Harbour Energy plc
"Harbour" or the "Company" or the "Group"
Trading and Operations Update
23 June 2021

Harbour Energy plc provides a Trading and Operations Update for the five months to 31 May 2021. This is issued ahead of the Company's Annual General Meeting, which is being held today at 15.00 BST. This Trading and Operations Update is unaudited.

Highlights

- All share merger between Chrysaor Holdings Ltd and Premier Oil plc successfully completed on 31 March to create Harbour Energy plc; integration progressing as planned
- Proforma / reported production of 197 kboepd / 162 kboepd, reflecting planned maintenance and inspection programmes deferred from 2020 to 2021 and unplanned outages during the period
- 2021 proforma / reported production now expected to be at the low end of 200-215 kboepd / 185-200 kboepd guidance
- Tolmount final commissioning underway with production start-up expected around the end of July, adding 20-25 kboepd (net, Harbour 50 per cent)
- Operating costs for the period were $15.7/boe due to lower production volumes; forecast full year operating costs now $15-$16/boe
- Total capex (including decommissioning spend) for the period of around $330m; full year forecast of $1.1bn unchanged as rig activity increases
- Net debt reduced to $2.7bn (31 March 2021: $2.9bn) with available liquidity of around $1bn
- Successful annual redetermination of the Group's Reserve Based Lending (RBL) facility completed in June with availability set at $3.3bn until the end of June 2022

Linda Z Cook, Chief Executive Officer, commented:
"Since completion of the merger, integration continues apace and we remain excited by the significant cash generation potential of the combined portfolios.

Despite the impact of maintenance programmes and some unplanned outages, our financial performance has been robust, underlining the resilient cash-generative nature of our business. This, together with our strong balance sheet, provides financial flexibility to fund reinvestment in our portfolio, growth and shareholder returns.

With the majority of this year's planned maintenance shutdowns nearing completion, drilling activity ramping up and Tolmount first gas expected shortly, we look forward to production increasing over the remainder of 2021."

Enquiries

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Operational review

Proforma production to the end of May averaged 197 kboepd, split 109 kboepd from liquids and 88 kboepd from gas, and reflecting the impact of a number of planned shutdowns, both in the UK North Sea and internationally. The Group's production to the end of May by asset is set out in a table in the appendix.

Europe

The Forties Pipeline System outage in the UK North Sea commenced in May, which marked the start of the aligned planned maintenance campaigns at the Armada, Everest, Lomond and Erskine fields (together the AELE hub), the Greater Britannia Area, the Elgin Franklin Area and Buzzard. These fields together contribute combined net production to Harbour of around 100 kboepd. This high level of planned shutdowns in the first half of 2021 is due to the deferral of non-critical maintenance and inspection programmes from 2020 to 2021 as a result of COVID-19. The majority of these programmes are now nearing completion.

Harbour's UK North Sea production rates for the period were also impacted by under-performance at the Group's West of Shetland assets and other unplanned outages in its non-operated portfolio during Q2. This included a three week shut down at the Elgin Franklin Area in April due to unexpected maintenance on the Unity platform. In addition, there were reliability issues on the Calder platform in the East Irish Sea and at the third party operated onshore processing terminal. Uptime is expected to improve following the extended plant and terminal maintenance campaign which was completed earlier this month. Calder is currently producing 13 kboepd.

Production is anticipated to increase through the second half of the year as maintenance campaigns are completed and new wells are brought onstream including at the Elgin Franklin Area and Buzzard. In addition, final commissioning is underway at Tolmount with production start-up expected around the end of July. Two of the four development wells were successfully completed during the period with drilling of the third well currently underway. Once at plateau rates, Tolmount is expected to add 20-25 kboepd to Group production. A final investment decision on the Tolmount East development is expected in Q3 2021.

Future production is also expected to benefit from the ramp up of drilling activity across the portfolio during the second half of the year and into 2022. At the AELE hub the LAD infill development well, targeting the East Everest Extension Area, is expected to spud in July with first gas expected for early 2022. In addition, a second rig is due to arrive in the J-Area in early Q3 to drill the Talbot appraisal well and the near-field Dunnottar exploration prospect. Further infill programmes are also being progressed in the Catcher and Beryl Areas.

International

Production from Harbour's international assets was 18 kboepd, reflecting strong Singapore demand for the Group's Indonesian gas and high uptime at the Chim Sáo field in Vietnam. A jack-up rig campaign is scheduled to commence at Anoa in Indonesia in July and will help increase delivery from the field.

