Harbour Energy plc
("Harbour" or the "Company")
Trading and Operations Update
10 May 2023

Harbour Energy plc today provides the following unaudited Trading and Operations Update for the first quarter of 2023. This is issued ahead of the Company's Annual General Meeting (AGM) which is being held today at 10.00 BST.

Operational highlights

- Production averaged 202 kboepd (Q1 2022: 215 kboepd), split broadly 50 per cent liquids, 50 per cent gas. This reflects new wells on-stream, including at Tolmount, J-Area and Clair, partially offsetting natural decline. On track to meet full year guidance of 185-200 kboepd.
- Estimated operating costs of c.$15/boe (Q1 2022: $14/boe). Full year forecast is unchanged at c.$16/boe[1].
- Strong safety record with total recordable injury rate of 0.82 per million hours worked.
- High return, infrastructure-led UK development opportunities progressed, including start of drilling at Talbot.
- Growing portfolio of international development opportunities with the potential for material reserve replacement and diversification:
  - Mexico: Submission of Zama Unit Development Plan for approval to the regulator; oil discovery at Kan-1.
  - Indonesia: Following the 2022 Timpan gas discovery, high impact three well Andaman exploration drilling campaign to start in the second half of the year; partner and government discussions underway at Tuna to enable the project to progress.
- Significant progress on our UK CCS projects with the Harbour-operated Viking and non-operated Acorn projects recognised as best placed to meet the UK Government's objectives for the Track 2 regulatory approval process. Confirmation of Track 2 status would allow negotiation with the Government over the terms of the economic licences to commence and the projects to move to FEED ahead of a potential final investment decision.

Financial highlights

- Estimated revenue of $1.1 billion with realised, post-hedging, oil and UK gas prices of $76/bbl and 71 pence/therm. This compares to average Brent and NBP prices of $81/bbl and 133 pence/therm for the period.
- Total capital expenditure (including decommissioning spend) of c.$0.2 billion. Full year guidance of c.$1.1 billion[1] reiterated, reflecting:
  - Increased activity post first quarter including drilling in the UK, and exploration campaigns in Indonesia and Norway.
  - Reduced UK activity in certain areas due to the EPL, including partner cancelled programmes at Elgin Franklin and Beryl and rephasing of certain decommissioning activities.
- Review of UK organisation on track to complete in the second half of 2023 and expected to result in a reduction of c.350 onshore positions. This is forecast to deliver annual savings of c.$50 million from 2024, following an estimated c.$15 million one off charge to be taken in Harbour's 2023 interim financial statements.

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[1] Assumes a US dollar to GBP sterling exchange rate of $1.2/£

- Free cash flow for the period was $0.7 billion. Forecast full year free cash flow (after c.$450 million of tax payments and pre-distributions) is unchanged at c.$1.0 billion[2] and is first quarter weighted due to summer maintenance campaigns and phasing of capital expenditure and tax payments.
- Net debt reduced from $0.8 billion at year end to c.$0.2 billion at the end of March. The potential to be net debt free in 2024[2] is unchanged.
- Significant liquidity of $3.1 billion, as at quarter end, although our debt capacity is expected to be impacted by the EPL at the upcoming annual re-determination of our borrowing base.

Capital allocation

- Proposed final dividend of $100 million (12 cents per share) for 2022 to be paid on 24 May, subject to shareholder approval and in line with $200 million annual dividend policy. This represents dividend per share growth of nine per cent, driven by the significant share repurchases made over the last 12 months.
- New $200 million buyback programme initiated in March 2023. As at 9 May 2023, c.$50 million of the programme had been completed with over 10 per cent of our issued share capital repurchased since Harbour's 2022 AGM.
- Ongoing evaluation of M&A opportunities to grow and diversify internationally, in line with Harbour's stated strategy.

Linda Z Cook, Chief Executive Officer, commented:
"We delivered a strong first quarter. Continuing to invest in our portfolio while actively managing our cost base has enabled us to further deleverage our balance sheet and return additional capital to shareholders. At the same time, we've built good momentum in our international development opportunities in Mexico and Indonesia which have the potential to add materially to our reserves and future production, and in our CCS projects, all of which will lead to future diversification of our business."

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[2] Assumes for 2023 that Brent and NBP averages $85/bbl and 150 pence/therm respectively and a US dollar to GBP sterling exchange rate of $1.2/£. For 2024, the 9th May 2023 forward curve for Brent and NBP is assumed and a $1.25/£ US dollar to GBP sterling exchange rate.

Appendix 1: Group production

	Q1 2023 (net, kboepd)	Q1 2022 (net, kboepd)
Greater Britannia Area	28	34
J-Area	36	34
AELE hub	26	27
Catcher	20	22
Tolmount	16	-
Elgin Franklin	21	26
Buzzard	12	16
Beryl	11	13
West of Shetlands[3]	15	15
Other North Sea	7	12
North Sea	**192**	**199**
International	**10**	**16**
Total Group	**202**	**215**

[3] West of Shetlands includes Clair, Schiehallion and Solan

Appendix 2: Hedging schedule as per 30 April 2023

During the first quarter, Harbour incrementally added to its UK gas hedging position for summer and winter 2024 and summer 2025, securing zero cost collars at attractive pricing.

	2023		2024		2025	
	Volume (mmboe)	Price (p/th $/bbl)	Volume (mmboe)	Price (p/th, $/bbl)	Volume (mmboe)	Price (p/th $/bbl)
UK gas						
Swaps	21.5	40	9.9	52	1.6	45
Collars	1.6	55 - 69	2.4	119 - 269	1.1	108 - 270
Options	0.0	-	0.0	-	0.0	-
Oil						
Swaps	11.0	74	7.3	84	2.4	81