2021 Half Year Results

23 September 2021

Harbour Energy plc
“Harbour” or the “Company” or the “Group”
Half-year results for the six months to 30 June 2021
23 September 2021

Harbour Energy plc today announces its half-year results for the period ended 30 June 2021. Financial and operational performance is provided on a reported basis with Premier Oil’s portfolio included from 31 March 2021.

Highlights

- All share merger between Premier Oil plc (“Premier”) and Chrysaor Holdings Ltd (“Chrysaor”) completed; integration and realisation of synergies progressing as planned
- Reported production of 151 kboepd (H1 2020: 187 kboepd), impacted by planned maintenance programmes deferred from 2020 into 2021 due to COVID-19 and unplanned outages, partially offset by three months contribution from the Premier portfolio
- Operating costs per barrel[1] of $15.6/boe (H1 2020: $10.2/boe), reflecting lower production; total capex (including decommissioning spend) of $380 million (H1 2020: $364 million)
- EBITDAX[1] of $843 million (H1 2020: $920 million); increased profit after tax of $87 million (H1 2020 loss after tax: $155 million)
- Free cash flow[1] of $302 million (H1 2020: $475 million), after $206 million of tax payments (H1 2020 tax receipts: $7 million) largely relating to Chrysaor’s 2020 UK activities
- Net debt[1], excluding unamortised fees, of $2.6 billion and leverage (net debt/proforma EBITDAX[1]) of 1.2x at end of June; significant available liquidity in excess of $1 billion
- Steps taken to align the combined portfolio with Harbour’s strategy, including the decision to explore the options to exit the Group’s Sea Lion project in the Falkland Islands

Outlook

- 2021 reported production guidance of 170-180 kboepd reiterated; higher expected production in H2 with maintenance programmes completed, additional wells on-stream and a full contribution from the Premier portfolio
- Ramp up of drilling activity including two rigs in the J-Area and other units at Tolmount, AELE, Elgin Franklin and Beryl in the UK, and Tuna and Natuna Sea Block A in Indonesia
- Inspection and repair campaign progressing at the Group’s Tolmount gas development (UK); first production expected around year end
- Forecast 2021 operating cost and total capital expenditure (including decommissioning spend) unchanged at $15-16/boe and $1.1 billion, respectively
- An update on the Company’s strategy and capital allocation plans, including its dividend policy, will be provided at a capital markets day on 9 December 2021

Linda Z Cook, Chief Executive Officer, commented:
“The first half saw us deliver positive free cash flow and execute a significant transaction, whilst retaining a robust balance sheet. The extended maintenance programmes which impacted our production have completed, drilling activity has returned to pre-COVID-19 levels and the merger integration is progressing well, all underpinning strong future cash flow generation. We remain committed to producing oil and gas safely and responsibly, including our aim to achieve Net Zero by 2035.”

Enquiries
Harbour Energy plc **Tel: 020 7824 1116**
Elizabeth Brooks, Head of Investor Relations

Brunswick **Tel: 020 7404 5959**
Patrick Handley, Will Medvei

Harbour will host a virtual presentation and Q&A session for investors and analysts at 09:00 (BST) today, 23 September 2021, accessible via our website: www.harbourenergy.com/investors.

[1]Non-GAAP measures are defined in the Glossary.

HARBOUR ENERGY OVERVIEW

At the end of March the merger between Premier and Chrysaor completed, marking the Group's third significant transaction since 2017. As a result, Harbour is the largest London-listed independent oil and gas company with a cash generative, diversified UK asset base and a global footprint.

Strategy

Harbour's strategy is to continue building a global, diversified oil and gas company while maintaining a strong balance sheet. The Company has safety as its top priority and recognises the importance of addressing the energy transition through execution of Harbour's commitment to Net Zero by 2035. Having grown production from zero to over 150 kboepd since 2017, the Company is now a mid-sized independent oil and gas producer. The intention is to continue reinvesting in our strong portfolio of UK assets while at the same time aiming to establish material production in at least one other region via acquisition of additional, high quality producing assets.

A responsible oil and gas producer

Safe and responsible operations are critical to ensuring Harbour's success and the delivery of its strategy. The Group continues to apply appropriate measures and safeguards to protect its people and operations from COVID-19. Harbour is also committed to achieving Net Zero greenhouse gas emissions by 2035 by minimising its own emissions and offsetting an increasing proportion of its residual emissions year-on-year. In parallel, the Group has continued to progress potential investment opportunities to support a lower carbon economy in the UK, including Carbon Capture and Storage (CCS).

Options for growth and diversification

Harbour has significant opportunities within its UK production base to add reserves and extend field life through infill drilling and well intervention programmes, plant modifications, satellite developments and near field exploration. The majority of Harbour's capex programme is targeted at such projects, which help sustain the Group's production and typically deliver high rates of return.

Outside the UK, the Group's organic growth projects include a 12.39 per cent interest in the Zama unit (Mexico) where Harbour is engaging with partners to advance the project towards an investment decision, and a 50 per cent operated interest in the Tuna discoveries in Indonesia where an appraisal campaign is underway.

Harbour's exploration strategy will be focused on infrastructure led, lower risk opportunities in areas where the Group has an established production footprint. Appraisal of the Talbot discovery in the UK is underway as are preparations to drill the Timpan prospect on the Andaman II licence in Indonesia next year.

The current environment presents opportunities for growth through further acquisitions of cash-generative producing asset packages which the Group evaluates on an ongoing basis. However, safe and successful integration of the Premier assets, including realising the financial and operational synergies of the merger, is the Group's immediate priority. Steps have also been taken to align the enlarged portfolio with Harbour's strategy, including the decision not to proceed with the Sea Lion development in the Falkland Islands and to exit the Group's exploration licence interests in the Ceará Basin in Brazil and the Burgos Basin in Mexico.

A strong financial outlook

Harbour seeks to ensure reliable and predictable cash flows through the commodity price cycle and to protect the business from volatility via a disciplined hedging programme. This, together with a robust balance sheet, provides the Group with the ability to fund reinvestment in its portfolio and shareholder returns whilst retaining the optionality for meaningful, value-accretive transactions.

SUMMARY OF FIRST HALF PERFORMANCE

Group production averaged 151 kboepd (H1 2020: 187 kboepd) for the six-month period to the end of June. The reduction was due to significant planned maintenance deferred from 2020 into 2021 as a result of the COVID-19 pandemic and unplanned outages in addition to natural decline. The contribution from Premier's portfolio from the end of March partially compensated for the reduction which was exacerbated by a six-month COVID-19 related drilling break in 2020 across the Group's operated assets. Operating costs for the first half of the year were $15.6/boe (H1 2020: $10.2/boe), impacted by the lower production.

Capital expenditure during the first half was $380 million, largely attributed to drilling activities on Tolmount, J-Area and the Group's non-operated assets in the UK. Drilling activity across Harbour's operated assets has now returned to pre-COVID-19 levels, leading to increased capital expenditure in the second half of the year. The higher drilling activity and completion of the maintenance programmes will support future production levels.

The Group generated $302 million of free cash flow during the first half, after tax payments of $206 million largely relating to Chrysaor's 2020 UK activities. Net debt, excluding unamortised fees, at the end of the period was $2.6 billion while leverage (net debt / proforma EBITDAX) was 1.2x, below the Group's target of 1.5x on average through the commodity price cycle.

Summary of reported production[1]

Europe asset / hub	**Equity interest (%)**	**6 months ended 30 June 2021 (kboepd)**	**6 months ended 30 June 2020 (kboepd)**
Greater Britannia Area (GBA)	26-87.5	28	43
J-Area	67-67.5	27	33
Armada, Everest, Lomond & Erskine (AELE)	32-100	23	34
Catcher	50	12	-
East Irish Sea (EIS)	100	3	8
Beryl	34-49	13	18
Buzzard	21.7	12	20
Elgin Franklin	19.3	13	20
Clair	7.5	5	5
Other UK[2]		8	6
Europe		***144***	***187***
International		***7***	***-***
Total		**151**	**187**

[1] Production is provided on a reported basis and reflects three months contribution from the Premier portfolio from the end of March 2021, spread over the six month period. The Premier portfolio includes International (Natuna Sea Block A, Indonesia and Chim Sao, Vietnam), Catcher, a 5.2 per cent interest in Elgin Franklin, Solan and Tolmount.

[2] Other UK includes Solan, Schiehallion, Johnston, Ravenspurn North, Galleon, Nelson

OPERATIONAL REVIEW
Group production averaged 151 kboepd to the end of June, split 144 kboepd Europe / 7 kboepd international and 82 kboepd liquids / 69 kboepd gas.

Europe - Operated
Greater Britannia Area averaged 28 kboepd net to Harbour for the first half of the year. The reduction was mainly due to planned maintenance activities being deferred from 2020 into the second quarter of 2021, which are now complete. Production was also impacted by water handling constraints on Brodgar and natural decline partially compensated for by additional volumes from the Callanish F5 well which came on-stream in February. The third party Finlaggan field is on track for first production through the Britannia platform before year end, improving the hub's unit operating margins.

The **J-Area** delivered 27 kboepd net to Harbour for the first six months of the year. This reflected natural decline and the shut-in of two production wells scheduled for intervention in the second half of the year. J-Area production is supported by a drilling campaign with activity ramping up in the second half of the year. Post period end, Harbour recompleted the S15 well, reinstated production from the previously shut-in J-06 well and spudded the Jade South exploration well. A second rig arrived at J-Area in July to appraise the Talbot discovery ahead of drilling the near field Dunnottar exploration prospect which is expected to spud in the fourth quarter 2021.

Production from Armada, Everest & Lomond together with the Erskine tieback (**AELE**) averaged 23 kboepd net to Harbour. This reflected an extended maintenance campaign during May and June. The maintenance activity is now complete and drilling of the LAD infill development well, targeting the East Everest Extension area, began in July.

The **Catcher Area** averaged 24 kboepd net to Harbour during the second quarter, contributing 12 kboepd to the Group's reported production for the period. Well delivery remains in excess of the FPSO nameplate capacity and the gas reinjection trials are having a positive impact on oil production rates. The Group continues to successfully mitigate the build-up of calcium naphthenate and its impact on production efficiency is now significantly reduced. Post period end, the Group approved a three-well programme to drill Catcher North, Laverda and Burgman Far East in 2022.

Harbour's **East Irish Sea** assets averaged 3 kboepd net to Harbour to the end of June. Production was materially impacted by reliability issues at the Calder platform and the onshore processing terminals during the first quarter and planned maintenance activities during the second quarter.

