

HARTSHEAD RESOURCES NL (ASX: HHR)

March 16, 2023

Share price: A\$0.037

Target: A\$0.180

Re-iterating key guidances: industry partner by the end of March, FID by mid 2023

- Hartshead published its half year financial report for the six month period ending 31/12/2022. The cash position as at the end of December had already been reported and there are no surprises in the financials.
- Hartshead continues to hope to announce a farm-out partner over the coming weeks. This would provide clarity on the funding of the project as well as well as an external industry valuation for the assets.
- FID for the Phase I field development could be taken by mid 2023.
- The completion of the phase I basis of design engineering study with Shell for the preferred export route and tie-in option to Shell infrastructure will also take place later in 2023.
- The platforms are expected to be ordered during the summer. They are the critical items to be able to deliver first gas by YE24.
- A new CPR will be prepared to better define the 2C contingent resources associated with Phase II (Hodgkin and Lovelace).
- We re-iterate our target price of A\$0.18 per share, representing ~5x the current share price.

33rd Offshore Licensing Round

Hartshead has submitted bids in the UK 33rd Offshore Licensing Round. Awards are expected around mid 2023.

Valuation

Our Core NAV for Hartshead assuming a US\$100 mm farm-out and 85% chance of development stands at ~A\$0.12/sh. Adding phase II leads to a ReNAV of ~A\$0.18/sh.

Rating & target	Old	New
Target	A\$ 0.180	n.c.
Yield		0%
Implied total return		n.a.

Share data	2020/2021	2021/2022e	2022/2023e
Shares dil., mm	1,985	1,985	2,385
Mkt cap, US\$m	\$48	\$47	\$51
EV, US\$m	\$43	\$46	\$50

Financial Data	2020/2021	2021/2022e	2022/2023e
Gas, mmcf/d	0.0	0.0	0.0
Liquids, bbl/d	0	0	0
Total boe/d (6:1)	0	0	0
CFO, US\$m	(\$1)	(\$3)	(\$6)
Net capex, US\$m	(\$0)	\$1	\$1
Net debt, US\$m	(\$5)	(\$2)	(\$1)
CFPS dil., US\$/shr	(\$0.00)	(\$0.00)	(\$0.00)
EPS dil., US\$/shr	(\$0.00)	(\$0.00)	(\$0.01)

Valuation	2020/2021	2021/2022e	2022/2023e
Share price, A\$/shr	A\$ 0.033	A\$ 0.033	A\$ 0.033
EV/DACF	n.a.	n.a.	n.a.
EV per boe/d (US\$)	n.a.	n.a.	n.a.

Net asset value	
CNAV, A\$/shr	A\$ 0.126
RENAV, A\$/shr	A\$ 0.181
Unrisked NAV, A\$/shr	A\$ 0.226
P/CNAV	0.3x
P/RENAV	0.2x
P/ENAV	0.1x

All figures in US\$ unless otherwise noted
A\$/US\$: 0.65

Contact details

Analyst:
Stephane Foucaud
sf@auctusadvisors.co.uk
+44 7854 891249

Figure 1. Financial & operating information

Hartshead Resources NL (HHR AU)