Offshore Mexico, the Block 7 partners and Pemex have submitted a draft Zama unitisation agreement to SENER, the Mexican Ministry of Energy, following the conclusion of the Initial Tract Participation (ITP) process. In addition, in June, the Block 7 partners submitted a summary draft field development plan (FDP) for the Zama field to the regulator, CNH. This submission has fulfilled the Block 7 obligation under the PSC to submit an FDP, well in advance of the end of August deadline. Elsewhere in Mexico, the Block 30 joint venture partnership plan to drill the first commitment well on the licence targeting the Wahoo prospect in H2 2022.

In Indonesia, the first of two appraisal wells on the Tuna field is due to spud in July and preparations are underway for an exploration well, Timpan-1, on Harbour's operated Andaman Sea acreage in H1 2022.

A thorough review of the Group's Sea Lion project in the Falkland Islands is currently underway ahead of a decision regarding the re-start of project activity.

Energy Transition
Harbour is participating in two early-stage potential Carbon Capture, Usage and Storage (CCUS) projects, Acorn (Scotland) and V Net Zero (England). In June, Phillips 66 Humber Refinery and Vitol's VPI Immingham selected Harbour's V Net Zero project as their preferred CO2 transportation and storage provider. Both Acorn and V Net Zero plan to submit applications in July for 'Track 1 CCUS cluster status' as part of the UK government's net zero ambitions.

Financial Review
Estimated proforma / reported revenue for the first five months of the year was approximately $1.5bn / $1.2bn. Average realised oil and UK gas prices (after accounting for hedging) for the period were around $57/bbl and 42p/therm, respectively. A full schedule of Harbour's hedging programme is set out in the appendix.

Taking into account year to date asset performance, Harbour now expects full year production to be at the low end of guidance. Harbour will review its full year forecast once the planned major shutdowns have concluded and Tolmount has commenced production around the end of July.

Operating costs to the end of May were around $470m, in line with expectations, but higher on a unit of production basis at $15.7/boe due to lower production volumes. Harbour now expects full year unit operating costs of $15-$16/boe. Harbour's total capex (production, development, exploration and abandonment expenditure) to the end of May was around $330m. Harbour's full year 2021 total capex guidance of $1.1bn is unchanged.

Group cash tax paid to the end of May was approximately $200m, predominantly reflecting a UK tax payment in Q1 in relation to Chrysaor's 2020 activities.

As at the end of May, Harbour's net debt was $2.7bn, reduced from $2.9bn at the end of March, reflecting cash from operations and post-closing adjustments. Available liquidity was around $1bn at the end of May.

In June, Harbour completed the annual redetermination process with its bank syndicate under the Group's $4.5bn Reserve Based Lending (RBL) facility, incorporating a $1.25bn letter of credit sub-limit. The new borrowing base availability under the facility has been set at $3.3bn, supported by hedging of future volumes at commodity prices above the banks' commodity price assumptions.

A summary of Harbour's performance to the end of May and guidance for the full year 2021 is set out in the appendix.

Annual General Meeting (AGM) and proposed share consolidation
Harbour will hold its AGM today at 15.00 and the voting results will be announced shortly after the meeting.

As previously announced, one of the resolutions being proposed at the AGM today will seek approval to implement a 20:1 share consolidation. It is expected that the New Ordinary Shares arising from the share consolidation will be admitted to listing and trading from 8:00am on 25 June 2021.

Appendix 1: Group production

Year	Equity interest	Proforma production to end May (net, kboepd)
Greater Britannia Area	26 to 93%	34
J-Area	67 to 67.5%	28
AELE hub	32-100%	28
Catcher	50%	24
East Irish Sea	100%	3
Elgin Franklin	19.3%	20
Buzzard	22%	14
Beryl	34-49%	13
Clair	7.5%	5
Schiehallion	10%	4
Solan	100%	5
Other Europe	-	1
Total Europe	**-**	**179**
Natuna Sea Block A (Indonesia)	28.7%	12
Chim Sao (Vietnam)	53.1%	6
Total International	**-**	**18**
Total Group		**197**

Appendix 2: Hedging schedule

Year	Oil volume hedged (mmbbls)	Average hedged oil price ($/bbl)	Gas volume hedged (mmboe)	Average hedged gas price (p/therm)
H2 2021	9	57	13	50
2021	22	58	25	47
2022	19	61	25	47
2023	7	61	23	41
2024	-	-	8	43
2025	-	-	2	45

Appendix 3: 2021 guidance

Year	Actual (year to end May)	Original guidance (FY 2021)	Current guidance (FY 2021)
Proforma production (kboepd)	197	200-215	Low end of 200-215
Reported production (kboepd)	162	185-200	Low end of 185-200
Operating cost ($/boe)	15.7	<15	15-16
Total capital expenditure ($bn)	0.33	1.1	1.1