At the **Tolmount** gas field development (Harbour 50 per cent), the campaign to inspect and repair the issues identified in certain offshore electrical systems during final commissioning of the platform in July is now well underway. Three of the four development wells have also been drilled. The first two wells were completed within expectations while the third well, which is currently being tested, encountered a shallower gas water contact than anticipated. These results will be incorporated into an updated reservoir model once the fourth well is complete. Project start-up is expected around year end with plateau rates of 20-25 kboepd. Post period end, Harbour sanctioned the Tolmount East development which will comprise a single subsea well tieback to the HGS Tolmount infrastructure. Drilling of the Tolmount East well is scheduled for the second half of 2022.

During the period, Harbour drilled two operated exploration wells in **Norway**, targeting the Jerv and Ilder prospects on licence PL 973. The wells were unsuccessful and have been plugged and abandoned. Harbour is now evaluating the impact of Jerv and Ilder on the remaining licence potential.

Harbour continues to improve cost and operational performance of its Southern North Sea decommissioning programme. The well plug and abandonment programme continued during the period and a heavy-lift campaign covering the removal of the LOGGS complex, comprising five separate platforms, was safely completed post period end.

Europe – Non-operated
The **Beryl** area produced 13 kboepd net to Harbour to the end of June, impacted by lower operating efficiency mainly as a result of a compressor failure (subsequently rectified). Development drilling is currently ongoing at Storr-2 which once completed will be tied into Beryl Alpha.

Buzzard production averaged 12 kboepd net to Harbour for the first six months of the year. This reflected natural decline from the existing well stock and an extended shutdown in the second quarter (deferred from 2020) which saw the successful lift and installation of the Buzzard Phase 2 module. Buzzard Phase 2, which is being developed as subsea tieback to the main Buzzard platform, is on track for first production around year end.

Elgin Franklin produced 13 kboepd net to Harbour to the end of June. Production was impacted by the deferral of the 2020 maintenance campaign into 2021 and an unplanned three-week shut down in April due to maintenance on the GAEL export pipeline at the FPS Unity platform. This was partially offset by the contribution from Premier's 5.2 per cent interest in the field from the end of March. Maintenance activities at Elgin Franklin completed on schedule but start-up was delayed to the end of July due to the export route not being available. The EIG well, which spudded in December last year, is on track to be tied into production during the fourth quarter.

Production from the **Clair** field averaged 5 kboepd net to Harbour to the end of June. Production continues to be supported by an ongoing drilling programme at Clair Ridge. Post period end, two further production wells on Clair Ridge have been brought on-stream.

Europe – CCS projects
Harbour is participating in two early-stage potential Carbon Capture and Storage (CCS) projects; V Net Zero (England) and Acorn (Scotland). V Net Zero is intended to transport and permanently store up to 10.9 million tons of CO2 per year by 2030 in depleted gas fields in the southern North Sea. Phillips 66 Humber Refinery and Vitol's VPI Immingham power plant along with other emitters from the Humber region have selected Harbour's V Net Zero project as their preferred CO2 transportation and storage provider. Both V Net Zero and Acorn submitted applications in July for 'Track 1 CCS cluster status' as part of the UK Government's net zero ambitions.

International operations
International – Operated
The **Natuna Sea Block A** fields in Indonesia averaged 10 kboepd net to Harbour during the second quarter, contributing 5 kboepd to the Group's production for the six-month period. Singapore demand for Harbour's Indonesian gas was strong with offtake under the Group's two gas sales agreements above take or pay levels. A jack-up rig campaign comprising a workover and an infill well to help increase delivery from the field is underway and is expected to complete during the fourth quarter.

Elsewhere in Indonesia, the first of the carried two-well appraisal programme on the **Tuna** discoveries (Harbour 50 per cent) was drilled post period end in July. The Group is now drilling the second appraisal well with drilling operations due to be completed in the fourth quarter. Preparations are also underway for the drilling of the Timpan-1 exploration well on the Group's operated **Andaman II** licence (Harbour 40 per cent) in the first half of 2022.

Harbour's **Chim Sáo** field in Vietnam produced 4 kboepd in the second quarter, contributing 2 kboepd to Harbour's production for the six-month period. Production was impacted by a two week planned shutdown during May. Final approval for the 2022 two well drilling programme is expected to be received shortly from the Vietnam Government.

In the Falkland Islands, Harbour management has undertaken a thorough review of the **Sea Lion** project, in which the Group has a 60 per cent operated interest. While the Sea Lion discovery has significant resource potential, development of the project is not deemed a strategic fit for Harbour. Therefore the Group has decided to explore the options to exit the project and its other license interests in the Falkland Islands.

Post period end, Harbour took the decision to exit its exploration licence interests in the Ceará Basin in Brazil and in the Burgos Basin in Mexico. This is in line with the Group's exploration strategy which is focused primarily on infrastructure led, lower risk opportunities in areas with an existing Harbour producing presence.

International – Non-operated
Harbour has a 12.39 per cent unitised interest in the Zama field offshore Mexico. The next steps are finalisation of the field development plan, the operating model and the unitisation agreement. Harbour continues to engage with the Mexican authorities, Pemex and the other Zama unit partners in an effort to continue to advance the project towards an investment decision.

Elsewhere in Mexico, the Block 30 (Harbour 30 per cent) joint venture partnership plan to drill two commitment wells on the licence targeting the Wahoo and Pike prospects in 2022.

FINANCIAL REVIEW

Premier legally acquired Chrysaor through the issuance of shares. The transaction completed on 31 March 2021, whereupon Premier changed its name from Premier Oil plc to Harbour Energy plc.

For accounting purposes, the transaction constituted a reverse acquisition of Premier by Chrysaor in accordance with IFRS3, Business Combinations. As a result, Premier is fully consolidated in the financial statements with effect from 31 March 2021, and all results prior to this date represent those of Chrysaor only. For further detail, see note 12 to the financial statements.

Summary of financial results

	6 months ended 30 June 2021 ***unaudited***	**6 months ended 30 June 2020** ***unaudited***
Production - kboepd	151	187
Revenue and other income - $m	1,496	1,244
Operating costs per boe[1] - $/boe	**15.6**	**10.2**
EBITDAX[1] - $m	**843**	**920**
Pre-tax profit/(loss) - $m	120	(224)
Profit/(loss) after tax - $m	87	(155)
Earnings/(loss) per share – US cents/share	10.6	(21.9)
Capital expenditure - $m	256	317
Decommissioning spend - $m	124	47
Operating cashflow - $m	646	946
Free cash flow[1] - $m	**302**	**475**
Net debt $m (net of unamortised fees)	**2,457**	**1,400**
Post hedging realised prices – liquids - $/boe	58	64
Post hedging realised prices – UK gas – p/therm	38	31

[1] See Glossary for the definition of non-GAAP measures.

Harbour reported average production for the first half of 2021 of 151 kboepd (H1 2020: 187 kboepd), including three months contribution from the legacy Premier business.

Harbour reported total revenue and other income of $1,496 million (H1 2020: $1,244 million). Revenue was higher than the prior period primarily as a result of an increase in realised gas prices, offset to some extent by lower production volumes and lower realised liquid prices.

Production costs for the period were $15.6/boe (H1 2020: $10.2/boe) with the increase driven primarily by the reduction in production.

EBITDAX amounted to $843 million (H1 2020: $920 million) due to higher operating costs and overlift charges offset by higher revenue. Profit after tax amounted to $87 million (H1 2020: loss $155 million).

Depreciation unit expense was $19.1/boe (H1 2020: $20.8/boe) with the reduction as a result of impairment charges in 2020.

Net financing expense, excluding foreign exchange, was $104 million (H1 2020: $146 million) with the reduction due to gains on derivatives of $22 million and a one-off modification gain recognised on the amendment of the Reserves Based Lending (RBL) facility of $14 million. Tax expense amounted to $34 million (H1 2020: credit $70 million) representing an effective rate of 28 percent (H1 2020: 31 percent).

Capital and decommissioning expenditure in the period amounted to $380 million (H1 2020: $364 million). Capital expenditure mainly consisted of spending on the J-Area Jasmine West Limb well, Tolmount development drilling, and non-operated drilling programmes at Beryl, Elgin Franklin and Clair Ridge. Decommissioning spend related primarily to the Southern North Sea Area, Balmoral and non-operated asset of Hewett.

Free cash flow for the period amounted to $302 million (H1 2020: $475 million).

As at 30 June 2021 net debt of $2,457 million (Dec 2020: $1,400 million) consisted of RBL senior and Shell junior debt less unamortised fees and cash balances. The increase since year end is mainly due to the drawdown on the RBL facility of $1,325 million prior to completion of the Merger to fund the replacement of Premier's debt and reduced by free cash flow of $302 million.

Liquidity, being undrawn RBL facility plus cash balances, was in excess of $1 billion at the end of the period.

Income Statement

	6 months ended 30 June 2021 $million *unaudited*	6 months ended 30 June 2020 $million *unaudited*
Revenue and other income	1,496	1,244
Crude	*897*	*723*
Gas	*395*	*413*
NGL	*72*	*70*
Tariff income and other revenue	*13*	*24*
Other income	*119*	*14*
EBITDAX[1]	843	920
Pre-tax profit/(loss)	120	(224)
Profit/(loss) after tax	87	(155)
Earnings/(loss) per share – US cents/share	10.6	(21.9)

[1] See Glossary for the definition of non-GAAP measures.

Revenue earned from hydrocarbon production and tariff income amounted to $1,377 million (H1 2020: $1,230 million) after realised hedging losses of $207 million (H1 2020: $474 million hedging gains). Some of our hydrocarbon production is sold pursuant to fixed-price contracts, as described below under 'Derivative Financial Instruments'. The rest is sold at market values, subject to standard quality and basis adjustments.

Crude oil sales amounted to $897 million (H1 2020: $723 million), with a post-hedge realised price of $58/boe (H1 2020: $64/boe), and gas revenue of $395 million (H1 2020: $413 million), with a post-hedge realised price of 38p/therm (H1 2020: 31p/therm). Condensate sales and tariff amounted to $72 million (H1 2020: $70 million).

Other revenue amounted to $119 million (H1 2020: $14 million) and includes mark-to-market gains on emissions derivatives of $61 million and receipt of $40 million from ConocoPhillips in relation to an adjustment to consideration relating to Chrysaor's purchase of the ConocoPhillips UK business in 2019.

	30 June 2021 $million *unaudited*	30 June 2020 $million *unaudited*
Operating costs		
Field operating costs	500	370
Tariff income	(13)	(22)
Gains on emissions hedges[1]	(61)	-
Total	426	348
Field operating costs per barrel[1] (US$ per barrel)	$15.6	$10.2
Depreciation, Depletion and Amortisation (DD&A) (before impairment)		
Depreciation of oil and gas properties (Cost of operations only)	522	710
Amortisation of intangible assets	1	1
Total	523	711
DD&A (before impairment charges) per barrel	$19.1	$20.8

[1] Includes mark-to-market gains on emissions hedges reported in Other Revenue

The increase in operating costs per barrel is largely due to lower production volumes compared to the comparative period and was also impacted by the strengthening of UK Sterling against the US Dollar.

