Hartshead Resources NL

ACN 150 624 169

Interim Report

for the half-year ended
31 December 2023

Corporate Directory

DIRECTORS
Bevan Tarratt, *Executive Chairman*
Christopher Lewis, *Chief Executive Officer*
Nathan Lude, *Executive Director*

COMPANY SECRETARY
Matthew Foy

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STOCK EXCHANGE LISTING
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ASX Code – HHR

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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 2023.

DIRECTORS

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

- Mr Bevan Tarratt, Executive Chairman
- Mr Christopher Lewis, Chief Executive 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 2022: Nil).

FINANCIAL SUMMARY

The Group made a net loss after tax of $1,610,941 for the financial half-year ended 31 December 2023 (31 December 2022: loss $3,043,508).

At 31 December 2023, the Group had net assets of $33,544,763 (30 June 2023: $35,520,435) and cash assets of $29,342,845 (30 June 2023: $32,879,390).

REVIEW OF OPERATIONS

SEAWARD PRODUCTION LICENSE P2607, OFFSHORE UNITED KINGDOM
(ROCKROSE ENERGY 60%, HARTSHEAD RESOURCES 40% AND CURRENT OPERATOR)

During the Calendar Year ending 31 December 2023, the Company continued to make significant progress across all three phases of its multi-phased development of the Seaward Production License P2607, offshore United Kingdom.

The Company's portfolio of assets and opportunities ranges from developable reserves (Phase I - Somerville Gas Field, Anning Gas Field) through discovered contingent resources (Phase II - Lovelace Gas Field, Hodgkin Gas Field) to prospective resources (Phase III).

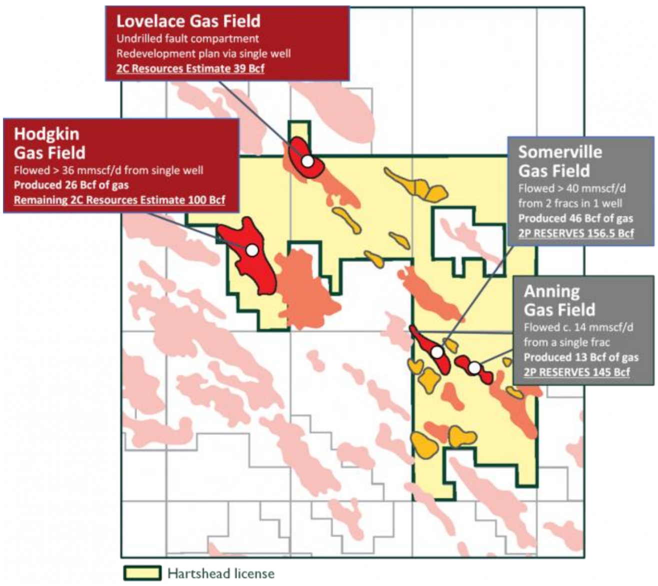


Figure 1. Location of Seaward License P2607 in the Southern Gas Basin, United Kingdom

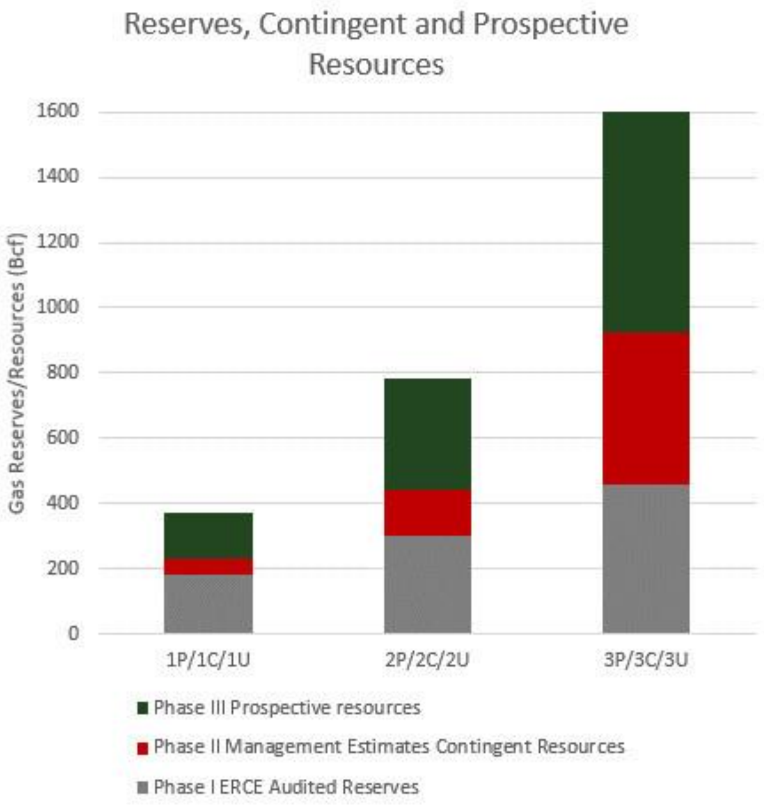


Figure 2. P2607 Reserves and Resources

<u>Operational update on UK Southern Gas Basin – Phase 1:</u>

During the 2023 calendar year, the primary focus for the Company was advancement towards the Phase 1 development of Seaward Production License P2607.

Completion of Farm-Out Agreement with RockRose Energy:

In FY23 Hartshead successfully finalised the Farm-Out Agreement with the established UK North Sea independent, RockRose Energy. This agreement led to the divestment of 60% of its UK Southern Gas Basin assets under License P2607. The gross consideration from this agreement is up to $205m[1] in consideration with $196.3 million associated with the development of Phase 1. This sum encompasses various reimbursements, bonus milestone payments, and a significant UK government Investment & Capital Allowance of $48.4 million.

A Final Investment Decision (**"FID"**) encompassing the development and drilling of the Anning and Somerville fields, is currently being discussed with Joint Venture partner RockRose Energy. The plan includes the establishment of six production wells, with operations expected to commence during 2025. These wells are projected to achieve peak production rates of 140 mmcfd, with Hartshead's net share being up to 56 mmcfd, equivalent to over 9,000 boepd, (ASX announcement dated 23 June 2022).

As announced in the December quarterly report, the Company agreed additional amendments to the Farm-out Agreement (**FOA**) and Joint Operating Agreement (**JOA**), providing Hartshead with an option to divest an additional 20% equity interest in its UK Southern Gas Basin Licence P2607, in return for an uncapped free carry of all gross costs for the Phase 1 project development (**Financing Backstop**).

Submission of Phase I Field Development Plan

The Field Development Plan (**"FDP"**) for the Phase I development of the Anning and Somerville gas fields was submitted to the North Sea Transition Authority (**"NSTA"**). The vision for this development encompasses six production wells. These wells are slated to be produced through two state-of-the-art, unmanned minimum facilities platforms. These platforms will be strategically connected via subsea pipeline to third party host infrastructure for export to market, with an export pipeline leading to an existing host facility. From there the Anning and Somerville gas production will be transported via existing subsea pipeline to an onshore reception terminal.

Geophysical, Geotechnical and Pipeline Route Surveys:

In FY23 Hartshead undertook and completed three separate survey operations covering the Anning and Somerville Developments. These included a geophysical survey, a geotechnical survey, and a pipeline route survey. Notably, all operations were executed seamlessly without any incidents.

The insights derived from these surveys are poised to be instrumental, forming a foundational component of the Environmental Statement and further enhancing the understanding of the seabed conditions, pivotal for future operations.

Geophysical Survey – First Offshore Operations Completed

During the FY23 reporting period, Hartshead initiated its inaugural offshore operations using GEOxyz's Geo Ocean III, a state-of-the-art 77-meter Dynamic Positioning Offshore Survey Vessel equipped with specialized Cone Penetration Testing (CPT) and vibrocoring capabilities.

