

Quarterly Report

For the period ended 31 December 2023

Highlights:

- Funding solution for 100% of project development costs secured via uncapped free carry, totalling over A\$800 million in funding secured.
 - Hartshead and Viaro Energy's subsidiary RockRose negotiated the option for Hartshead to divest an additional 20% licence interest for an uncapped free carry provided by RockRose.
 - Completed the pipeline route survey covering the offtake routes for gas production from the Anning and Somerville fields.
 - Multiple major tenders conducted, preparing for Phase I field development phase.
 - Strong cash position of over \$28 million
-

Commenting on the Quarter, CEO of Hartshead, Chris Lewis, said:

"The December Quarter was a critical period for the Company. Notably, the completion of the pipeline route survey, which spans the offtake routes for gas production from the Anning and Somerville fields, marked a significant milestone as the data gathered will allow us to progress the Environmental Statement as planned and ensure that tenders for the pipeline contracts reflect the real conditions on the seabed.

Furthermore, our strategic negotiation with Viaro Energy's subsidiary RockRose, allowing Hartshead the option to divest an additional 20% licence interest for an uncapped free carry, was a major development as it covered the total costs of the Phase 1 project development and exemplified our commitment to fostering strong partnerships. We look forward to an exciting 2024 for HHR and I would like to thank shareholders for their ongoing support to date."

Hartshead Resources NL (ASX:HHR) (**Hartshead, HHR** or the **Company**) is pleased to provide an overview of the Company's quarterly activities for the period ending 31 December 2023 (**Quarter, Reporting Period**).

PHASE I FIELD DEVELOPMENT – ANNING AND SOMERVILLE GAS FIELDS

Funding Solution Secured for Project Development Costs:

During the Quarter, Hartshead and UK North Sea independent Viaro Energy Ltd. (**Viario**) announced that their respective wholly owned subsidiaries, Hartshead Resource Ltd (**HRL**) and RockRose Energy (**RockRose**), have agreed 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 License P2607, in return **for an uncapped free carry of all gross costs for the Phase I project development (Financing Backstop)**. The Financing Backstop may be exercised after Final Investment Decision has been taken and upon full expenditure of the current RockRose carry for Phase I project development costs.

The total gross consideration previously under the FOA, for a 60% divestment of License P2607 was approximately A\$196.3m, comprising of reimbursement of past costs, a partial carry on HRL's share of development costs, bonus milestone payments and A\$48.4m of UK government Investment & Capital Allowance (refer ASX announcement 5 April 2023). The amendments to the FOA and JOA now provide **a firm financial backstop for funding of HRL's share of costs for Phase 1**, should alternative funding not be agreed on acceptable terms to HRL.

HRL maintains, **at its sole discretion**, the ability to not proceed with the Financing Backstop and to source alternative financing to maintain its current 40% interest. This election is to be made once the existing carry commitment from RockRose has been fully spent. Current capital projections anticipate this would be by Q2 2025, providing Hartshead with more than 12 months to put in place project debt finance.

The Financing Backstop via an uncapped carry is a major achievement for the Company de-risking the project financing, providing a clear pathway to development and cashflow, and positions HRL with the option of a fully, debt-free funded remaining project interest.

Francesco Mazzagatti, CEO of Viaro Energy, commented "I am quite pleased with the restructuring of our original farm-in agreement with Hartshead, as it provides us with complete certainty that the development of Anning and Somerville will be fully funded to completion. Giving our partner the option of a financing backstop ensures stability for the JV, a particular challenge for North Sea operators nowadays with the shrinking pool of traditional capital providers for E&P opportunities. With the amendments in place, we can now confidently proceed to the FID. I am grateful to the Hartshead team for a smooth and seamless cooperation at every stage of our developing partnership."

Hartshead will continue to pursue the option to introduce project debt and maintain the current 40% equity interest in Licence P2607 however the Financing Backstop enables the Company to progress the Final Investment Decision and accelerate project development.

Project Funding

Discussions with funding providers suggest that the project maintains a conservative target debt level, which with debt funding would see the Company funded through its estimated share of development costs.