The decrease in the weighted average DD&A rate from the first half of 2020 is due to the impairment charge recorded in December 2020 against property, plant and equipment.

The Group has recognised a pre-tax impairment charge of $10 million (H1 2020: credit $90 million) as a result of increases to decommissioning estimates on the Group's non-producing assets.

EBITDAX
EBITDAX amounted to $843 million (H1 2020: $920 million) due to higher operating costs and overlift charges offset by higher revenue.

	30 June 2021 $million *unaudited*	30 June 2020 $million *unaudited*
Operating profit/(loss)	227	(181)
Exploration and evaluation and new ventures	30	4
Exploration costs written-off	31	39
Depreciation, depletion and amortisation	545	724
Impairment of property, plant and equipment	10	251
Impairment of goodwill	-	56
Provision for onerous contract	-	28
Remeasurements	-	(1)
EBITDAX[1]	***843***	***920***

[1] See Glossary for the definition of non-GAAP measures.

Exploration and evaluation expenditure and new ventures
During the period, the Group expensed $61 million (H1 2020: $43 million) for exploration and appraisal activities. This includes UK licence relinquishments and uncommercial drilling results related to the Norwegian PL973 Jerv & Ilder prospects of $31 million (H1 2020: $39 million). This also includes exploration and evaluation expenditure and new ventures amounting to $30 million (H1 2020: $4 million), mainly related to pre-development costs associated with UK Carbon Capture and Storage projects, Norwegian regional seismic and time-writing costs.

Net financing costs
Financing expenses totalled $145 million (H1 2020: $149 million), including $54 million of interest expenses incurred on debt facilities and legacy shareholder loan-notes (H1 2020: $72 million). Also included are bank and facility fees of $32 million (H1 2020: $22 million), the unwinding of discount on provisions, primarily associated with future decommissioning obligations, of $40 million (H1 2020: $49 million) and foreign exchange losses of $4 million.

Finance income amounted to $37 million (H1 2020: $105 million). The first half of 2021 included gains on derivatives of $22 million and a one-off modification gain recognised on the amendment of the RBL facility of $14 million. The first half of 2020 included foreign exchange gains of $102 million as a result of a significant strengthening of UK Sterling against the US Dollar that occurred in the six-month period to 30 June 2020.

Taxation
The tax expense for the period amounted to $34 million (H1 2020: credit $70 million), split between a current tax expense of $46 million (H1 2020: $211 million), and a deferred tax credit of $12 million (H1 2020: credit $281 million). The total tax expense for the period represents an effective tax rate of 28 percent (H1 2020: 31 percent).

Earnings and Earnings per share

The profit after tax was $87 million (H1 2020: loss $155 million), primarily due to higher revenue and other income in 2021, with no impairment on oil and gas assets or goodwill recorded in the current period (H1 2020: post-tax $306 million). Earnings per share was US cents 10.6/share (H1 2020: loss, US cents 21.9/share).

Statement of Financial Position

	6 months ended 30 June 2021 $million *unaudited*	Year ended 31 December 2020 $million *audited*
Total non-current assets, excluding deferred taxes	11,336	8,192
Deferred tax assets (note 7)	1,509	-
Total current assets	1,473	1,290
Total assets	***14,318***	***9,482***
Total equity	***(1,736)***	***(1,067)***
Total borrowings net of unamortised fees (note 14)	(3,003)	(2,182)
Total abandonment provisions (note 13)	(5,675)	(4,197)
Deferred tax liabilities (note 7)	(634)	(1,031)
Lease creditor	(734)	(141)
Other liabilities	(2,536)	(864)
Total liabilities	***(12,582)***	***(8,415)***
Net debt (net of unamortised fees) (note 16)	***(2,457)***	***(1,400)***

Assets

At 30 June 2021, total assets amounted to $14,318 million (Dec 2020: $9,483 million), of which current assets were $1,473 million (Dec 2020: $1,290 million).

The increase in total assets is principally due to the inclusion of Premier assets on completion of the Merger which added total assets of $5,164 million. This consisted mainly of goodwill which increased by $250 million, property, plant and equipment which increased by $2,384 million including right-of-use assets of $568 million and deferred tax assets recognised of $1,509 million. Further information is included in note 12.

Capital investment is defined as additions to property, plant and equipment, fixtures and fittings and intangible exploration and evaluation assets, excluding changes to decommissioning assets.

	30 June 2021 $million *unaudited*	30 June 2020 $million *unaudited*
Additions to oil and gas assets (note 10)	(180)	(237)
Additions to fixtures and fittings, office equipment & IT software (note 9)	(14)	(36)
Additions to exploration and evaluation assets (note 9)	(62)	(45)
Total capital investment	***(256)***	***(317)***
Movement in working capital	(24)	(46)
Capitalised lease payments	8	8
Cash capital expenditure per the cash flow statement	***(272)***	***(354)***

During the period, the Group incurred capital investment of $256 million (H1 2020: $317 million). This mainly consisted of spending on the J-Area Jasmine West Limb well, Tolmount development drilling, and non-operated drilling programmes at Beryl, Elgin Franklin and Clair Ridge.

Liabilities
At 30 June 2021, total liabilities amounted to $12,581 million (Dec 2020: $8,415 million) including decommissioning provisions of $5,675 million (Dec 2020: $4,197 million) and borrowings of $3,003 million (Dec 2020: $2,182 million).

The increase in total liabilities is principally due to the inclusion of Premier's total liabilities of $5,132 million and drawdown on the RBL facility in order to fund the replacement of Premier's debt on completion of the Merger. The total liabilities included from the Merger consisted mainly of additional debt of $2,219 million which was fully settled as part of completion, provisions for decommissioning of $1,553 million and right-of-use asset lease liabilities of $638 million. Further information is included in note 12.

As at 30 June 2021 net debt of $2,457 million (Dec 2020: $1,400 million) consisted of RBL senior and Shell junior debt less unamortised fees and cash balances. The increase since year end is mainly due to the drawdown on the RBL facility prior to completion of the Merger to fund the replacement of Premier's debt. Debt is stated net of the unamortised portion of the issue costs and bank fees of $135.4 million (2020: $64.3 million).

Equity and reserves
Total equity amounted to $1,736 million (Dec 2020: $1,067 million) with changes in 2021 reflecting the accounting for the merger as a reverse acquisition in accordance with IFRS3, Business Combinations with the capital structure (share capital and share premium) being a continuation of the legal acquirer (Premier Oil plc), whilst the remaining reserves reflect the accounting acquirer (Chrysaor Holdings Limited).

Cash flow[(1)]

	30 June 2021 $million *unaudited*	**30 June 2020 $million *unaudited***
Cash flow from operating activities after tax	646	946
Cash flow from investing activities – capital investment	(272)	(354)
Cash flow from investing activities – other	123	(9)
Operating cash flow after investing activities	**497**	**583**
Cash flow from financing activities – net interest and lease payments	(195)	(108)
Free cash flow	**302**	**475**
Cash and cash equivalents	***424***	***369***

(1) The table above excludes cashflow movements relating to changes in debt principal amounts, including drawdowns, repayments and settlements

Net cash from operating activities after tax amounted to $646 million (H1 2020: $946 million) after accounting for tax payments of $206 million (H1 2020: receipts of $7 million) and positive working capital movements of $92 million (H1 2020: $157 million). Cash flow used in investing activities on capital expenditure was $272 million (H1 2020: $354 million). Cash outflow from financing activities including financing fees were $195 million (H1 2020: $108 million).

Cash balances were $424 million (H1 2020: $369 million) at the end of the period.

Post balance sheet events
In July, during final commissioning and testing of the Tolmount platform, issues were identified in certain offshore electrical systems. As a result, Tolmount first gas was delayed and is now anticipated

around year end. With expected plateau rates of 20-25 kboepd net to Harbour, Tolmount was expected to contribute just over 10 kboepd to Harbour's 2021 production.

In August, following review of the portfolio of the Group's exploration licenses, Harbour took the decision to exit its exploration licence interests in the Ceara Basin in Brazil and also in the Burgos Basin in Mexico.

In September following a strategic review, Harbour decided to explore the options to exit its interests in the Falkland Islands including the Sea Lion project.

Risk management

Derivative financial instruments

We carry out hedging activity to manage commodity price risk, to ensure we comply with the requirements of the RBL facility and to ensure there is sufficient funding for future investments.

We have entered into a series of fixed-price sales agreements and a financial hedging programme for both oil and gas, consisting of swap and option instruments. Our future production volumes are hedged under the physical and financial arrangements in place at 30 June 2021. These are set out in the following table. Hedges realised to date are in respect of both crude oil and natural gas.

Hedge position	**H2 2021**	**2022**	**2023**	**2024**	**2025**
Oil					
Volume hedged (mmboe)	9	19	7	-	-
Average price hedged ($/bbl)	57	61	61	-	-
Gas					
Volume hedged (mmboe)	13	25	23	8	2
Average priced hedged (p/therm)	50	47	41	43	45

At 30 June 2021, our financial hedging programme on commodity derivative instruments showed a negative fair value of $1,387.6 million (H1 2020: positive fair value of $890.4 million), with no ineffectiveness charge to the income statement.

RISKS AND UNCERTAINTIES

Business risks

Harbour Energy faces various risks that could result in events or circumstances that might negatively impact the Company's business model, future performance, solvency or liquidity and reputation. Not all of these risks are wholly within the Company's control and the Company may be affected by risks which have not yet manifested or are reasonably foreseeable.

Effective risk management is critical to achieving our strategic objectives and protecting our personnel, assets, the communities where we operate and with whom we interact, and our reputation.

For known risks facing the business, the Company attempts to minimise the likelihood and mitigate the impact. According to the nature of the risk, the Company may elect to take or tolerate risk, treat risk with mitigating actions, transfer risk to third parties, or terminate risk by ceasing particular activities or operations. In particular, the Company has a zero tolerance to financial fraud or ethics non-compliance, and ensures that health, safety and environmental risks are managed to levels that are as low as reasonably practicable.

Principal risks at Half Year 2021 and key changes since 2020 Annual Report

Following the completion of the Merger on 31 March 2021, the directors have reviewed the principal risks facing the newly enlarged company, taking into account the potential impact and probability of the related events or circumstances, and the timescale over which they may occur.

The directors have identified the following principal risks facing the Company for the remaining 6 months of the year. As a result of the formation of the newly enlarged Company, a number of the principal risks are new or have changed compared to the risks described in p56-61 of the Premier 2020 Annual Report. An overview of the significant changes is included below where applicable.