This geophysical survey aimed to interpret the seabed's geomechanical and engineering conditions around the Anning and Somerville field locations. Additionally, it sought to provide an environmental baseline survey and habitat assessment, aligning with the company's progression towards achieving First Gas.

The survey's scope included a comprehensive analogue and 2D high-resolution survey spanning a 1,000-meter square area centered on the Anning and Somerville jacket sites, complemented by a more focused 400-meter square analogue survey to pinpoint the jackets' precise placement.

Seabed samples collected during the survey subsequently underwent laboratory testing. The survey's findings have been used to inform the Front-End Engineering Design ("FEED") for jacket design verification and will be integrated into the Environmental Statement, a pivotal element of the Field Development Plan submission.

Platform Seabed Geotechnical Survey

Execution of the Geotechnical Survey across the Anning and Somerville fields and pipeline locations occurred during FY23, using Geoquip Marine Operations (Geoquip Marine), to complete a Pipeline Seabed Geotechnical Survey.

The Geoquip Seehorn, an 83 metre Class 2 Dynamic Positioning (DP2) Multi-Disciplined Offshore Survey Vessel, with specialist deep seabed testing and borehole testing capability, was used for the work program.

The main objectives of the geotechnical survey were to provide the Company with confirmation of the seabed and sub seabed soil conditions to finalise the design and the efficient installation of the offshore facilities and to ensure the safe location of the jack-up drilling rig at the Anning and Somerville locations.

All objectives of the survey were met with a total of four rock cores recovered, one 30 metre core and one 50 metre core from each location. The cores provide essential soils information to enable the engineering design of the platform anchor points as well as confirm what is required to locate the jack-up drilling rig over the platforms for the well operations.

Pipeline Route Survey

Towards the end of FY23, Hartshead completed a pipeline route survey covering the offtake routes for gas production from the Anning and Somerville fields. The survey was conducted using the Gardline MV Ocean Observer over a period of more than a month with no safety issues or incidents and a large amount of seabed technical and environment data acquired.

All the objectives of the survey were met with over 1000 km of seismic lines run and 52 Cone Penetration Tests (CPT) and 23 Vibrocores taken to help define the seabed status, along with 27 seabed samples and camera transects to identify any habitats and provide input to the environmental baseline survey. The material recovered from the survey has undergone laboratory analysis in accordance with international standards and procedures, which will provide input to the Environmental Statement for the Anning and Somerville development.

Understanding of the seabed conditions at the Phase I field locations and along the pipeline route is instrumental in completing the subsea and platform FEED design assumptions.

Invitation to Tender for Production Platforms and Pipeline

During FY23, Hartshead issued the Invitation to Tender (**"ITT")** for the Anning and Somerville Southern North Sea gas field production platforms. This invitation was extended to four industry-leading fabricators, each with a proven track record of excellence. Bids were received as per the development contracting plan, with evaluation of the bids underway.

The Pipeline ITT was also issued during FY23 to 5 internationally recognised pipeline and subsea installation contracting companies, with bids due in with the reporting period.

The platforms and pipeline are a significant part of the field development, which consists of two unmanned platforms with gas transportation via pipeline and a subsea tie-in to the offtake route.

The ITT packages, containing comprehensive information about the project requirements, technical specifications, bidding procedures and evaluation criteria, request proposals from the suppliers to provide an Engineering, Procurement, Installation and Commissioning (EPIC) service.

Operational update on UK Southern Gas Basin – Phase 2:

The Company has advanced the multi-phased strategy on Seaward Product License P2607. Subsurface work on Phase II has continued on the Hodgkin and Lovelace fields and further work will be initiated on Phase III to identify high grade prospects to advance towards more detailed planning, thereby ensuring that Hartshead continues to push ahead with a balanced portfolio of risk and reward in License P2607.

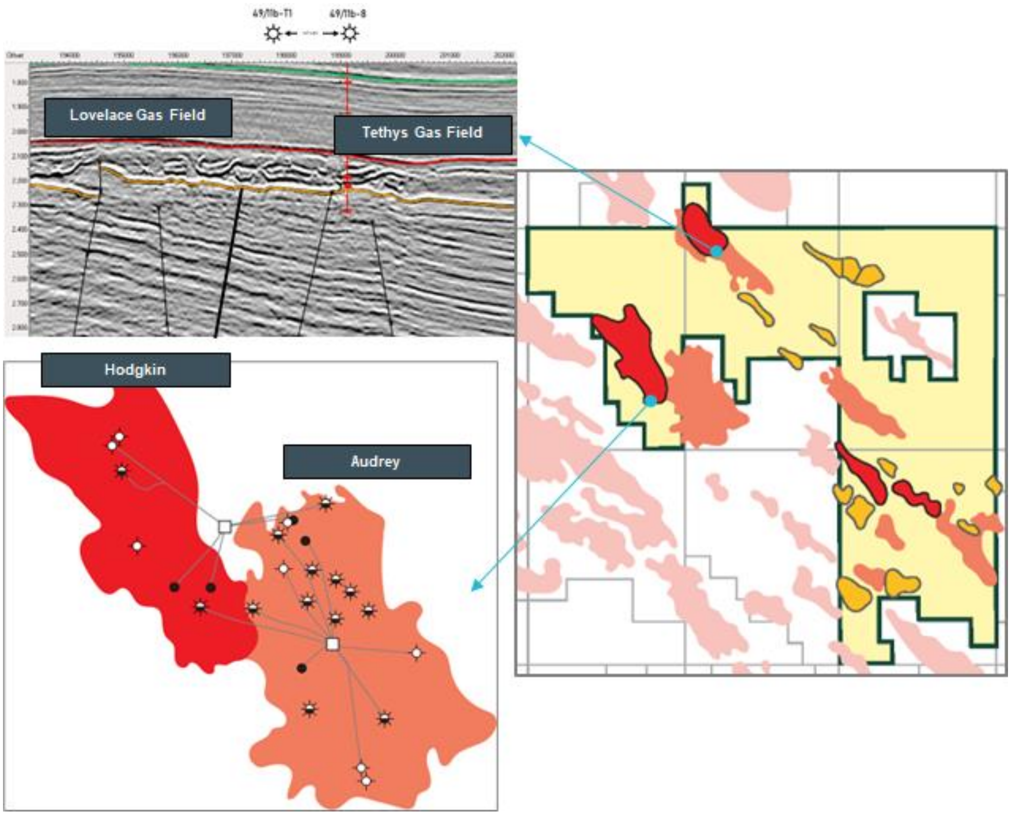


Figure 3. Location of the Phase II development Hodgkin and Lovelace fields within the License P2607 area.

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

The Phase II workstreams have encompassed 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.

The Hodgkin and Lovelace fields are located in the north-west part of License P2607 and are currently estimated to contain a combined 139Bcf of 2C Contingent Resources as detailed below (Table 1).

CONTINGENT RESOURCES (BCF) 0F0F[1]			1C	2C	3C	GCoS
PHASE II	49/6c, 49/11c	**Lovelace**	14	**39**	70	100%
	48/15c	**Hodgkin**	35	**100**	387	100%

Table 1. Phase II Contingent Resources across the Hodgkin and Lovelace fields.

Hodgkin and Lovelace present the opportunity to utilise the Phase I infrastructure to monetise the Phase II gas production and a Field Development Plan will be assessed in the coming year. Transmission of the Phase II gas flow stream through the Phase I pipeline may lead to a potentially enhanced economic performance of the Hodgkin and Lovelace fields given the upfront investment in Phase I infrastructure.

