CPR) entitled "Hartshead Resources NL Somerville and Anning Competent Persons Report" dated June 2022. See Qualified Persons Statement for reserves reporting notes.

³ Hartshead management estimates

EXPLORATION	49/17b	Ayrton	25	74	146	41%
	49/17b	McLaren	18	27	39	54%
	49/17b	Stephenson	36	47	60	43%
	49/17b	Widdowson East	6	29	79	32%
	49/17b	Widdowson Central	11	21	40	50%
	49/17b	Lonsdale	5	16	31	50%
	49/17b	Anderson	5	12	29	45%
	49/12d	Wenlock Prospect 1	4	19	55	36%
	49/12d	Wenlock Prospect 2	1	5	19	36%
	49/11c	Wenlock Prospect 3	1	5	17	36%
	49/11c	FFs Prospect 1	3	11	26	41%
	49/11c	FFs Prospect 2	8	19	37	35%
	49/11c	FFs Prospect 3	4	9	17	34%

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.

Forward Looking Statements

This document has been prepared by Hartshead Resources NL (HHR). This document contains certain statements which may constitute "forward-looking statements". It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

HHR's operations and activities are subject to regulatory and other approvals and their timing and order may also be affected by weather, availability of equipment and materials and land access arrangements. Although HHR believes that the expectations raised in this document are reasonable there can be no certainty that the events or operations described in this document will occur in the timeframe or order presented or at all.

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Qualified Person's Statement

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

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

The Reserves estimates presented in this report were originally disclosed to the market in announcement released on 23 June 2022 and are based on, and fairly represents, information and supporting documentation prepared by Dr Adam Law of ERCE.

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

Hartshead has prepared the Contingent Resource and Prospective Resource information in this announcement in accordance with the ASX Listing Rules and the 2018 Petroleum Resources Management System published by the Society of Petroleum Engineers (SPE-PRMS). The Contingent Resource estimates and Prospective Resource estimates presented in this report were originally disclosed to the market in announcement released on 14 December 2020 and updated 8 March 2022 and 6 April 2022. Hartshead confirms that it is not aware of any new information or data that materially affects the information included in the aforesaid market announcements and that all the material assumptions and technical parameters underpinning the estimates in the aforesaid market announcement continue to apply and have not materially changed. The information in this announcement that relates to Contingent Resource information in relation to the Phase II Hodgkin and Lovelace fields and the Prospective Resource information in relation to the Phase III exploration portfolio is based on information compiled by Mr Christopher Lewis and information compiled by technical consultants contracted to Hartshead which has been subsequently reviewed by Mr Christopher Lewis. Mr Lewis has consented to the inclusion of such information in this announcement in the form and context in which it appears and the resources information in this report is based on, and fairly represents, information and supporting documentation reviewed by, or prepared under the supervision of, Mr Christopher Lewis.

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

Annexure A:

Key Commercial Terms of RockRose Transaction:

Payments by RockRose

Rockrose will pay:

- US\$5,882,353 to Hartshead at Completion
- Hartshead, at Completion, an amount equal to all costs incurred by Hartshead, attributable to the Rockrose 60% interest, in the period from 1 July 2022 until Completion Date (estimated to be approximately US\$2,032,688);
- US\$5,882,353 on a Phase 1 FID decision by the joint venture partners;
- US\$20,588,235 on the Phase 1 FID decision by the joint venture partners (to be held by an escrow agent);
- the escrow agent shall release escrowed funds to Hartshead once RockRose has made payments under the JOA up to the Phase 1 Fields Development Costs Cap (see below);
- US\$2,941,176 on the date the partners approve a development plan for the Phase 2 development; and
- US\$2,941,176 on the date on which the NSTA authorises the Phase 2 Fields Development Plan.

Following Completion for the period until the joint venture makes a Phase 1 FID decision the joint venture parties will contribute pro rata to joint venture expenditure pro rata to their interests.

Following a Phase 1 FID decision by the joint venture, Rockrose is also obliged to pay one hundred percent of joint venture expenditure for the first US\$154,411,765 of operating and capital expenditures for the Phase 1 development (**Phase 1 Fields Development Costs Cap**). This being equivalent to Rockrose paying US\$61,764,706 of development costs on behalf of the Hartshead.

Following payments by RockRose to meet joint venture expenditure up to the Phase 1 Fields Development Costs Cap, the parties will contribute to further joint venture expenditure pro rata to their interest.

Conditions

Completion is subject to and conditional on the following conditions being satisfied on or before 30 October 2023 (or such other date as Hartshead and RockRose agree):

- North Sea Transition Authority consent and approval to the transfer of the 60% interest in the Licence to RockRose;
- there being no field determination for tax purposes in respect to any fields in the licence blocks. (Field determination is undertaken by the NSTA, is associated with FDP approval and determines the exact area of the fields being developed. A transaction concerning a determined field has different tax treatment to a transaction concerning a license area.)

(together the **Conditions**)

Completion

Completion of the farm out will occur following the satisfaction (or waiver) of the Conditions.

At Completion:

- RockRose will make the payments above which are due at completion; and
- Hartshead will transfer a 60% in the Licences to RockRose; and

- The parties will form the joint venture and sign the joint operating agreement (which is in agreed form annexed to the farm out agreement).

Hartshead will remain the operator of the joint venture until a future date agreed by the joint venture parties.

Default

In the event that, (i) Rockrose fails to make any of the payments referred to above (ii) is in default under the JOA, and/or (iii) fails to approve the Phase 1 Fields Development (effectively FID) proposed by Hartshead, each shall constitute a default under the FOA (**Default**) Hartshead's remedies include:

- requesting a re-assignment of the Rockrose License Interest;
- if Hartshead requests a re-assignment of the Earned Interest, Rockrose shall be required to pay all amounts owed under the FOA and the JOA until reassignment; and
- a termination payment: if the Default occurs before a Phase 1 FID decision by the joint venture, the termination payment by RockRose will be US\$5,882,5553; and if the Default occurs after the Phase 1 FID decision by the joint venture, the termination payment shall be the release and payment of the US\$20,588,706 held by the escrow agent;

Termination

The FOA shall terminate if:

- the Conditions Precedent are not completed by the 30th October 2023
- the re-assignment to Hartshead of the RockRose interest occurs following a Default.