- **Strategic execution** – *failure to define, communicate or implement an effective strategy.* Strategic execution has been identified as a new standalone principal risk to reflect that Harbour, as a newly enlarged company, must define, communicate and implement an effective strategy which demonstrably creates shareholder value and enables growth. The risk includes ensuring appropriate capital allocation, the disciplined execution of capital investment and M&A opportunities, taking into account the Company's increased asset concentration in the UK, and the forthcoming transition of the shareholder base following the expiry of merger lock-up agreements.

- **Energy Transition & Net Zero** - *failure to deliver a credible plan to meet our Net Zero 2035 commitment*. This risk has been retitled from 'Climate Change'. This change reflects how investor, regulatory and societal expectations related to the Energy Transition are taking shape and the risk that failure to deliver a credible plan to meet our stated Net Zero 2035 commitment and demonstrate early progress could limit available funding streams, deter investors and impact our societal 'licence to operate'.

- **Organisation** - *failure to embed a new organisation with an aligned culture and values*. This risk has been retitled from 'Organisation Capability' and reflects the broader nature of the risk that the failure of the newly enlarged Company to embed a new organization with clear roles and responsibilities, adequate resources and an aligned culture could impede the Company's ability to deliver on its strategy.

- **Integration of legacy businesses** - *failure to realise integration synergies in a timely manner.* This risk has been retitled from 'Merger Completion & Integration'. This reflects a change in the nature of the risk following the successful completion of the Merger on 31 March 2021.

The risk now relates to managing the pace, scope and cost of integration activities in order to realise integration synergies in a timely manner and establish a scalable operating model.

- **Information systems and cyber security** - *failure to establish a solid and integrated IT platform.* This risk has been identified as a new standalone principal risk to reflect how a failure to establish an integrated IT infrastructure platform and to keep pace with technological developments in the industry could undermine the Company's ability to operate efficiently and to realise integration synergies. The risk also reflects an increasing cyber security risk due to a rising global threat, the visibility of Harbour as a newly enlarged entity and the number of personnel who continue to work remotely.

- **Legal and regulatory compliance** – *failure to maintain and demonstrate effective compliance*. This risk has been identified as a standalone principal risk to reflect that a failure to maintain and demonstrate effective Company-wide legal and regulatory compliance could damage our reputation and erode our values-based culture as well as result in financial consequences. The risk includes the obligations on the Company and its supply chain with respect to human rights and the communities where we do business.

- **Operational performance** – *failure to deliver competitive operational performance in an efficient, safe and environmentally responsible manner*

- **Capital programme & delivery** – *failure to define and deliver a capital programme that creates value*. The risk titled 'Production and development delivery and decommissioning execution' described in the Premier 2020 Annual Report has been separated into the two principal risks above. The separation of these risks reflects the newly increased scale of the operations and capital programme of the business and the distinct mitigations in place or planned. The nature and responses of these risks in combination remain comparable to the combined risk described in the Premier 2020 Annual Report. The risks also recognise the maturing nature of the Company's asset base and the implications for maintenance and decommissioning activity. In addition these risks also take into account the nature and responses of the risk titled 'Exploration success and reserves addition' described in the Premier 2020 Annual report which is no longer deemed a principal risk.

- **Health, safety & environment** – *risk of a major health, safety, environmental or physical security incident.* The nature and response for this risk remains comparable to the risk titled 'Health, safety, environment and security' described in the Premier 2020 Annual Report and includes risks related to personal safety.

- **Access to Capital** - *failure to ensure sufficient access to capital to implement the company's strategy.* The nature of this risk has changed compared to that described the Premier 2020 Annual Report. As a result of the successful completion of the Merger on 31 March 2021 and the newly well capitalised nature of Harbour, the risk is now that a failure to ensure sufficient access to capital could undermine the ability to execute the Company's strategy. The risk also takes into account the implications of future decommissioning of the Company's maturing asset base.

- **Commodity price and foreign exchange** - *failure to manage the impact of commodity and FX price fluctuations on our business*. This risk has been retitled from 'Commodity price volatility' to also acknowledge the risk related to the foreign exchange exposure in the business. Otherwise the nature and response for this risk remains comparable to the risk described in the Premier 2020 Annual Report.

- **Host government political and fiscal risks** - *exposure to adverse or uncertain regulatory or fiscal developments in countries where the company operates or maintains interests.* The nature and response for this risk remains comparable to the same risk described in the Premier Oil 2020 Annual Report.

- **JV partners and supply chain** – *failure to manage JV partners and supply chain*. The nature and response for this risk remains comparable to the risk titled 'Joint venture partner alignment and supply chain delivery' described in the Premier Annual Report.

In addition, the Board continues to monitor the continued effects of COVID-19 on global oil and gas markets and to mitigate its effects on the Company's operations. However, in respect to the identification of principal risks, the primary risks associated with COVID-19 are considered to remain embedded within the principal risks identified above, including the potential impact on the principal risks related to health, safety and environment; commodity prices and foreign exchange; operational performance; capital programme & delivery and access to capital.

Insurance
We have significant and appropriate insurance in place to minimise risk to our operational and investment programmes. This includes business interruption insurance.

Responsibility statement
The directors confirm that, to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting';
- the half-yearly results statement includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the half-yearly results statement includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

Alexander Krane
Chief Financial Officer
22 September 2021

Independent review report to Harbour Energy plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the interim condensed consolidated balance sheet, the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cashflows, and the related notes 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information 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 International Standards on Auditing (UK) 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.

As disclosed in note 2, the annual financial statements of the Group will be prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, “Interim Financial Reporting”.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor’s Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP, London
22 September 2021

FINANCIAL STATEMENTS
Condensed consolidated income statement

For the six months ended 30 June	*Note*	*2021 Unaudited US$ million*	*2020 Unaudited US$ million*
Revenue	4	1,377.0	1,230.0
Other income	4	119.3	13.6
Cost of operations	5	(1,139.4)	(1,045.4)
Impairment of property, plant and equipment	10	-	(340.4)
Impairment of goodwill		-	(55.7)
(Impairment)/impairment reversal due to (increase)/reduction in decommissioning provision		(9.9)	89.8
Exploration and evaluation expenses and new ventures		(29.9)	(4.3)
Exploration costs written-off	9	(30.9)	(38.9)
General and administrative expenses		(58.8)	(29.2)
Operating profit/(loss)	5	227.4	(180.5)
Finance income	6	37.4	105.0
Finance expenses	6	(144.6)	(148.8)
Profit/(loss) before taxation		120.2	(224.3)
Income tax (expense)/credit	7	(33.7)	69.8
Profit/(loss) for the half-year		86.5	(154.5)

Earnings/(loss) per share

		2021 Unaudited US cents	*2020 Unaudited US cents*
Basic and diluted	8	10.6	(21.9)

Weighted average number of Ordinary Shares for the purpose of basic earnings per share was 816.0 million (H1 2020: 705.0 million).

Condensed consolidated statement of comprehensive income

	Note	*2021 Unaudited $ million*	*2020 Unaudited $ million*
Profit/(loss) for the half year		86.5	(154.5)
Items that may be classified to income statement in subsequent periods:			
Fair value (losses)/gains on cash flow hedges	15	(1,468.2)	520.3
Tax credit/(expense) on cash flow hedges		570.4	(210.2)
Currency exchange differences		29.3	(135.2)
Total other comprehensive (loss)/profit for the half-year, net of tax		(868.5)	174.9
Total comprehensive (loss)/profit for the half-year		(782.0)	20.4
Total comprehensive (loss)/profit attributable to:			
Equity holders of the parent		(782.0)	20.4

Condensed consolidated balance sheet

	Note	30 Jun 2021 Unaudited US$ million	31 Dec 2020 Audited US$ million
Assets			
Non-current assets			
Goodwill		1,237.2	990.0
Other intangible assets	9	1,080.0	454.1
Property, plant and equipment	10	8,039.0	6,522.4
Right of use assets	11	645.3	132.2
Deferred tax assets	7	1,509.4	-
Other receivables		307.1	3.6
Other financial assets	15	26.8	90.4
Total non-current assets		12,844.8	8,192.7
Current assets			
Inventories		212.1	160.5
Trade and other receivables		787.6	461.3
Other financial assets	15	49.3	222.6
Cash and cash equivalents		424.0	445.4
Total current assets		1,473.0	1,289.8
Total assets		14,317.8	9,482.5
Equity and liabilities			
Equity			
Share capital		171.1	0.1
Share premium		1,504.6	910.0
Capital redemption reserve		8.1	-
Merger reserve		677.4	-
Cash flow hedge reserve		(793.8)	80.2
Costs of hedging reserve		(14.0)	9.8
Currency translation reserve		133.3	104.0
Retained earnings		49.7	(36.8)
Total equity		1,736.4	1,067.3
Non-current liabilities			
Borrowings	14	2,973.6	2,160.3
Provisions	13	5,427.4	4,020.8
Deferred tax	7	634.2	1,031.4
Trade and other payables		45.5	29.8
Lease creditor	11	590.8	80.8
Other financial liabilities	15	453.8	52.5
Total non-current liabilities		10,125.3	7,375.6
Current liabilities			
Trade and other payables		961.5	540.3
Lease creditor	11	143.1	60.1
Borrowings	14	29.8	21.5
Provisions	13	281.6	190.2
Current tax liabilities		102.5	153.3
Other financial liabilities	15	937.6	74.2
Total current liabilities		2,456.1	1,039.6
Total liabilities		12,581.4	8,415.2
Total equity and liabilities		14,317.8	9,482.5

Consolidated statement of changes in equity

	Share capital US$	*Share premium US$*	*Merger reserve US$*	*Capital redemption reserve US$*	*Cash flow hedge reserve (1) US$*	*Costs of hedging reserve (1) US$*	*Currency translation reserve US$*	*(Accumulated losses)/ Retained earnings US$ million*	*Total equity US$*
As at 1 January 2020 (audited)	0.1	910.0			176.1	16.3	76.6	729.8	1,908.9
Loss for the half year	-	-			-	-	-	(154.5)	(154.5)
Other comprehensive profit/(loss)	-	-			317.9	(7.8)	(135.2)	-	174.9
At 30 June 2020 (unaudited)	0.1	910.0			494.0	8.5	(58.6)	575.3	1,929.3
Loss for the half year	-	-	-	-	-	-	-	(623.9)	(623.9)
Share-based payments	-	-	-	-	-	-	-	11.8	11.8
Other comprehensive profit/(loss)	-	-	-	-	(413.8)	1.3	162.6	-	(249.9)
As at 1 January 2021 (audited)	0.1	910.0	-	-	80.2	9.8	104.0	(36.8)	1,067.3
Shares issued in settlement of D	-	134.7		-	-	-	-	-	134.7
Reverse takeover	171.0	(527.2)	635.9	8.1	-				287.8
Settlement of Premier's debt (2)	-	987.1	41.5	-	-	-	-	-	1,028.6
Profit for the half-year	-	-	-	-	-	-	-	86.5	86.5
Other comprehensive profit/(loss)	-	-	-	-	(874.0)	(23.8)	29.3	-	(868.5)
At 30 June 2021 (unaudited)	171.1	1,504.6	677.4	8.1	(793.8)	(14.0)	133.3	49.7	1,736.4

The merger constituted a 'reverse takeover' of Premier by Chrysaor and has therefore been accounted for as a reverse acquisition in accordance with IFRS3, Business Combinations. The effect on the statement of changes in equity is that the capital structure (Share capital and Share premium) is a continuation of the legal acquirer (Premier Oil plc), whilst the remaining reserves reflect the accounting acquirer (Chrysaor Holdings Limited).