Hodgkin field

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

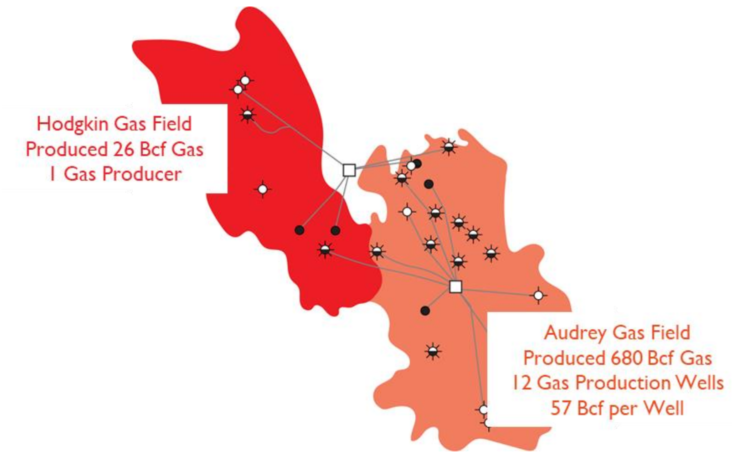


Figure 4. Audrey and Hodgkin gas fields with historical well locations and production history.

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

Lovelace field

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

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

Operational update on UK Southern Gas Basin – Phase 3:

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

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

[1] Hartshead management estimates.

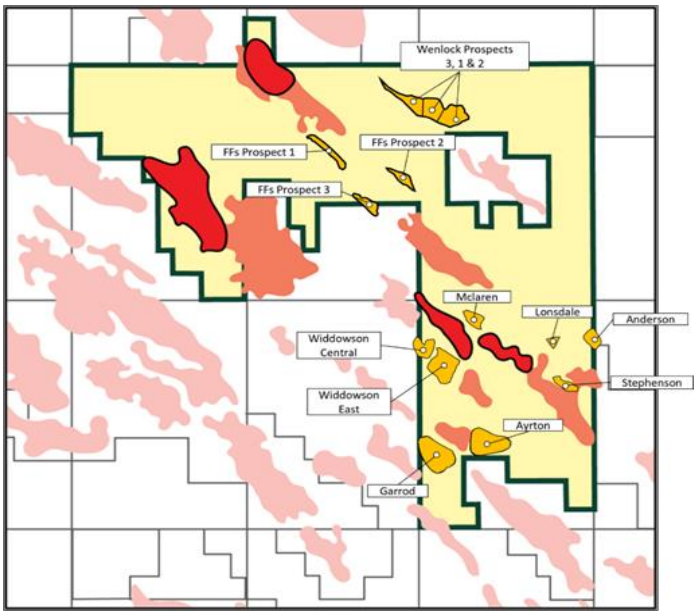


Figure 5. Phase III exploration portfolio prospects and leads map.

The prospects listed below (Table 2) will be economically evaluated and ranked prior to being short listed for further work, which will involve initial well planning for the drilling of exploration wells in the final selected prospect or prospects. Any prospects selected to be drilled would likely be drilled sometime following Phase I first gas which is scheduled for 2025. However, there is the potential for the McLaren prospect to be drilled as part of the Somerville development in 2024 or 2025 (Figure 11), given its proximity to Somerville, to crystallise early value from the exploration portfolio prior to the Phase II development of the Hodgkin and Lovelace fields.

Prospect	**Recoverable Volume**1F1F[2] **(Bcf)**			**GCoS**
	1U	**2U**	**3U**	**P50**
McLaren	18	**27**	39	0.54
Stephenson	36	**47**	60	0.43
Widdowson East	6	**29**	79	0.32
Widdowson Central	11	**21**	40	0.50
Lonsdale	5	**16**	31	0.50
Anderson	5	**12**	29	0.45
Garrod	16	**52**	125	0.50
Ayrton	25	**74**	146	0.41
Wenlock Prospect 1	4	**19**	55	0.36
Wenlock Prospect 2	1	**5**	19	0.36
Wenlock Prospect 3	1	**5**	17	0.36
FFs Prospect 1	3	**11**	26	0.41
FFs Prospect 2	8	**19**	37	0.35
FFs Prospect 3	4	**9**	17	0.34
Arithmetic Total	**143**	**344**	**719**	

[2] 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.

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

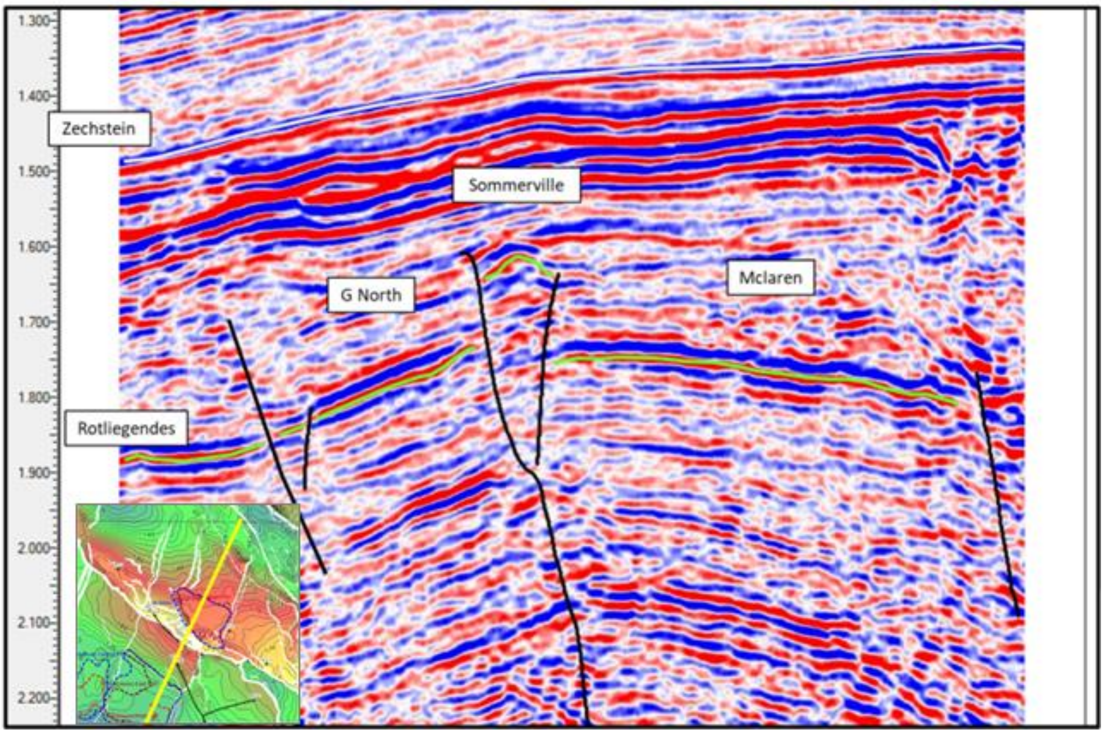


Figure 6. McLaren prospect seismic line showing its location adjacent to the Somerville field.

UK 33rd Offshore Licensing Round:

During the FY23 reporting period, the Company announced that submissions for a number of licences in the UK 33rd Offshore Licensing Round announced by the NSTA in 2022 were made by the Company. The results of the licensing round and awards are expected to be announced in H1 of 2024.