Financial & Operating Information		2020/2021a	2021/2022a	2022/2023e	2023/2024e	2024/2025e	2025/2026e
Commodity Prices							
Brent	US\$/bbl	\$53.55	\$89.63	\$100.00	\$98.75	\$82.50	\$70.00
NBP	US\$/mcf	\$3.28	\$20.72	\$26.25	\$15.00	\$12.00	\$12.00
USD/CAD	US\$/C\$	\$1.35	\$1.32	\$1.29	\$1.36	\$1.40	\$1.40
A\$/US\$	A\$/US\$	\$0.74	\$0.73	\$0.65	\$0.72	\$0.72	\$0.72
Production							
Oil and Liquids	bbbl/d	0	0	0	0	0	0
Natural Gas	mmcf/d	0.0	0.0	0.0	0.0	12.6	50.1
Total (6 mcf = 1 boe)	boe/d	0	0	0	0	2,100	8,354
% Oil and Liquids	%	1%	1%	1%	1%	0%	0%
Netbacks							
Realized Price	US\$/boe	n.a.	n.a.	n.a.	n.a.	\$72.00	\$72.00
Royalties	US\$/boe	n.a.	n.a.	n.a.	n.a.	\$0.00	\$0.00
Production & Transport Costs	US\$/boe	n.a.	n.a.	n.a.	n.a.	\$41.45	\$22.51
Operating Netback	US\$/boe	n.a.	n.a.	n.a.	n.a.	\$30.55	\$49.49
Taxes	US\$/boe	n.a.	n.a.	n.a.	n.a.	\$0.00	\$1.99
Cash Flow Netback	US\$/boe	n.a.	n.a.	n.a.	n.a.	\$36.52	\$52.38
Government Take	%	n.a.	n.a.	n.a.	n.a.	0%	3%
Financials							
Cash Flow (CFO)	US\$mm	(\$1)	(\$3)	(\$6)	(\$14)	\$19	\$150
CFPS - diluted	US\$/shr	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	\$0.01	\$0.07
EBITDAX	US\$mm	(\$4)	(\$2)	(\$4)	(\$5)	\$27	\$165
E&D Capex	US\$mm	\$0	\$1	\$1	\$0	\$74	\$53
A&D Capex, Net	US\$mm	(\$0)	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	(\$0)	\$1	\$1	\$0	\$74	\$53
Total Net Capex/CFO	x	0.4x	-0.3x	-0.1x	0.0x	3.9x	0.4x
Leverage							
Net Debt	US\$mm	(\$5)	(\$2)	(\$1)	\$12	\$67	(\$30)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	n.a.	n.a.	n.a.	0.7x	0.4x
Capital Structure							
Basic Shares o/s @ YE	mm	1855	1855	2255	2255	2255	2255
Diluted Shares o/s @ YE	mm	1985	1985	2385	2385	2385	2385
Market Capitalization	US\$mm	\$48	\$47	\$51	\$56	\$57	\$57
Enterprise Value	US\$mm	\$43	\$46	\$50	\$69	\$124	\$27
Dividends & Sustainability							
Dividends	US\$mm	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Free Cash Flow	US\$mm	(\$1)	(\$4)	(\$7)	(\$14)	(\$55)	\$98
Cash Use/CFO	%	41%	-34%	-15%	0%	395%	35%
Performance							
Prod. Per Shr Growth (Y/Y) - dil	%	n.a.	39%	-17%	0%	n.a.	298%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	42%	-15%	-27%	n.a.	510%
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	707%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	1138%
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Asset Value							
CNAV (Atax) - diluted	A\$/shr	A\$ 0.126					
RENAV (Atax) - diluted	A\$/shr	A\$ 0.181					
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.226					
P/CNAV	x	0.3x					
P/RENAV	x	0.2x					
P/Unrisked NAV	x	0.1x					
Valuation		2020/2021a	2021/2022a	2022/2023e	2023/2024e	2024/2025e	2025/2026e
Share Price, YE/Current	A\$/shr	A\$ 0.033	A\$ 0.033	A\$ 0.033	A\$ 0.033	A\$ 0.033	A\$ 0.033
P/CF	x	n.a.	n.a.	n.a.	n.a.	2.0x	0.4x
EV/DACF	x	n.a.	n.a.	n.a.	n.a.	3.2x	0.1x
Target EV/DACF	x	n.a.	n.a.	n.a.	n.a.	10.6x	1.4x
EV per boe/d	US\$/boe/d	n.a.	n.a.	n.a.	n.a.	\$59,081	\$3,182
EV per 2P boe	US\$/boe	n.a.	\$0.91	\$0.99	\$1.37	\$2.47	\$0.53
EV per 2P boe, with FDC	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

a) EBITDAX = Pre-Int. & Pre-Tax Cash Flow; b) DDA = Debt-and-Dividend-Adjusted

c) CNAV incl. 2P reserves, RENAV incl. 2P reserves + Risked LT inventory upside, ENAV incl. 2P reserves + Unrisked LT inventory upside

Source: Auctus Advisors, Company Disclosures

**Futures strip as of 30-Jan-23

Figure 2. NAV Table

	WI Reserves / Resources (mmbob)	Unrisked NAV (US\$ mm)	Unrisked NAV/sh A\$/Share	GCoS (%)	EMV (US\$ mm)	A\$/Share	% Total
Net Cash (YE22)		9	0.006		9	0.006	3%
G&A		-20	-0.013		-20	-0.013	-7%
UK							
Phase I	50	241	0.156	85%	204	0.133	74%
Total Core NAV		229	0.149		193	0.126	70%
UK							
Phase II	23	169	0.110	50%	84	0.055	30%
Phase III	57	0	0.000	0%	0	0.000	0%
Total Risked Appraisal & Exploration		169	0.110		84	0.055	30%
Total NAV		398.35	0.259		278	0.181	100%
Unrisked NAV						0.226	
P/Core NAV					26.3%		
P/NAV					18.3%		
P/Unrisked NAV					14.6%		

Source: Auctus, Company Disclosures

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The research analyst who prepared this research report was Stephane Foucaud, a partner of Auctus.

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