1 Disclosed net of deferred tax

2 Debt settlement relates to the issuance of shares in partial settlement of Premier's debt.

Condensed consolidated statement of cash flows

for the 6 months ended 30 June	Note	2021 Unaudited US$ million	2020 Unaudited US$ million
Net cash flows from operating activities	16	646.0	946.1
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(64.5)	(46.5)
Expenditure on property, plant and equipment		(193.2)	(274.8)
Expenditure on non-oil and gas intangible assets		(13.9)	(32.9)
Expenditure on business combinations - contingent consideration		-	(12.5)
Cash acquired on business combinations		97.4	-
Receipts for sub-lease income		2.2	-
Finance income received		23.3	3.4
Net cash flows from investing activities		(148.7)	(363.3)
Cash flows from financing activities			
Proceeds from new borrowings – senior debt		1,342.5	-
Proceeds from new borrowings – exploration finance facility		26.5	2.6
Lease payments		(60.7)	(32.6)
Repayment of short-term debt arising on business combination		(1,325.0)	-
Repayment of senior debt		(230.0)	(634.0)
Repayment of exploration finance facility		(2.5)	
Redemption of loan notes		(135.7)	(46.9)
Interest paid and bank charges		(134.0)	(75.3)
Net cash flows from financing activities		(518.9)	(786.2)
Net decrease in cash and cash equivalents		(21.6)	(203.4)
Effect of exchange rates on cash and cash equivalents		0.2	(0.4)
		(21.4)	(203.8)
Cash and cash equivalents at 1 January		445.4	573.2
Cash and cash equivalents as at 30 June		424.0	369.4

Notes to the half-year condensed consolidated financial statements

1. General information

The condensed consolidated financial statements of Harbour Energy plc for the six months ended 30 June 2021 comprise the parent company, Harbour Energy plc and all its subsidiaries, and were approved for issuance by the Board of Directors on 21 September 2021. Harbour Energy plc (formerly Premier Oil plc) is a limited liability Company incorporated in Scotland and listed on the London Stock Exchange. The address of the registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, United Kingdom.

In October 2020, Harbour Energy Limited entered into an agreement with Premier Oil plc ("Premier") regarding an all share merger between Premier and Harbour Energy Limited's subsidiary, Chrysaor Holdings Limited ("Chrysaor"). Under the terms of the merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquirer for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The transaction completed on 31 March 2021, whereupon Premier, being the legal acquirer and accounting acquiree, changed its name from Premier Oil Plc to Harbour Energy Plc ("Harbour").

The merger constituted a 'reverse takeover' of Premier by Chrysaor and has therefore been accounted for as a reverse acquisition in accordance with IFRS3, Business Combinations. As a result, Premier is fully consolidated in the financial statements with effect from 31 March 2021, and all results prior to this date represent those of Chrysaor only.

The Group's (Harbour, formerly Chrysaor) and Company's principal activities are the acquisition, exploration, development and production of oil and gas reserves mainly on the UK and Norwegian Continental Shelves and in Indonesia and Vietnam.

The condensed financial statements for the half year do not include all the information required for a full annual report and do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

These half-year interim condensed financial statements are to be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2020.

The auditors' report on the financial statements of Premier (the legal acquirer and accounting acquiree for the merger) for the year ended 31 December 2020 was unqualified and did not contain a statement under sections 492(2) or 498(3) of the Companies Act 2006. However, the auditors' report of Premier drew attention to the following events or conditions that, at the time, cast significant doubt on the Group's ability to continue as a going concern:

- management's ability to complete the proposed merger of Premier and Chrysaor and the reorganisation of Premier's existing finance arrangements (together, 'the Corporate Actions'); and
- should the Corporate Actions fail to complete, management's ability to complete an alternative restructuring of its existing debt facilities and certain hedging liabilities and obtain covenant deferrals or waivers in the intervening period to prevent its existing debt falling due.

The auditors' report on the financial statements of Chrysaor (the legal acquiree and accounting acquirer for the merger) for the year ended 31 December 2020 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 492(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of preparation

The condensed financial statements for the six months ended 30 June 2021 have been prepared in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The Group monitors its capital position and its liquidity risk regularly throughout the year to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced based on, inter alia, the Group's latest life of field production and expenditure forecasts, management's best estimate of future commodity prices (based on recent forward curves, adjusted for the Group's hedging programme) and the Group's borrowing facilities. Sensitivities are run to reflect different scenarios including, but not limited to, changes in oil and gas production rates, possible reductions in commodity prices and delays or cost overruns on major development projects.

Managements going concern assessment considered the ability of the Group to continue as a going concern for a 12-month period from the date of approval of the 2021 Half-Year Results. The Group's base case going concern assessment assumed an oil price of $60/bbl and production in line with approved asset plans. The ongoing capital requirements of the enlarged group will be financed by the Group's $4.5 billion Reserve Base Lending ('RBL') facility, which matures in November 2027 and contains certain financial covenants relating to the ratio of consolidated total net debt to consolidated EBITDAX on a historic and forward-looking basis, which is tested semi-annually. The amount available under the facility is re-determined annually based on a valuation of the Group's borrowing base assets when applying certain forward-looking assumptions, as defined in the borrowing agreement.

Our management forecasts show that the Group expects to maintain liquidity and comply with financial covenants associated with its borrowing facilities throughout the next 12 months.

The condensed financial statements have been prepared on the historical-cost basis, except for certain financial assets and liabilities (including derivative financial instruments), which have been measured at fair value.

The accounting policies adopted in the preparation of the half-year condensed financial statements are consistent with those adopted and disclosed in Chrysaor's 2020 Annual Report and Accounts and the comparatives are those of Chrysaor.

In addition, following the merger with Premier and its material FPSO lease arrangements, the Group has adopted the following accounting policy in relation to lease arrangements of a joint operation:
For lease arrangements where all partners of a joint operation are considered to share the primary responsibility for lease payments under a lease contract, the Group recognises its share of the respective right-of-use asset and lease liability. This situation is most common where the parties of a joint operation co-sign the lease contract. The Group recognises a gross lease liability for leases entered into on behalf of a joint operation where it has primary responsibility for making the lease payments. In such instances, if the arrangement between the Group and the joint operation represents a finance sublease, the Group recognises a net investment in sublease for amounts recoverable from non-operators whilst derecognising the respective portion of the gross right-of-use asset. The gross lease liability is retained on the balance sheet. The net investment in sublease is classified as either trade and other receivables or long-term receivables on the balance sheet according to whether or not the amounts will be recovered within 12 months of the balance sheet date. Finance income is recognised in respect of net investment in subleases.

Use of judgements and estimates
In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty, were the same as those described on pages 57-58 of Chrysaor's 2020 Annual Report and Accounts other than the addition of the recoverability of deferred tax assets, which has arisen following completion of the merger and recognition of associated deferred tax assets.

Deferred tax assets
Deferred taxation is recognised in respect of timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised. The estimation of future taxable profits requires management's judgment with the use of appropriate assumptions (including, amongst other items, oil and gas prices, production forecasts and cost estimates), assessment of tax history and other relevant information. These parameters can change from period to period and as such can lead to derecognition of a deferred tax asset, with a corresponding charge to the income statement, or recognition of a previously unrecognised deferred tax asset, with a corresponding credit to the income statement in the period.

Accounting for the all-share merger between Premier Oil plc and Chrysaor Holdings Limited
In October 2020, Harbour Energy Limited entered into an agreement with Premier Oil plc ("Premier") regarding an all share merger between Premier and Harbour Energy Limited's subsidiary, Chrysaor Holdings Limited. The transaction completed on 31 March 2021. The acquisition accounting for the transaction is set out in note 12 to the interim financial statements.

In completing the accounting, management have been required to make estimates relating to the fair value of the assets and liabilities acquired from Premier. In particular, estimates have been made in assessing the valuation of tangible and intangible oil and gas assets, and decommissioning liabilities. The fair value of net assets acquired are primarily determined using discounted cashflow techniques using available data at the time of acquisition. For oil and gas assets, the Group estimates future cash flows from an assessment of economically recoverable reserves and discounts them to present value using a rate reflecting market assessments of the time value of money and risks specific to the asset. Determining the fair value of oil and gas assets requires the Group to apply long term assumptions of commodity prices.

The Group assesses the fair value of decommissioning liabilities based on the expected timing, extent and amount of expenditure using data available at the time of acquisition. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The expected timing of expenditure can also change, and as a result there could be significant adjustments to the provisions which could affect future financial results.

3. Segment information

The Group's activities consist of one class of business, being the acquisition, exploration, development and production of oil and gas reserves and related activities and are split geographically and managed in two business units: namely Europe and International.

Income statement	*6 months ended 30 Jun 2021 US$ million Unaudited*	*6 months ended 30 Jun 2020 US$ million Unaudited*
Revenue		
Europe	1,308.4	1,230.0
International	68.6	-
Total Group sales revenue	1,377.0	1,230.0
Group operating profit/(loss)		
Europe	203.5	(180.5)
International	23.9	-
Group operating profit/(loss)	227.4	(180.5)
Finance income	37.4	105.0
Finance expenses	(144.6)	(148.8)
Profit/(loss) before income tax	120.2	(224.3)
Income tax (expense)/credit	(33.7)	69.8
Profit/(loss) for the period	86.5	(154.5)

Segment information (continued)

	30 Jun 2021 US$ million Unaudited	*31 Dec 2020 US$ million Audited*
Segment assets		
Europe	13,024.8	9,482.5
International	1,293.0	-
Total assets	14,317.8	9,482.5

	30 Jun 2021 US$ million Unaudited	*31 Dec 2020 US$ million Audited*
Segment liabilities		
Europe	(11,942.9)	(8,415.2)
International	(638.5)	-
Total liabilities	(12,581.4)	(8,415.2)

Other information	*6 months ended 30 Jun 2021 US$ million Unaudited*	*6 months ended 30 Jun 2020 US$ million Unaudited*
Capital expenditure		
Europe	247.2	316.8
International	8.5	-
Total capital expenditure	255.7	316.8

	6 Months ended 30 Jun 2021 US$ million Unaudited	*6 months ended 30 Jun 2020 US$ million Unaudited*
Depreciation, depletion and amortisation		
Europe	529.9	723.5
International	15.1	-
Total depreciation, depletion and amortisation	545.0	723.5

Segment information (continued)

	6 Months ended 30 Jun 2021 US$ million Unaudited	*6 months ended 30 Jun 2020 US$ million Unaudited*
Exploration and evaluation expenses and new ventures		
Europe	29.2	4.2
International	0.7	-
Total exploration and evaluation expenses and new ventures	29.9	4.2

Exploration costs written-off of $30.9 million relate primarily to the European business unit (2020: $38.9 million).