Strong Financial Position:

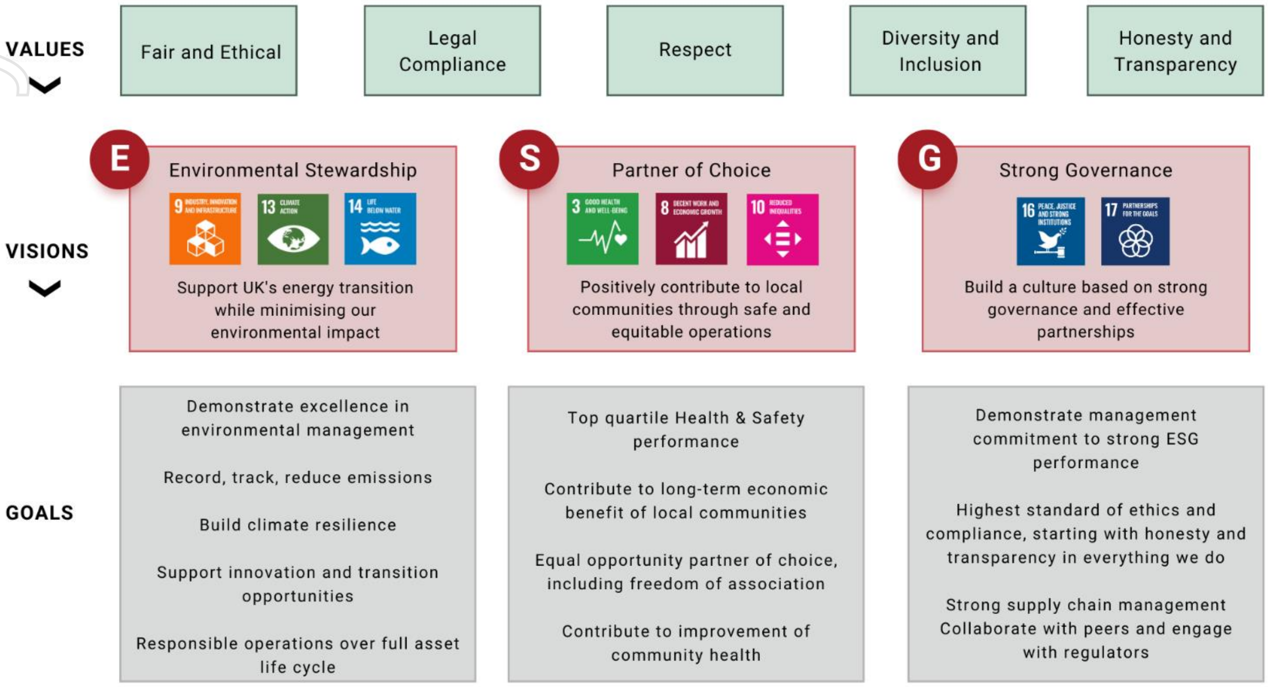
At the end of FY23 the Company announced a robust cash position of over $32 million. This was further augmented by a strategic $20 million placement undertaken during the quarter which saw the addition of international and domestic institutions joining the register.

Gabon NKEMBE N°G4-243:

Hartshead adeptly concluded its longstanding dispute with the Gabonese State. This pertained to the Nkembe n°G4-243 Petroleum Exploration & Production Sharing Contract (PSC). With the termination of the PSC, the company stands liberated from any future claims, obligations, or financial commitments.

ESG REPORT

An ESG Strategy that is Aligned with Our Core Values:



As part of our ongoing commitment to an awareness of our impacts, we have reviewed the Materiality Assessment undertaken last year and determined that no changes were required as the company activities have not significantly changed.

We will continue to review this on an annual basis as our business and operations evolve to ensure relevant Material Topics are identified and the associated risks and opportunities are integrated into our decision-making processes. Each of our Material Topics are discussed in more detail in the table below. We have also revisited those topics that were previously deemed non-material; the description of why we have selected these to be non-material are included below.

In order to demonstrate alignment with and performance against our Material Topics, we are working to define a set of metrics that we will report once our development activities commence with fabrication and installation of our facilities. These metrics will include key topics including GHG emissions Scopes 1 and 2, health and safety statistics, environmental metrics including waste management, and governance oversight such as anti-bribery and anti-corruption training. As we do not currently have any active operations, all activities are office-based during the planning phase of the development and the operational metrics are not yet relevant to report until after FID and the development activities get underway.

Material Topic	UN SDGs	Impact on Stakeholders	Impact on Hartshead	Materiality
Climate change, transition and GHG emissions	13 CLIMATE ACTION; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	High	High	As a responsible operator, Hartshead acknowledge the threat of climate change and the challenge of delivering secure, low cost energy to drive the energy transition towards a net zero future. Our development planning is focussed on reducing GHG emissions to be among the lowest of facilities in the North Sea once operations commence. We are planning to implement renewable energy and biodiesel options to power our facilities and optimise logistics in order to minimise emissions and align with the NSTA Stewardship Expectations and North Sea Transition Deal for decarbonisation of the North Sea Basin.
Occupational health and safety	3 GOOD HEALTH AND WELL-BEING	High	High	One of our top priorities is that everyone who works for us goes home safely to their loved ones at the end of every day. We view health and safety in a holistic manner that addresses both physical and mental wellness.
Waste & emissions	13 CLIMATE ACTION	Medium	High	A focus on minimising waste and emissions in the planning phase of our development means we can ensure we reduce the impacts of our operations from day 1. Power options, fuel type and produced water treatment are all high-priority topics throughout the design phase of the development to minimise discharge of pollutants to the environment. Management and disposal of waste during our operations will be carried out in accordance with all relevant laws and regulations.
Full lifecycle asset management	13 CLIMATE ACTION; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Medium	High	We believe full lifecycle asset management is heavily influenced during the design phase. Planning to ensure safe operations during the planning phase is a high priority, as is consideration of decommissioning impacts at the end of the field's life.

Material Topic	UN SDGs	Impact on Stakeholders	Impact on Hartshead	Materiality
Strong governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS	**Medium**	**High**	Hartshead are listed on the Australian Stock Exchange and operate solely within the UK and are therefore bound by UK legislation in our business conduct and operational activities in the North Sea. Both jurisdictions are highly regulated, providing a strong governance framework that we take very seriously.
Economic impacts	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**High**	**Medium**	Our mission is to build a responsible and safe European energy business to support the UK's energy security and energy transition. We are actively engaging in a number of Special Interest Groups as part of the Bacton Energy Hub, which is a key part of the UK Government's Net Zero plan and will provide the local communities with job opportunities supporting the local economy.
Employment practices and freedom of association	17 PARTNERSHIPS FOR THE GOALS	**High**	**Medium**	Fair employment practices, including the right to freedom of association, reflects our core values of respect, fairness, and ethical treatment of everyone we do business with. Hartshead is a non-unionised workforce, however this does not preclude employees from becoming union members or engaging in collective bargaining where appropriate.
Equality	10 REDUCED INEQUALITIES	**High**	**Medium**	As we build our company, equality in all its forms is important to develop a strong culture and diverse, effective team.
Biodiversity	14 LIFE BELOW WATER	**Medium**	**Medium**	Hartshead's assets are located in the offshore UK sector of the Southern North Sea. All of the development planning approvals and offshore operations are regulated by UK Environmental legislation. We are making significant efforts to plan our development to have lowest possible impact on the marine environment in which we operate.

Non-Material Topics

Local communities, land, and resource rights: Hartshead operate in the offshore UK Southern North Sea, which is a highly regulated environment. No local communities are directly impacted by our offshore operations, and we comply with all necessary legislation and regulations in respect to obtaining land and resource rights, therefore this topic is not material to us.

Anti-competitive behaviour, government lobbying: Anti-competitive behaviour goes against our core values of fair and ethical behaviour. Our strong governance ensures transparent and compliant conduct in all aspects of our business. Additionally, as a small operator, Hartshead has limited influence on anti-competitive behaviour or government lobbying, therefore this topic is not materially relevant.

Forced labour and modern slavery: While Hartshead is vehemently against any form of slavery or forced labour, our operations in the UK and procurement predominantly from the UK and EU under strict employment and human rights laws, makes this topic a low risk for our business. We have procurement processes in place to ensure our suppliers are not engaging in, or supporting, slavery of any type.

Conflict and security: The offshore North Sea is a safe operating environment, and no private security forces are required for our projects. Therefore, this topic is not materially relevant to us.

Rights of indigenous peoples: The UK regions where Hartshead operate are not home to any communities or peoples who would be classified as indigenous and therefore this topic is not materially relevant to us.

A wider ESG approach

We are committed to ensuring our ESG strategy is considered in all areas in which we work and right across all of our projects.