Hartshead will continue to progress discussions with various debt providers on 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

Pipeline Route Survey Completion & Issue of Tender for Pipeline EPCI

In the Reporting Period, Hartshead announced that the Company, in conjunction with joint venture partner RockRose (UKCS2) Limited (RockRose), has completed the 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 will undergo laboratory analysis in accordance with international standards and procedures and will provide input to the Environmental Statement for the Anning and Somerville development.



Figure 1. The Gardline Multi-Role Survey Vessel "Ocean Observer"

CORPORATE & FINANCIAL

During the Quarter, Mr Bevan Tarratt transitioned from Non-Executive Chairman to an Executive Chairman role, aligning with the Company's strategic objectives and evolving operations.

The decision for this transition stems from the substantial increase in workload, particularly in areas crucial to the Company's growth and sustainability. These areas include funding, project divestments & acquisitions, and capital markets activities.

In his executive role, he will take on more direct responsibilities, focusing on optimising the project portfolio, enhancing capital market engagement and assisting the Company's acquisition and divestment strategies.

ASX Additional Information

Pursuant to Listing Rule 5.4.1, Exploration and Evaluation Expenditure during the quarter was A\$6.2M. Further details of the development activity during the December 2023 quarter are set out in this report. Pursuant to Listing Rule 5.4.2 there were no substantive oil and gas production activities undertaken during the quarter. Pursuant to Listing Rule 5.4.5, payments to related parties and their associates during the quarter as outlined in Section 6 of the accompanying Appendix 5B to this quarterly report were A\$779,000. These payments are related to salaries, superannuation and directors' fees paid to directors and related entities during the December 2023 quarter.

CORPORATE DIRECTORY

Directors

Bevan Tarratt	Executive Chairman
Christopher Lewis	Chief Executive Officer
Nathan Lude	Executive Director

Company Secretary

Matthew Foy

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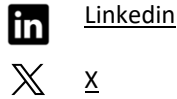
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For further information and to stay up to date with Company developments, please follow us on social media by clicking the links below:



The Board of Directors of Hartshead Resources NL authorised this announcement dated 30 January 2023 to be given to ASX.

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 the development of Production Seaward License P2607 (60% owned RockRose Energy/40% Hartshead) 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 (60% owned RockRose Energy/40% Hartshead) 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.

RESERVES¹						
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 RESOURCES² (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 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%

¹ Reserves estimates are from ERC Equipoise Limited, Independent Competent Persons Report (CPR) entitled "Hartshead Resources NL Somerville and Anning Competent Persons Report" dated June 2022. See Qualified Persons Statement for reserves reporting notes.

² Hartshead management estimates

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.

No representation or warranty, expressed or implied, is made by HHR or any other person that the material contained in this document will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of HHR, its officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this document and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this document or any error or omission there from. Neither HHR nor any other person accepts any responsibility to update any person regarding any inaccuracy, omission or change in information in this document or any other information made available to a person nor any obligation to furnish the person with any further information.

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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

HARTSHEAD RESOURCES NL

ABN

11 150 624 169

Quarter ended ("current quarter")

31 DECEMBER 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(73)	(312)
(b) development	-	-
(c) production	-	-
(d) staff costs	(779)	(1,028)
(e) administration and corporate costs	(1,070)	(1,776)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	174	380
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,748)	(2,736)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(2)
(d) exploration & evaluation	(6,261)	(12,460)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Receipts from Joint Venture party	2,357	11,663
2.5	Funds received on completion of Farmout	-	-
2.6	Net cash from / (used in) investing activities	(3,904)	(799)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	34,972	32,879
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,748)	(2,736)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,904)	(799)

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	23	(1)
4.6	Cash and cash equivalents at end of period	29,343	29,343

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	11,831	17,757
5.2	Call deposits	16,209	12,540
5.3	Bank overdrafts	-	-
5.4	Cash held for JV partner	1,303	4,675
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	29,343	34,972

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	779
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Payments of Directors fees and salaries, of which £148,508 (AUD\$283,175) was recharged to joint venture partner RockRose Energy.</p>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,748)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(6,261)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(8,009)
8.4 Cash and cash equivalents at quarter end (item 4.6)	29,343
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	29,343
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.7
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2024

Authorised by: the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.