4. Revenue and Other Income

	6 months ended 30 Jun 2021 US$ million Unaudited	*6 months ended 30 Jun 2020 US$ million Unaudited*
Crude oil sales	896.8	722.6
Gas sales	394.8	413.4
Condensate sales	72.2	70.4
Hydrocarbon revenue	1,363.8	1,206.4
Tariff income	13.1	22.6
Other revenue	0.1	1.0
Total revenue from production activities	1,377.0	1,230.0
Other income	119.3	13.6
Total revenue and other income	1,496.3	1,243.6

Revenues of $1,584.3 million (H1 2020: $755.9 million) were from contracts with customers. This was prior to realised hedging losses on crude oil and gas sales in the period of $207.3 million (H1 2020: gains of $474.1 million).

Other income mainly represents mark to market gains on EUA emissions hedges of $60.6m (H1 2020: nil), a $40.0 million receipt from ConocoPhillips in relation to an adjustment to consideration relating to Chrysaor's purchase of the ConocoPhillips UK business in 2019 (H1 2020: nil), and $12.0 million partner recovery on IFRS16 lease accounting (H1 2020: $13.6 million).

5. Operating profit

Operating profit is stated after charging/(crediting):

	6 months ended 30 Jun 2021 US$ million Unaudited	*6 months ended 30 Jun 2020 US$ million Unaudited*
Cost of operations		
Production, insurance and transportation costs	499.7	370.1
Gas purchases	11.2	-
Depreciation of oil and gas assets	477.3	696.5
Depreciation of right of use oil and gas assets	57.7	28.8
Capitalisation of IFRS16 lease depreciation on oil and gas assets	(12.4)	(15.4)
Amortisation of oil and gas intangible assets	0.8	0.9
Provision for onerous service contract	-	27.9
Re-measurement of acquisition-completion adjustments	-	0.4
Re-measurement of royalty valuation	(0.5)	(0.3)
Re-measurement – gain on termination of lease	-	(0.6)
Movement in over/underlift balances and hydrocarbon inventories	105.6	(62.9)
Total cost of operations	1,139.4	1,045.4
Impairment of property, plant and equipment	-	340.4
Impairment loss/(reversal) due to increase/(reduction) in decommissioning provision	9.9	(89.8)
Impairment of goodwill	-	55.7
Exploration costs written-off	30.9	38.9
Exploration and evaluation expenditure and new ventures	29.9	4.3
General and administrative expenses		
Depreciation of right-of-use non-oil and gas assets	4.7	3.1
Depreciation of non-oil and gas assets	2.6	3.1
Amortisation of non-oil and gas intangible assets	14.3	6.5
Other administrative costs	37.2	16.5
Total general and administrative expenses	58.8	29.2

Exploration and evaluation expenditure and new ventures of $29.9 million (H1: $4.3 million) includes early project costs incurred in respect of the Group’s interest in UK Carbon Capture and Storage (CCS) projects.

6. Finance income and finance expenses

	6 months ended 30 Jun 2021 US$ million Unaudited	6 months ended 30 Jun 2020 US$ million Unaudited
Finance income		
Bank interest	0.9	2.4
Other interest	0.5	1.0
IFRS9 modification gain	13.9	-
Lease finance income	0.5	-
Realised gains on foreign exchange forward contracts	11.3	-
Gains on derivatives	10.3	
Foreign exchange gains	-	101.6
Total finance income	37.4	105.0

Finance expenses		
Interest payable on Reserves Based Lending and junior facility	48.2	59.0
Interest payable on loan notes	5.6	13.4
Other interest and finance expenses	7.0	1.5
Lease interest (note 11)	7.8	3.9
Realised losses on interest rate swaps	1.0	-
Foreign exchange losses	3.7	-
Bank and financing fees	31.6	22.4
Unwinding of discount on deferred consideration payable	-	0.1
Unwinding of discount on decommissioning and other provisions	39.8	48.5
	144.7	148.8
Finance costs capitalised during the period	(0.1)	-
Total finance expenses	144.6	148.8

Effective March 2021, the Group extended the maturity of its RBL facility from December 2025 to November 2027. The amended terms did not represent a substantial modification to the terms of the facility and, therefore, the debt was not de-recognised. A modification gain of $13.9 million (H1 2020: nil) was recognised on amendment of the facility.

7. Income tax

Tax expense/(credit) in the income statement

	6 months ended 30 Jun 2021 US$ million Unaudited	*6 months ended 30 Jun 2020 US$ million Unaudited*
Current income tax expense/(credit):		
UK corporation tax	74.8	214.8
Overseas tax	(25.8)	(11.3)
Adjustment in respect of prior years	(3.5)	7.4
Total current income tax expense	45.5	210.9
Deferred tax (credit):		
Origination and reversal of temporary differences	(9.6)	(282.1)
Overseas tax	(2.3)	8.7
Adjustment in respect of prior years	0.1	(7.3)
Total deferred tax (credit)	(11.8)	(280.7)
Tax expense/(credit) in the income statement	33.7	(69.8)

The effective tax rate for the six months ended 30 June 2021 was 28.0 percent, compared to 31.1 percent for the same period in 2020. The lower effective tax rate for the six months ended 30 June 2021 is caused by international operating results subject to tax at different rates, primarily Norwegian exploration expense, and UK investment allowance, partly offset by non-tax deductible items and unrecognised deferred taxation.

The tax expense has been computed by applying the estimated annual average expected tax rate for the year, for each jurisdiction based on enacted or substantively enacted rates at the end of the interim period.

Deferred tax

The principal components of deferred tax are set out in the following tables:

	30 June 2021 US$ million Unaudited	*31 Dec 2020 US$ million Audited*
Deferred tax assets	1,509.4	-
Deferred tax liabilities	(634.2)	(1,031.4)
Total deferred tax	875.2	(1,031.4)

Income tax (continued)

Deferred tax (continued)

	Accelerated Capital Allowances US$ million	*Decomm-issioning US$ million*	*Losses US$ million*	*Fair value of derivatives US$ million*	*Other US$ million*	*Overseas US$ million*	*Total US$ million*
As at 1 January 2021 (audited)	(2,650.5)	1,640.7	-	(57.1)	51.5	(16.0)	(1,031.4)
Additions from business combinations and joint arrangements (note 12)	(568.7)	511.6	1,530.6	20.1	15.2	(183.1)	1,325.7
Deferred tax credit	69.5	(3.6)	(22.5)	(32.7)	(1.2)	2.3	11.8
Comprehensive income	-	-	-	570.4	-	-	570.4
Foreign exchange	(10.8)	11.3	-	(2.2)	0.6	(0.2)	(1.3)
As at 30 June 2021 (unaudited)	(3,160.5)	2,160.0	1,508.1	498.5	66.1	(197.0)	875.2

The Group's deferred tax assets as at 30 June 2021 are recognised to the extent that taxable profits are expected to arise in the future against which the tax assets can be utilised. The Group assessed the recoverability of its UK ring fence losses and allowances using corporate assumptions which are consistent with the Group's impairment assessment and business combination accounting (note 12). The Group has unrecognised UK deferred tax assets as at 30 June 2021 of approximately $119.6 million (2020: $5.0 million) in respect of ring fence losses and allowances, and $130.2 million (2020: $38.6 million) in respect of non-ring fence losses and allowances.

The Group also has unrecognised gross tax losses of approximately $295.9 million in respect of its international operations.

Change in tax rate

Legislation was introduced in the UK Finance Act 2021 to increase the main rate of UK corporation tax for non-ring fence profits from 19 percent to 25 percent from 1 April 2023. This change is not expected to have a material impact on the Group as the anticipated UK profits are primarily subject to the UK ring fence tax rate.

8. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) after tax and the weighted average number of Ordinary Shares in issue during the period. Basic and diluted earnings per share are calculated as follows:

	6 months ended 30 Jun 2021 US$ million Unaudited	*6 months ended 30 Jun 2020 US$ million Unaudited*
Earnings/(loss) for the period		
Earnings/(loss) for the purpose of basic earnings per share	86.5	(154.5)
Effect of dilutive potential ordinary shares	-	-
Earnings/(loss) for the purpose of diluted earnings per share	86.5	(154.5)
Number of shares (millions)		
Weighted average number of Ordinary shares for the purposes of basic earnings per share	816.0	705.0
Dilutive potential Ordinary shares	0.5	-
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	816.5	705.0
Earnings/(loss) per share (cents)		
Basic	10.6	(21.9)
Diluted	10.6	(21.9)

The effects of equity warrants and certain Share options outstanding at 30 June 2021 were anti-dilutive as their exercise price was greater than market price and, therefore, were not included in the calculation of diluted earnings/(loss) per share.

9. Other intangible assets

	Oil and gas assets US$ million	*Non-oil and gas assets US$ million*	*Capacity rights US$ million*	*Total US$ million*
Cost				
At 1 January 2021 (audited)	391.3	94.9	10.3	496.5
Additions	62.2	13.5	-	75.7
Additions from business combinations and joint arrangements (note 12)	596.7	0.4	-	597.1
Transfers to property, plant and equipment	(2.5)	-	-	(2.5)
Reduction in decommissioning asset	(3.3)	-	-	(3.3)
Prior capitalised costs expensed	-	(4.7)	-	(4.7)
Unsuccessful exploration written-off	(30.9)	-	-	(30.9)
Currency translation adjustment	9.1	0.8	0.1	10.1
At 30 June 2021 (unaudited)	1,022.6	104.9	10.4	1,137.9
Amortisation				
At 1 January 2021 (audited)	-	34.8	7.6	42.4
Charge for the period	-	14.3	0.8	15.1
Currency translation adjustment	-	0.3	0.1	0.4
At 30 June 2021 (unaudited)		49.4	8.5	57.9
Net book value				
At 30 June 2021 (unaudited)	1,022.6	55.5	1.9	1,080.0
At 31 December 2020 (audited)	391.3	60.1	2.7	454.1

The exploration write-off of $30.9 million, which relates to costs associated with licence relinquishments and uncommercial well evaluations, is net of a $5.8 million credit relating to the effect of changes in decommissioning provisions on oil and gas intangible assets previously written-off.

Non-oil and gas assets relate primarily to group IT software. The capacity rights represent National Transmission System (NTS) entry capacity at Bacton and Teesside acquired as part of the business combination completed in 2017. These rights have a remaining useful life of two years and are amortised on a contractual volume basis.