Emissions Reduction Plan

During this development planning phase, Hartshead are working towards alignment with the NSTA's Stewardship Expectations (SE) 11 on Net Zero. We are in the process of reviewing and updating our Emissions Reduction Plan, with a Gap Analysis completed against SE 11, and an action plan defined to assure alignment with the expectations.

Our Sommerville and Anning development is currently modelled to have very low operating emissions owing to a number of initiatives already incorporated into the Development Plan, including using Normally Unmanned Installations (NUI), no routine flaring, implementing renewable energy to power offshore facilities, utilising gas from produced water to avoid venting, minimising flaring during well clean-up, and planning for biofuel-capable generators to support additional power requirements.

Environmental Statement

The Environmental Statement, which is required for approval of the FDP for the Sommerville and Anning development, will be prepared during 2024 and will assess all aspects of environmental impact of the development activities, engage with relevant stakeholders, and enable Hartshead to identify and mitigate any additional impacts as far as possible.

Progress towards TCFD reporting

Hartshead have chosen to begin to align with the Taskforce for Climate-related Financial Disclosures (TCFD). Whilst this is not compulsory for Hartshead at this time, the company see this as excellent guidance for how they consider and address climate-related risks, opportunities and their impact on the company's assets and business resilience as the business grows.

What is TCFD?

TCFD was created by the Financial Stability Board (FSB) which released climate-related financial disclosure recommendations in 2017. These disclosures were designed to help companies provide decision-useful, climate-related information to support informed capital allocation.

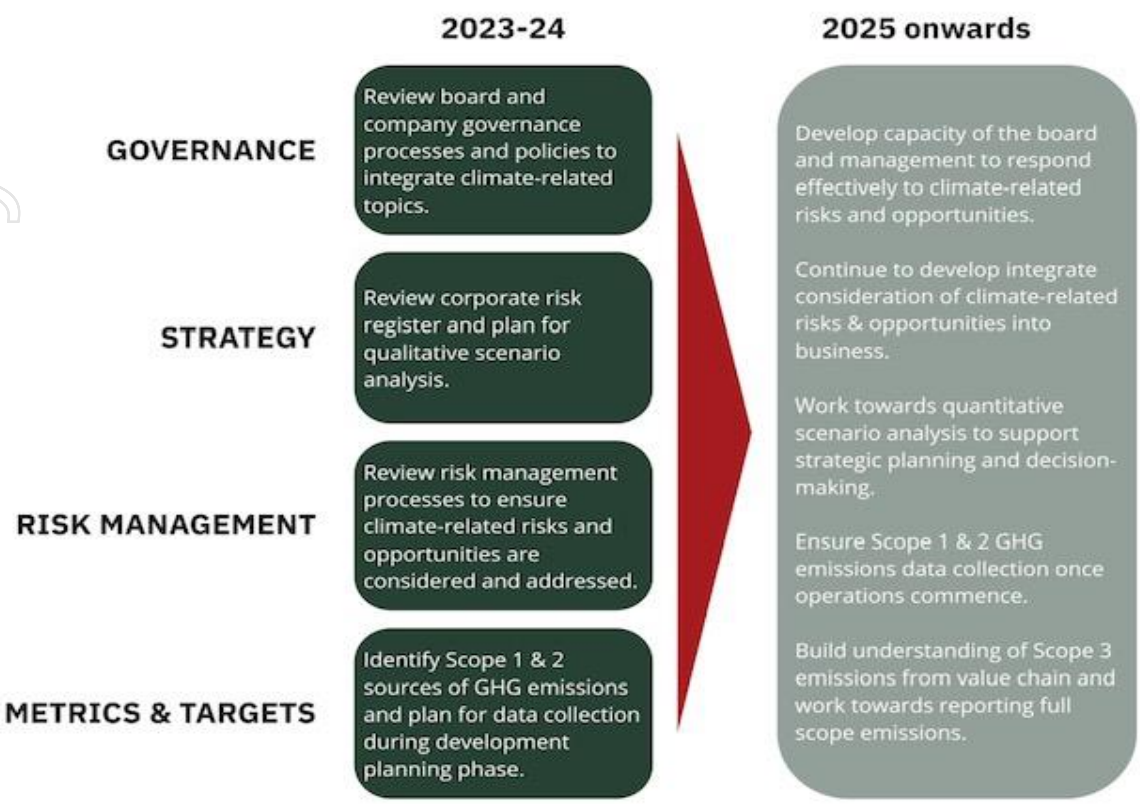
The disclosure recommendations are structured around four thematic areas: governance, strategy, risk management, and metrics and targets. Topics in each of the four areas are interrelated and supported by 11 recommended disclosures that build out the framework with information that should help investors and others understand how reporting organizations think about and assess climate-related risks and opportunities. More information on TCFD can be found on their website: https://www.fsb-tcfd.org/.

A phased approach towards alignment with TCFD

Hartshead are following a phased approach to build towards full alignment with the TCFD recommendations. A number of fundamental activities being put in place during 2023 and into 2024 include formalising an ESG committee, setting up a TCFD working group, updating relevant corporate policies, and reviewing the company Risk Management processes. Further actions aligned with the TCFD recommendations are planned for 2024 and into 2025.

It is anticipated that Hartshead will provide an update regarding TCFD implementation in 2024, with a goal to report fully to TCFD during the 2025-26 financial year.

Hartshead are currently monitoring the latest advice with regards to the recent International Sustainability Standards Board (ISSB) launch of the sustainability-related reporting standards: the General Requirements for Disclosure of Sustainability-related financial information (IFRS S1), and the requirements for Climate-related Disclosures (IFRS S2). Hartshead do not currently plan to start reporting against ISSB, however through their plan to implement TCFD, they will be working towards this should it become mandatory for them in the future.



Overview of TCFD implementation plan.

MATERIAL BUSINESS RISK

The Group makes every effort to identify materials risks and to manage these effectively. This section does not attempt to provide an exhaustive list of risks faced by the Group or by investors in the Group, nor are they in order of significance. Actual events may be different to those described.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.

Oil & Gas Pricing Risk

It is impossible to accurately predict future oil and gas price movements. Sustained lower oil and gas prices or price declines may lead to a material decrease in the Company's future production revenues. The Company may from time to time enter into agreements to receive fixed prices on future oil and gas production to offset the risk of revenue losses if commodity prices decline. However, if commodity prices increase beyond the levels set out in such agreements, the Company will not benefit from such increases and may nevertheless be obligated to pay suppliers and others in the market based on such higher prices. Furthermore, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms, and in addition, hedging itself carries certain risks, including expenses associated with terminating any hedging agreements. Further, sustained lower oil and gas prices may also cause the Company to make substantial downward adjustments to its oil and gas reserves. If this occurs, or the Company's estimates of production or economic factors change, the Company may be required to write-down the carrying value of its proved oil and gas properties to reflect these impairments. Furthermore, certain development projects could become unprofitable as a result of a decline in oil and gas prices and could result in the Company having to postpone or cancel a planned project, or if it is not possible to cancel the project, carry out the project with negative economic impact. Additionally, if oil and gas prices remain depressed, it could reduce the Company's ability to refinance any outstanding loans at maturity.

Tax Regulation

Future political and fiscal conditions in the countries in which the Company operates its business (in particular, the UK) may result in governments adopting materially different taxation policies which could affect the petroleum industry. Furthermore, the level of taxes the Company must pay could change significantly as a result of new interpretations of tax laws and regulations or changes to such laws and regulations. In the event there are any such changes, it could lead to new investments being less attractive, prevent the Company from achieving further growth, or adversely affect the Company's current and future tax position, net income after tax and financial condition. In addition, tax authorities could challenge the Company's filed tax returns leading to additional taxes and tax penalties. In the UK tax authorities may under certain conditions change a taxpayer's tax assessment up to twenty years after the tax year.

Climate Change Risk

Climate change continues to attract considerable public, governmental and scientific attention. As a result, various proposals have been made and could continue to be made at the international, national, and regional levels of government to monitor and limit emissions of CO2 and progress towards net zero carbon emission economies. Consequently, legislation and regulatory programs to reduce emissions of CO2, introduce carbon capture and storage projects and move to net zero carbon could have an adverse effect on the oil and gas industry generally and adversely affect the Company's business, financial condition, and results of operations.

The North Sea Transition Authority (NSTA) views oil & gas as an important component of the UK's energy mix going forward but is also fully committed to the UK Government's commitment to reach net zero emissions by 2050 and therefore has put net zero considerations at the heart of its oil & gas strategy.

The growth of alternative energy supply options, such as renewables and nuclear, could also present a change to the energy mix that may reduce the value of oil and gas assets.

In addition, climate change activists could bring legal challenges to the Company's activity to develop its gas assets resulting in operational delays and legal costs to deal with such litigation.

Exploration Risk

Oil & gas exploration is a speculative endeavour, and the nature of the business carries a degree of risk associated with the discovery of hydrocarbons in commercial quantities. Exploration risk may be adversely influenced by a number of different factors including, amongst other things, new subsurface geological and geophysical data (e.g. seismic data), drilling results from either wells drilled by the Company or other industry players, where the well drilled has direct relevance to the plays and prospects being pursued in its licence permits. This information impacts knowledge of the fundamental geological factors that are required to be present in order to have a hydrocarbon accumulation. These fundamental elements require there to be an effective; trap, reservoir, seal, source rock presence, maturity of source rock for hydrocarbon generation and migration of hydrocarbon charge from the source rocks into a trap. Each of these elements are required and their presence needs to be effective in order to have a hydrocarbon discovery that may or may not be able to be commercialised.

The business of oil & gas exploration involves risks and hazards. For example, in an exploration context, no assurance can be given that hydrocarbons will be detected and if they are, whether they are in quantities likely to be commercialised under conventional conditions within the term of the licence permit. High risk and substantial expense can be incurred without the requisite or expected degree of reward. Even if commercial quantities of oil & gas are discovered unforeseen risks can arise in the development and production phases.

Development Risk

Development projects require complex engineering, procurement, construction, and drilling work, as well as government permits and approval. Development of oil and gas assets are risky activities, requiring high levels of capital expenditure without a commensurate degree of certainty of a return on that investment. The complexity of offshore development projects also makes them very sensitive to delays or costs increases. Projected target dates for production may be delayed and significant cost overruns may occur. Estimated exploration, development and production costs are subject to a number of assumptions that may not materialize. Such factors may affect the extent to which oil and gas fields remain commercially viable, and consequently could result in breach by the Company of its obligations and/or require the Company to raise additional debt and/or equity. Any delays, cost increases or other negative impact relating to development projects of the Company, may have a material adverse effect on its business, results of operations, cash flow, financial condition, and prospects.

Operational Risk

The business of oil & gas exploration, development, and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on, amongst other things:

(i) the discovery and/or acquisition of economically recoverable reserves;

(ii) access to adequate capital for project development;

(iii) securing and maintaining licence permits;

(iv) obtaining consents and approvals necessary for the conduct of oil & gas exploration;

(v) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors, and consultants; and

(vi) availability of equipment, such as seismic vessels or drilling rigs, within the necessary time frame.

Whether or not income will result from licence permits depends on successful exploration, appraisal, and establishment of production facilities.

There is no assurance that any exploration on current or future licence permits will result in the discovery of economic reserves. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

Other Operational Risks

In addition to the risks listed above, industry operating risks include fire, explosions, blow outs, pipe failures, abnormally pressured formations, and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. The occurrence of any of these risks could result in substantial losses to the Company due to injury or loss of life; damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; clean-up responsibilities; regulatory investigation and penalties or suspension of operations. Damages occurring to third parties as a result of such risks may also give rise to claims against the Company.

Uncertainty of Exploration and Development Programs

Among the many uncertainties inherent in any exploration and development program is the location of oil & gas, the development of appropriate processes, the receipt of necessary governmental permits, access to permits and the construction of processing facilities. Assuming the discovery of oil & gas, several years may lapse from the initial phases of drilling until commercial operations commence and, during such time, the economic feasibility of production may change.

PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2023

	% Interest	Tenement	Location
Held at 31 December 2023	40%	Seaward Production License P2607	Offshore United Kingdom
	100%2F2F[3]	Ambilobe Block	Offshore Madagascar

PETROLEUM REPORTING STATEMENTS

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

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

[3] Currently in the process of being wound up. Subject to relinquishment as per the terms of the Ambilobe PSC.

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

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

RESERVES3F3F[4]						
				1P	**2P**	**3P**
PHASE I	49/17b	**Anning**	Sales Gas (Bcf)	73	**145.0**	245
			Condensate (MMbbl)	0.081	**0.192**	0.375
	49/17b	**Somerville**	Sales Gas (Bcf)	107.0	**156.5**	213
			Condensate (MMbbl)	0.119	**0.208**	0.325
			Total (MMboe)	31.2	**52.4**	79.7

CONTINGENT RESOURCES4F4F[5] **(BCF)**			**1C**	**2C**	**3C**	**GCoS**
PHASE II	49/6c, 49/11c	**Lovelace**	14	**39**	70	100%
	48/15c	**Hodgkin**	35	**100**	387	100%

PROSPECTIVE RESOURCES5F5F[6] **(BCF)**			1U	**2U**	3U	**GCoS**
PHASE III EXPLORATION	49/17b	**Garrod**	16	**52**	125	50%
	49/17b	**Ayrton**	25	**74**	146	41%
	49/17b	**McLaren**	18	**27**	39	54%
	49/17b	**Stephenson**	36	**47**	60	43%
	49/17b	**Widdowson East**	6	**29**	79	32%
	49/17b	**Widdowson Central**	11	**21**	40	50%
	49/17b	**Lonsdale**	5	**16**	31	50%
	49/17b	**Anderson**	5	**12**	29	45%
	49/12d	**Wenlock Prospect 1**	4	**19**	55	36%
	49/12d	**Wenlock Prospect 2**	1	**5**	19	36%
	49/11c	**Wenlock Prospect 3**	1	**5**	17	36%
	49/11c	**FFs Prospect 1**	3	**11**	26	41%
	49/11c	**FFs Prospect 2**	8	**19**	37	35%
	49/11c	**FFs Prospect 3**	4	**9**	17	34%

[4] Reserves estimates are from ERC Equipoise Limited, Independent Competent Persons Report (CPR) entitled "Hartshead Resources NL Somerville and Anning Competent Persons Report" dated June 2022. See Qualified Persons Statement for reserves reporting notes.
[5] Hartshead management estimates
[6] Prospective resources are estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. These prospective resources estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

COMPETENT PERSONS STATEMENT

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

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

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

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

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

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

RISK MANAGEMENT AND CORPORATE GOVERNANCE

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

The Company's Corporate Governance Statement as at 31 December 2023 was approved by the Board on the date of this report. The Company's Corporate Governance Statement can be viewed www.hartshead-resources.com.au under the Corporate menu tab.

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

EVENTS AFTER THE REPORTING PERIOD

On 8 March 2024, Hartshead announced that it is reviewing the project economics and timeline associated with its Phase 1 development plan, given the proposed changes in taxation policy from the UK Labour Party.

Labour has proposed increasing the Energy Profits Levy (EPL), from 35% to 38% leading to an increase in the headline tax rate to 78%, up from 75%. Also included in the policy proposal is the removal of the investment allowance on the EPL. Investment allowances on other taxes (Ring Fenced Corporation Tax and Supplementary Charge) is planned to remain. The removal of the investment allowance on the EPL will reduce the tax relief on capital investments from 91.4% to approximately 46%. First year capital expensing is proposed to remain.