A decrease to decommissioning assets of $3.3 million was made during the period as a result of an update to decommissioning estimates (note 13).

10. Property, plant and equipment

	Oil and Gas assets US$ million	*Fixtures and fittings & office equipment US$ million*	*Total US$ million*
Cost			
At 1 January 2021 (audited)	9,996.0	22.8	10,018.8
Additions	179.6	0.4	180.0
Additions from business combinations and joint arrangements (note 12)	1,814.3	4.2	1,818.5
Reduction in decommissioning asset	(27.3)	-	(27.3)
Transfers from intangible assets	2.5	-	2.5
Currency translation adjustment	45.3	0.2	45.5
At 30 June 2021 (unaudited)	12,010.4	27.6	12,038.0
Depreciation			
At 1 January 2021 (audited)	3,480.3	16.1	3,496.4
Charge for the period	477.3	2.6	479.9
Impairment charge	9.9	-	9.9
Currency translation adjustment	12.6	0.2	12.8
At 30 June 2021 (unaudited)	3,980.1	18.9	3,999.0
Net book value			
At 30 June 2021 (audited)	8,030.3	8.7	8,039.0
At 31 December 2020 (unaudited)	6,515.7	6.7	6,522.4

The current period impairment charge of $9.9 million relates to the net effect of changes in decommissioning provisions on assets previously depreciated to nil net book value.

A decrease to decommissioning assets of $27.3 million (2019: $24.1 million) was made during the period as a result of an update to the decommissioning estimates (note 13).

11. Leases – right-of-use assets

(i) This note provides information for leases where the Group is a lessee.

Right-of-use assets	*30 June 2021 US$ million (Unaudited)*	*31 Dec 2020 US$ million (Audited)*
Land and buildings	91.6	54.9
Drilling rigs	62.6	75.6
FPSO	489.0	-
Equipment	2.1	1.7
Total right-of-use assets	645.3	132.2

Lease liabilities	*30 June 2021 US$ million (Unaudited)*	*31 Dec 2020 US$ million (Audited)*
Current	143.1	60.1
Non-current	590.8	80.8
Total lease liabilities	733.9	140.9

Additions of $567.9 million resulting from business combinations were made to the right-of-use assets during the period (see note 12) (2020: $nil).

In the six months to 30 June 2020, a lease liability in relation to the Transocean 712 drilling rig was terminated, resulting in a gain of $0.6 million (note 5). In addition, a cost revision to the right-of-use asset and lease liability was made, resulting in reductions of $10.0 million.

Leases – right of use assets (continued)

(ii) The consolidated income statement includes the following amounts relating to leases:

Depreciation charge of right-of-use assets

	6 months ended 30 Jun 2021 US$ million (Unaudited)	*6 months ended 30 Jun 2020 US$ million (Unaudited)*
Land and buildings	5.1	3.6
Drilling rigs	19.9	27.6
FPSO	36.7	-
Equipment	0.7	0.7
	62.4	31.9
Capitalisation of IFRS16 lease depreciation		
Drilling rigs	(12.0)	(15.0)
Equipment	(0.4)	(0.4)
Depreciation charge included within Consolidated Income Statement	50.0	16.5

	6 months ended 30 Jun 2021 US$ million (Unaudited)	*6 months ended 30 Jun 2020 US$ million (Unaudited)*
Lease interest (included in finance expenses – note 6)	7.8	3.9

The total cash outflow for leases in H1 2021 was $60.7 million (H1 2020: $32.6 million).

12. Business Combinations and Acquisition of Interests in Joint Arrangements

Business Combinations During the Six Months Ended 30 June 2021
In October 2020, Harbour Energy Limited entered into an agreement with Premier Oil plc ("Premier") regarding an all share merger between Premier and Harbour Energy Limited's subsidiary, Chrysaor Holdings Limited ("Chrysaor"). Under the terms of the merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquirer for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The transaction completed on 31 March 2021, whereupon Premier, being the legal acquirer and accounting acquiree, changed its name from Premier Oil Plc to Harbour Energy Plc ("Harbour").

The merger constituted a 'reverse takeover' of Premier by Chrysaor and has therefore been accounted for as a reverse acquisition in accordance with IFRS3, Business Combinations. As a result, Premier is fully consolidated in the financial statements with effect from 31 March 2021, and all results prior to this date represent those of Chrysaor only.

Premier was an upstream exploration and production company with its primary assets located in the UK North Sea, Vietnam and Indonesia.

The merger brought together two complementary businesses and created the largest independent oil and gas company listed on the London Stock Exchange with a strong balance sheet and significant international growth opportunities.

A purchase price allocation (PPA) exercise has been performed under which the identifiable assets and liabilities of Premier were recognised at fair value. The fair values, and resulting goodwill, are provisional and will be finalised in Harbour's full year 2021 financial statements.

The fair values of the net identifiable assets as at the date of acquisition are as follows:

	Provisional fair value US$ million
Assets	
Exploration, evaluation and other intangible assets	597.1
Property, plant and equipment – oil and gas assets	1,814.3
Property, plant and equipment – non-oil and gas assets	4.2
Property, plant and equipment – right of use assets	567.9
Long term receivables	258.8
Deferred tax	1,508.8
Inventories	15.2
Trade and other receivables	291.0
Derivative financial instruments	9.2
Cash and cash equivalents	97.4
Total assets	5,163.9
Liabilities	
Trade and other payables	(317.5)
IFRS16 lease liabilities	(637.8)
Deferred tax	(183.1)
Provision for decommissioning	(1,552.8)
Derivative financial instruments	(153.7)
Short term debt	(2,219.3)
Deferred income	(33.6)
Other provisions	(34.5)
Total Liabilities	(5,132.3)
Fair value of identifiable net assets acquired	31.6
Fair value of shares acquired	285.7
Transaction cost adjustments	(4.6)
Cost of acquisition	281.1
Goodwill recognised	249.5

The fair values of the oil and gas assets and intangible assets acquired have been determined using valuation techniques based on discounted cash flows using forward curve commodity prices and estimates of long-term prices consistent with those applied by management when testing assets for impairment, a discount rate based on market observable data and cost and production profiles generally consistent with the 2P reserves acquired with each asset. Where applicable other observable market information has also been used. The decommissioning provisions recognised have been estimated based on Harbour's internal estimates with reference to observable market data, including rig rates.

The fair value of debt facilities has been determined based on the total fair value of cash paid and new shares issued to creditors to satisfy Premier's historical debt arrangements.

The consideration was measured using the closing market price of Premier's ordinary share capital and the number of shares in issue immediately before the acquisition date. The transaction cost adjustments relate to share based payment charges accruing prior to 31 March 2021 and certain transaction costs settled by Premier on behalf of Chrysaor which have been recognised as an expense within General and Administrative expenses.

Goodwill of $249.5 million has been recognised on the acquisition, representing the excess of the total consideration transferred over the fair value of the net assets acquired. The goodwill arises principally because of the following factors:

1. The ability to deliver costs synergies as a result of combining the two businesses
2. The avoidance of costs that would otherwise have been incurred by Chrysaor as a result of an initial stock exchange listing
3. The expertise and experience of the acquired business, particularly with respect to fulfilling the obligations of a UK listed entity
4. The requirement to recognise deferred tax liabilities for the difference between the assigned fair values and the tax bases of assets acquired

None of the goodwill is deductible for corporation tax.

Acquisition related costs of $13.5 million and $18.0 million were incurred by the Group and recognised as an expense within General and Administrative expenses within 2020 and 2021 respectively.

From the date of acquisition, the acquired business contributed $280.5 million of revenue and $63.0 million to the profit before tax from continuing operations of the Group. Had the acquisition been effected at 1 January 2021, the business would have contributed revenue of $541.2 million in the 6 months to 30 June 2021, and $60.3 million towards profit before tax.

13. Provisions

	Decommissioning provision US$ million	*Other provisions US$ million*	*Total US$ million*
At 1 January 2021 (audited)	4,197.1	13.9	4,211.0
Additions from business combinations and joint arrangements (note 12)	1,552.8	34.5	1,587.3
Additions	17.1	0.6	17.7
Changes in estimates – decrease to decommissioning assets	(51.8)	-	(51.8)
Changes in estimates – charge to income statement	4.1	-	4.1
Amounts used	(119.1)	(5.1)	(124.2)
Disposal	-	(10.2)	(10.2)
Unwinding of discount	39.8	-	39.8
Currency translation adjustment	35.1	0.2	35.3
At 30 June 2021 (Unaudited)	5,675.1	33.9	5,709.0
Classified within:			
Current liabilities			281.6
Non-current liabilities			5,427.4
Total provisions			5,709.0

The Group provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. The Group currently expects to incur decommissioning costs over the next 40 years, the majority of which we anticipate will be incurred between the next 10 to 20 years. Decommissioning provisions are discounted at a risk-free rate of between 0.7 percent and 1.9 percent, and the unwinding of the discount is presented within finance expenses (note 6).

A net decrease in the decommissioning provision of $30.6 million was made in the period as a result of new obligations, offset by an update to the decommissioning estimates, relating to property, plant and equipment of $27.3 million (note 10) and intangible assets of $3.3 million (note 9).

Other provisions include a provision for an onerous lease contract in respect of long-term standby costs on the Deepsea Aberdeen rig, which has been operating within the Schiehallion field, whereby no future approved activities have resulted in the rig potentially remaining on standby until the end of the contract in April 2022. Also included within other provisions is a termination benefit provision in Indonesia, where the Group operates a Service, Severance and Compensation pay scheme under a Collective Labour Agreement with the local workforce.

14. Borrowings and facilities

	30 Jun 2021 US$ million (Unaudited)	31 Dec 2020 US$ million (Audited)
Reserves Based Lending facility	2,483.7	1,448.6
Junior facility	396.9	396.4
10% Unsecured D loan notes 2027	-	264.8
Exploration finance facility	40.2	14.1
Other loans	40.9	37.5
Total borrowings	2,961.7	2,161.4
Classified within:		
Non-current liabilities	2,973.6	2,160.3
Current liabilities	29.8	21.5
Total borrowings before unamortised fees	3,003.4	2,181.8
Non-current assets (unamortised fees)	(0.4)	(0.1)
Current assets (unamortised fees)	(41.3)	(20.3)
Total borrowings	2,961.7	2,161.4

Interest of $11.9 million (2020: $2.8 million) on the Reserves Based Lending and junior facilities had accrued by the balance sheet date and is classified within trade and other payables.
The key elements of the RBL facility include:

- term extended to 31 December 2027
- facility size of $4.5 billion (with $0.75 billion accordion option)
- debt availability currently at $3.32 billion
- debt availability to be redetermined on an annual basis
- interest at USD LIBOR plus a margin of 3.25 percent, rising to a margin of 3.5 percent from November 2025
- the incorporation of a margin adjustment linked to carbon-emission reductions
- the syndication group stands at 19 banks.