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

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
Executive Chairman

Perth, Western Australia
15 March 2024

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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 2023, 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 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	31 December 2023 $	31 December 2022 $
Revenue and other income from continuing operations			
Revenue	2	2,247,121	-
Interest income		364,783	27,429
Total revenue and other income		2,611,904	27,429
Expenses			
Project costs	3	(203,926)	(487,026)
Depreciation expenses		(22)	(22)
Administrative expenses	3	(3,662,189)	(2,390,534)
Finance costs		(6,216)	-
Share-based payments expense	3	(345,173)	(186,157)
Unrealised foreign exchange gain/(loss)	3	(5,319)	(7,198)
Loss before income tax		(1,610,941)	(3,043,508)
Income tax expense		-	-
Loss after income tax attributable to the owners of the Company		(1,610,941)	(3,043,508)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(711,952)	5,031
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income (FVOCI)		2,048	119
Other comprehensive income for the half-year, net of tax		(709,904)	5,150
Total comprehensive income/(loss) for the half-year attributable to the owners of the Company		(2,320,845)	(3,038,358)
		Cents	**Cents**
Earnings per share for the half-year attributable the owners of the Company			
Basic and Diluted loss per share		(0.06)	(0.15)

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

	Note	31 December 2023 $	30 June 2023 $
Current assets			
Cash and cash equivalents	5	29,342,845	32,879,390
Other receivables		1,511,439	1,635,836
Expended Joint venture contributions		-	319,833
Total current assets		30,854,284	34,835,059
Non-current assets			
Plant and equipment		74,289	64,084
Financial assets at FVOCI		17,406	15,358
Exploration assets	6	9,575,086	3,402,012
Total non-current assets		9,666,781	3,481,454
Total assets		**40,521,065**	**38,316,513**
Current liabilities			
Trade and other payables	7	5,673,187	2,796,078
Unexpended Joint venture contributions		1,303,115	-
Total current liabilities		6,976,302	2,796,078
Total liabilities		**6,976,302**	**2,796,078**
Net assets		**33,544,763**	**35,520,435**
Equity			
Issued capital	8	42,295,809	42,295,809
Share-based payment reserve		1,773,098	1,427,925
Financial assets at FVOCI		(180,055)	(182,103)
Foreign exchange reserve		(97,939)	614,013
Accumulated losses		(10,246,150)	(8,635,209)
Total equity		**33,544,763**	**35,520,435**

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 2023

	Issued capital $	Reserves $	Accumulated gain/(loss) $	Total equity $
Balance at 1 July 2022	12,950,822	1,114,690	(10,150,813)	3,914,699
Loss for the half-year	-	-	(3,043,508)	(3,043,508)
Other comprehensive income/(loss) for the half-year	-	5,150	-	5,150
Total comprehensive income/(loss) for the half-year	-	5,150	(3,043,508)	(3,038,358)
Transactions with owners in their capacity as owners				
Contributed equity	11,217,525	-	-	11,217,525
Share issue costs	(692,502)	-	-	(692,502)
Retention and performance rights expense recognised during the half-year	-	186,157	-	186,157
Balance at 31 December 2022	23,475,845	1,305,997	(13,194,321)	11,587,521
Balance at 1 July 2023	42,295,809	1,859,835	(8,635,209)	35,520,435
Loss for the half-year	-	-	(1,610,941)	(1,610,941)
Other comprehensive income/(loss) for the half-year	-	(709,904)	-	(709,904)
Total comprehensive income/(loss) for the half-year	-	(709,904)	(1,610,941)	(2,320,845)
Transactions with owners in their capacity as owners				
Contributed equity	-	-	-	-
Share issue costs	-	-	-	-
Retention and performance rights expense recognised during the half-year	-	345,173	-	345,173
Balance at 31 December 2023	42,295,809	1,495,104	(10,246,150)	33,544,763

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 2023

	Note	31 December 2023 $	31 December 2022 $
Cash flows from operating activities			
Payments to suppliers, consultants, and employees		(3,961,250)	(2,733,519)
Operator fees		2,247,121	-
Interest received		380,123	27,429
Net cash outflow from operating activities		(1,334,006)	(2,706,090)
Cash flows from investing activities			
Payments for plant and equipment		(2,302)	(4,539)
Payments for exploration and evaluation expenditure		(13,454,436)	(1,232,649)
Exploration costs recouped under joint arrangement		11,663,017	-
Net cash outflow from investing activities		(1,793,721)	(1,237,188)
Cash flows from financing activities			
Proceeds from issue of shares		-	11,025,025
Share issue costs		-	(692,503)
Net cash inflow/(outflow) from financing activities		-	10,332,522
Net increase/(decrease) in cash and cash equivalents		(3,127,727)	6,389,244
Cash and cash equivalents at the beginning of the half-year		32,879,390	2,500,537
Effects of exchange rate changes on cash and cash equivalents		(408,818)	(2,974)
Cash and cash equivalents at the end of the half-year		29,342,845	8,886,807

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

1. SEGMENT INFORMATION

Management has determined that the Group has two 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 in the Ambilobe block, located at offshore Madagascar.

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

	Income from external sources $	Reportable segment profit/(loss) [(1)] $	Reportable segment assets [(2)] $	Reportable segment liabilities $
	For the half-year ended 31 December 2023			
Exploration activities				
United Kingdom	2,247,121	(1,852,781)	26,419,375	(6,102,745)
Madagascar	-	(27,810)	8,002	(543,928)
Other corporate activities	364,783	269,650	14,093,688	(329,629)
Total	**2,611,904**	**(1,610,941)**	**40,521,065**	**(6,976,302)**
	For the half-year ended 31 December 2022		As at 30 June 2023	
Exploration activities				
United Kingdom	-	(1,543,596)	5,213,871	(2,058,177)
Gabon	-	(989)	41,900	(2,216)
Madagascar	-	(294)	12,572	(557,592)
Other corporate activities	27,429	(1,498,629)	33,048,170	(178,093)
Total	**27,429**	**(3,043,508)**	**38,316,513**	**(2,796,078)**

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

2 *As at 31 December 2023 Other corporate activities includes cash held of $13,927,796, as at 30 June 2023 Other corporate activities includes cash held of $32,832,751.*

2. REVENUE

	31 December 2023 $	31 December 2022 $
Operator fees – over time	2,247,121	-
	2,247,121	-

In April 2023, Hartshead announced the completion of the Farm-Out Agreement with established IJK North Sea independent RockRose Energy for a divestment of a 60% equity interest in its UK Southern Gas Basin License P2607.

As operator, the Company earns fees pertaining to its Joint Operating Agreement which reflects the contribution by the farminee for their share of costs incurred by the Company. The operator fee revenue is recognised as costs are incurred on the exploration activities.

3. EXPENSES

	31 December 2023 $	31 December 2022 $
Profit/(Loss) before income tax includes the following specific items:		
Project costs		
Southern North Sea costs [1]	203,926	487,026
Total project costs	203,926	487,026
Share-based payments expense		
Performance rights expense -issued to Directors and employees	248,282	136,692
Performance rights expense -issued to Advisors	-	49,465
Option expense - issued to Directors and employees	96,891	-
Total share-based payments expenses	345,173	186,157
Administrative expense includes		
Employee benefits expense	984,820	1,107,569
Advisory and audit fees	400,270	464,908
Other expenses	2,277,099	818,057
Total administrative expense	3,662,189	2,390,534
Unrealised foreign exchange loss/(gain) [2]	5,319	7,198

1 *Group has capitalised exploration and evaluation expenditure for the UK project on the basis that this is expected to be recouped through future successful development (or alternatively sale). Corporate overhead costs allocated to exploration activities are ineligible to be capitalised per AASB 6.*

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

4. DIVIDENDS

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2023 (31 December 2022: Nil).

5. CASH AND CASH EQUIVALENTS

	31 December 2023 $	30 June 2023 $
Cash at bank	11,830,445	4,223,061
Deposits at call	16,209,288	28,656,329
Restricted joint venture funds (1)	1,303,112	-
	29,342,845	32,879,390

1 *Cash and cash equivalents is held as restricted cash being monies received in advance from Joint Venture party.*

6. EXPLORATION AND EVALUATION ASSETS

	31 December 2023 $	30 June 2023 $
UK North Sea		
Opening balance	3,402,012	1,871,665
Partial consideration received from JV party	-	(1,871,665)
Exploration expenditure incurred	17,587,578	7,971,905
JV cost contribution	(11,349,112)	(4,783,143)
Foreign exchange movements	(65,392)	213,250
Closing balance	9,575,086	3,402,012

Significant accounting estimates and assumptions

Impairment of capitalised exploration and evaluation expenditure

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

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

The carrying values of items of exploration and evaluation expenditure are reviewed for impairment indicators at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. There were no impairment indicators or impairment for the period ended 31 December 2023.

Significant accounting judgement

Capitalisation of exploration and evaluation expenditure

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

7. TRADE AND OTHER PAYABLES

	31 December 2023 $	30 June 2023 $
Trade and other payables	4,849,501	2,090,629
Other payables	823,686	705,449
	5,673,187	2,796,078

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 2023 Securities	31 December 2022 Securities	31 December 2023 $	31 December 2022 $
Fully paid ordinary shares	2,808,682,128	2,292,682,128	42,238,773	23,418,809
Partly paid ordinary shares	5,703,550	5,703,550	57,036	57,036
			42,295,809	23,475,845

Movement in fully paid ordinary shares

There has been no movement in the ordinary 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 2023 $	31 December 2022 $
As part of share-based payment expense:			
Performance rights issued	9(a)	248,282	186,157
Options issued	9(b)	96,891	-
		345,173	186,157

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

(a) Performance rights

Performance Rights Plan

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

9. SHARE-BASED PAYMENTS (continued)

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.

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

Grant date	Expiry date	Exercise price	Opening balance	Granted during the period	Converted during the period	Balance at end of period	Vested at end of period
21-Sep-23	13-Oct-26	-	-	41,000,000	-	41,000,000	-
Total			-	41,000,000	-	41,000,000	-

Key inputs used in the fair value calculation of the performance rights which have been granted during the period ended 31 December 2023 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-Sep-23 (1)						
41,000,000	-	31-Mar-22 to 31-May-22	02-Jun-24	$0.028	$0.028	$810,000

1. *Upon achieving any of the performance Milestones listed above, one fourth (25%) of the Performance Rights will vest and will be eligible to be converted into Shares upon exercise by the holder.*
2. *Milestones are as follows:*
   - *<u>Milestone 1</u>* *Phase 1 NPV of $300m AUD attributable to Hartshead's 40% interest in license P2607 determined by an independent reserve auditor incorporating final metrics from the FEED and Field Development Plan.*
   - *<u>Milestone 2</u>* *Submission to the North Sea Transition Authority of the Field Development Plan (FDP) for license P2607 and receipt of a notification of no technical objection from the North Sea Transition Authority*
   - *<u>Milestone 3</u>* *Award of a license 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 license(s) area as determined by an independent resource auditor.*
   - *<u>Milestone 4</u>* *A Final Investment Decision (FID) on the Phase 1 development for license P2607 being made and the Company having funds or binding contractual commitments to meet its share of the development costs.*
3. *Underlying service condition is attached to the performance rights issued.*

The total expense arising from options issued during the reporting period was $ 248,282.

(b) Share option

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

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

9. SHARE-BASED PAYMENTS (continued)

Set out below are summaries of options granted:

	31 December 2023	
	Average exercise price per option	**Number of options**
Opening balance	-	-
Granted during the period	$0.000	16,000,000
Exercised during the period	-	-
Forfeited/Lapsed	-	-
Closing balance	$0.000	16,000,000
Vested and exercisable	-	-

	Grant date	Expiry date	Exercise price	31 December 2023 Number of options	30 June 2023 Number of options
(i)	21-Sep-23	24-Nov-23	$0.00	16,000,000	-
				16,000,000	-
Weighted average remaining contractual life of options outstanding at the end of the period:				2.79 years	-

The model inputs, utilising the Black and Scholes model, for options granted during the year included:

Series	Exercise price	Expiry (years)	Options granted	Share price at Grant date	Expected volatility (1)	Dividend yield	Risk free interest rate (2)	Option value
(i)	$0.000	3.0	16,000,000	$0.028	80%	0%	4.04%	$0.028

1. *The expected price volatility is based on historical volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility due to publicly available information.*
2. *Risk free rate of securities with comparable terms to maturity.*
3. *Upon achieving any of the performance Milestones listed above, one fourth (25%) of the Options will vest and will be eligible to be exercised into Shares upon exercise by the holder.*
4. *Milestones are as follows:*
   Milestone 1 — *Upon the Board determining that 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 Front-End Engineering & Design (FEED) and Field Development Plan (FDP). In the event of the disposal of an additional interest in licence P2607 the NPV threshold will be calculated upon Hartshead Resources pro rata ownership;.*
   Milestone 2 — *On submission to the North Sea Transition Authority (NSTA) of the Field Development Plan (FDP) for licence P2607 and receipt of a subsequent notification of finalised technical review (no additional technical inquiries) from the NSTA;.*
   Milestone 3 — *Upon the Board confirming the 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; and*
   Milestone 4 — *When the Board determines that a Final Investment Decision (FID) on the Phase 1 development for licence P2607 being made and funds or binding contractual commitments sufficient to meet this election.*
5. *Underlying service condition is attached to the options issued.*

The total expense arising from options issued during the reporting period was $ 96,891.

10. RELATED PARTY TRANSACTIONS

Board update

On 1 December 2023, Mr Bevan Tarratt transitioned from Non-Executive Chairman to Executive Chairman, aligning with the Company's strategic objectives and evolving operations. Mr Tarratt's remuneration as Executive Chairman is £1,000 per day exclusive of superannuation with no notice period.

Short-term incentive payment

During the period, the Board approved a Short-Term Incentive Payments comprising $150,000 to each Director.

The STIP was related to work in achieving the Company's objectives of securing a 20% free carry backstop agreement with a third-party company in relation to Licence P2607.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. There have been no changes other than those noted above to related party transactions since the last annual reporting date, 30 June 2023.

11. COMMITMENTS

There have been no changes to commitments since the last annual reporting date, 30 June 2023.

(a) Capital commitments

UK North Sea, Seaward Production License P2607

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

Madagascar, Ambilobe block

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

The Ambilobe PSC includes an estimate of US$2.5 million for the work commitments of the third phase (30 June 2023: US$2.5 million).

12. CONTINGENCIES

There have been no material changes to the contingencies disclosed at 30 June 2023, there are no other contingent assets or liabilities as at 31 December 2023.

13. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2023 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 2023 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*.

14. EVENTS OCCURRING AFTER REPORTING DATE

On 8 March 2024, Hartshead announced that it is reviewing the project economics and timeline associated with its Phase 1 development plan, given the proposed changes in taxation policy from the UK Labour Party.

Labour has proposed increasing the Energy Profits Levy (EPL), from 35% to 38% leading to an increase in the headline tax rate to 78%, up from 75%. Also included in the policy proposal is the removal of the investment allowance on the EPL. Investment allowances on other taxes (Ring Fenced Corporation Tax and Supplementary Charge) is planned to remain. The removal of the investment allowance on the EPL will reduce the tax relief on capital investments from 91.4% to approximately 46%. First year capital expensing is proposed to remain.

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.

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 2023 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
Executive Chairman

Perth, Western Australia
15 March 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hartshead Resources NL

Report on the Half-Year Financial Report

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 2023, 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, 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 2023 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 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.

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 2023 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

BDO

Ashleigh Woodley

Director

Perth, 15 March 2024