Certain fees are also payable, including fees on available commitments at 40 percent of the applicable margin and commission on letters of credit issued at 50 percent of the applicable margin. The junior facility of $400 million carries interest at six-month USD LIBOR plus a margin of 5.25 percent, rising to a margin of 5.5 percent from November 2025, and is repayable in semi-annual instalments between 30 June 2022 and 30 June 2026.

Since 2019, the Group has been operating within an exploration finance facility (EFF), currently for NOK 1 billion, in relation to part-financing the exploration activities of Chrysaor Norge AS. At the balance sheet date, the amount drawn down on the facility was NOK 350 million/USD $40.7 million (Dec 2020: NOK 124 million/USD $14.5 million).

A further $77.2 million of transaction costs were capitalised in 2021 following amendments to the RBL facility which became effective from March 2021, related to replacement of Premier's debt prior to completion of the Merger. These amounts are being amortised over the term of the relevant arrangement. During the period $14.4 million (H1 2020: $7.5 million) of transaction costs have been amortised and are included within financing costs. Also included is a $13.9 million modification gain (H1 2020: nil) following a maturity extension of the Reserve Based Lending (RBL) debt prior to the completion of the merger.

At the period end, $41.3 million (H1 2020: $16.9 million) of transaction costs which are due to be amortised within the next 12 months, have been reclassified to current assets, and $0.4 million (2020:

$nil) of Exploration Finance Facility (EFF) transaction costs which are due to be amortised beyond the next 12 months, have been reclassified to non-current assets.

At the balance sheet date, the outstanding senior RBL and junior loan balances excluding transaction costs were $2,630 million and $400 million respectively (Dec 2020: $1,518 million and $400 million). As at 30 June 2021, the junior facility remained fully drawn and $691 million remained available for drawdown under the RBL facility.

On 15 March 2021, a partial cash redemption of the 10 percent Unsecured D Loan Notes of $135.7 million took place, and on 30 March 2021, the outstanding balance of the D loan notes, with a principal and accrued interest value of $134.7 million, were exchanged for 16,186,811 F ordinary shares of £0.0001 each.

15. Other financial assets and liabilities

All financial instruments initially recognised and subsequently re-measured at fair value have been classified in accordance with the hierarchy described in IFRS 13 'Fair Value Measurement'. The hierarchy groups fair-value measurements into the following levels, based on the degree to which the fair value is observable.

- Level 1: fair-value measurements are derived from unadjusted quoted prices for identical assets or liabilities.
- Level 2: fair-value measurements include inputs, other than quoted prices included within level 1, which are observable directly or indirectly.
- Level 3: fair-value measurements are derived from valuation techniques that include significant inputs not based on observable data.

The Group held the following financial instruments at fair value at 30 June 2021. The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy, except for the royalty valuation, which includes estimates based on unobservable inputs and are level 3 in the IFRS 13 hierarchy.

	30 Jun 2021 (Unaudited)		*31 Dec 2020 (Audited)*	
Current	*Assets US$ million*	*Liabilities US$ million*	*Assets US$ million*	*Liabilities US$ million*
Measured at fair value through profit and loss				
Carbon swaps[1]	34.8	-	-	-
Fair value of gas contract	9.2	-	-	-
Warrants	-	(0.2)	-	-
Royalty consideration	-	-	3.0	-
	44.0	(0.2)	3.0	-
Measure at fair value through other comprehensive income				
Commodity derivatives	1.8	(935.6)	191.6	(74.2)
Foreign exchange derivatives	2.6	(1.8)	12.6	-
Interest rate derivatives	0.9	-	-	-
Carbon swaps[1]	-	-	15.4	-
	5.3	(937.4)	219.6	(74.2)
Total current	49.3	(937.6)	222.6	(74.2)

Non-current				
Measured at fair value through profit and loss				
Carbon swaps[1]	24.0	-	-	-
Royalty consideration	-	-	6.7	-
	24.0	-	6.7	-
Measured at fair value through other comprehensive income				
Commodity derivatives	-	(453.8)	72.8	(48.4)
Foreign exchange derivatives	-	-		
Interest rate derivatives	2.8	-	-	(4.0)
Carbon swaps[1]	-	-	10.9	-
	2.8	(453.8)	83.7	(52.5)
Total non-current	26.8	(453.8)	90.4	(52.5)
Total current and non-current	76.1	(1,391.4)	313.0	(126.7)

[1] *The accumulated gain relating to carbon swaps recognised in the hedge reserve as at 31 December 2020 has been recycled to the income statement in the current period, along with gains arising in the six-month period to 30 June 2021.*

Part of the consideration received on the sale of Chrysaor's interest in a pre-production development in 2015 to Premier was a royalty interest, which prior to 2021 was recognised on the balance sheet as a financial asset. Subsequent to the merger with Premier to form Harbour Energy plc, the royalty agreement was terminated in May 2021.

16. Notes to the statement of cash flows

Net cash flows from operating activities consist of:

	6 months ended 30 Jun 2021 US$ million (Unaudited)	*6 months ended 30 Jun 2020 US$ million (Unaudited)*
Profit/(loss) before taxation	120.2	(224.3)
Finance cost, excluding foreign exchange	140.9	148.8
Finance income, excluding foreign exchange	(37.4)	(3.4)
Depreciation, depletion and amortisation	545.0	723.5
Impairment of property, plant and equipment	9.9	250.6
Impairment of goodwill	-	55.7
Exploration write-off	30.9	38.9
Write-off of non-oil and gas assets	4.7	-
Movement in realised cash-flow hedges not yet settled	49.7	(34.7)
Remeasurement of acquisition-completion adjustments		0.4
Onerous contract provision	-	27.9
Pre-merger costs	7.0	-
Decommissioning expenditure	(105.0)	(96.6)
Onerous contract payments	(5.1)	-
Unrealised foreign-exchange gain	0.1	(104.7)
(Increase)/decrease in royalty consideration receivable	(0.5)	0.8
Gain on termination of IFRS16 lease	-	(0.6)
Tax (payments)/receipts	(206.3)	6.6
Working-capital adjustments		
Increase in inventories	(35.8)	(9.7)
Decrease in trade and other receivables	(16.9)	202.9
Increase/(decrease) in trade and other payables	144.6	(36.0)
Net cash inflow from operating activities	646.0	946.1

Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net borrowings

	Note	*6 months ended 30 Jun 2021 US$ million (Unaudited)*	*Year ended 31 Dec 2020 US$ million (Audited)*
Proceeds from drawdown of borrowing facilities		(1,342.5)	(157.5)
Short-term debt arising on business combination	*12*	(2,219.3)	-
Repayment of debt – equity allocation to borrowings		942.8	-
Repayment of debt – cash allocation to borrowings		1,276.5	-
Conversion of D loan notes to equity	*14*	134.7	-
Proceeds from exploration-financing facility loan		(26.4)	(12.9)
Repayment of senior debt		230.0	774.0
Loan notes partial redemption	*14*	135.7	77.1
Repayment of exploration financing facility loan		-	8.7
IFRS9 modification gain	*6*	13.9	-
Repayment of financing arrangement		2.5	1.6
Transaction costs capitalised		77.6	18.4
Financing arrangement interest payable		(5.9)	(4.9)
Amortisation of transaction costs capitalised		(14.5)	(17.0)
Currency translation adjustment on EFF loan		0.2	(0.8)
Currency translation adjustment on transaction costs		-	(-)
Loan notes interest capitalised		(5.6)	(25.4)
Movement in total borrowings		(800.3)	661.3
Movement in cash and cash equivalents		(21.4)	(127.8)
(Increase)/decrease in net borrowings in the period		(821.7)	533.5
Opening net borrowings		(1,716.0)	(2,249.5)
Closing net borrowings		(2,537.7)	(1,716.0)

	6 months ended 30 Jun 2021 US$ million (Unaudited)	*Year ended 31 Dec 2020 US$ million (Audited)*
Analysis of net borrowings		
Cash and cash equivalents	424.0	445.4
Reserves Based Lending facility	(2,483.6)	(1,448.6)
Junior facility	(396.9)	(396.4)
Net debt	(2,456.5)	(1,399.6)
Shareholder loan notes	-	(264.8)
Exploration financing facility	(40.3)	(14.1)
Financing arrangement	(40.9)	(37.5)
Closing net borrowings	(2,537.7)	(1,716.0)

Notes to the statement of cash flows (continued)

Borrowings consist of both short-term debt and long-term debt. The carrying values on the balance sheet are stated net of the unamortised portion of the issue costs and bank fees of $135.4 million (2020: $72.3 million).

17. Post balance sheet events

In July, during final commissioning and testing of the Tolmount platform, issues were identified in certain offshore electrical systems. As a result, Tolmount first gas was delayed and is now likely to be around year end. With expected plateau rates of 20-25 kboepd net to Harbour, Tolmount was expected to contribute just over 10 kboepd to Harbour's 2021 production.

In August, following review of the portfolio of the Group's exploration licenses, Harbour took the decision to exit its exploration licence interests in the Ceará Basin in Brazil and also in the Burgos Basin in Mexico.

In September following a strategic review, Harbour decided to explore the options to exit its interests in the Falkland Islands including in the Sea Lion project.

Glossary

2P	Proven and probable reserves
bbl	Barrel
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
EFF	Exploration finance facility
FPSO	Floating Production Storage Offtake Vessel
GAAP	Generally Accepted Accounting Principles
RBL	Reserves Based Lending

Non-IFRS measures

Harbour uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures, which are presented within the Financial Review are defined below.

- *Capital investment:* depicts how much the Group has spent on purchasing fixed assets in order to further its business goals and objectives. It is a useful indicator of the Group's organic expenditure on oil and gas assets, and exploration and appraisal assets, incurred during a period.
- *Depreciation, depletion and amortisation per barrel (DD&A)*: depreciation and amortisation of oil and gas properties for the period divided by working interest production. This is a useful indicator of ongoing rates of depreciation and amortisation of the Group's producing assets.
- *EBITDAX*: is defined as earnings before tax, interest, depreciation and amortisation, impairments, remeasurements, onerous contracts and exploration expenditure. This is a useful indicator of underlying business performance.
- *Free cash flow:* operating cash flow less cash flow from investing activities less interest and lease payments
- *Net debt*: total senior and junior debt (net of the carrying value of unamortised fees) less cash and cash equivalents recognised on the consolidated balance sheet. This is an indicator of the Group's indebtedness and contribution to capital structure.
- *Operating cost per barrel*: direct operating costs (excluding over/underlift) for the period, including tariff expense, insurance costs and mark-to-market movements on emissions hedges, less tariff income, divided by working interest production. This is a useful indicator of ongoing operating costs from the Group's producing assets.