Harbour Energy plc
"Harbour" or the "Company" or the "Group"
Trading Update
11 May 2022

Harbour Energy plc provides the following unaudited Trading Update. This is issued ahead of the Company's Annual General Meeting which is being held today at 10.00 BST.

Highlights

- Q1 production averaged 215 kboepd, up c.35 per cent on Q1 2021; on track to meet full year guidance of 195-210 kboepd
- Q1 operating costs of $14.1/boe; full year guidance unchanged at $15-16/boe
- New wells on-stream at J-Area, AELE and Tolmount (UK); active 2022 rig programme including drilling underway at the Catcher- and J-Areas (UK) and the Andaman II licence (Indonesia)
- Total capex (including decommissioning spend) of c.$160 million for Q1; full year guidance of $1.3 billion unchanged, an increase of c.40 per cent versus 2021 levels reflecting the increase in drilling activity
- Continued progress on Harbour's UK CCS projects in line with the Group's goal of Net Zero by 2035
- Net debt reduced to $1.7 billion at 31 March from $2.3 billion at 31 December 2021
- Proposed final dividend of $100 million (8.4505 pence per share) for full year 2021 to be paid on 18 May, subject to shareholder approval

Linda Z Cook, Chief Executive Officer, commented:
"We have had a strong start to the year. Our increased production reflects the addition of the Premier portfolio, improved operating reliability and increased UK drilling activity. The Tolmount field in the UK began production in April and, once plateau levels are reached, the project is expected to increase UK domestic gas production by more than 5 per cent.

We continue to invest in high return, infrastructure-led opportunities within our asset base to sustain production while at the same time generating material free cash flow. This together with our robust balance sheet provides us with significant optionality over future capital allocation.

We are committed to producing oil and gas responsibly. As well as taking action to reduce emissions from our operations, we are very focused on progressing our CCS activities in the UK which include the V Net Zero project in the Humber region and an interest in the Acorn project in Scotland. These projects have the potential to capture and store multiple times Harbour's annual emissions."

Enquiries

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Notes to editors
2021 comparator numbers are provided on a reported basis with the Premier portfolio contributing from 31 March 2021.

Operational review

A strong production base

Production during the first quarter averaged 215 kboepd (Q1 2021: 158 kboepd), split 117 kboepd from liquids and 98 kboepd from gas. This c.35 per cent increase on the first quarter of 2021 was driven by the addition of the Premier portfolio, improved operational reliability and increased UK drilling activity resulting in new wells on-stream. Full year production guidance of 195-210 kboepd is reiterated and reflects planned summer maintenance campaigns during the second and third quarter.

Production during the first quarter benefited from limited planned shutdowns and no material unplanned outages. Following the completion of the extensive maintenance programmes in 2021, Harbour has now returned to a more normal maintenance cycle.

Harbour's production also reflects continued outperformance from the Greater Britannia satellite wells in the Central North Sea and recent new wells on-stream. In particular, the Jade South well was brought on-stream at J-Area in January and, post quarter end in April, the LAD well was tied in for production at Everest at the AELE hub. Also in April the Tolmount field in the southern North Sea began production and is currently ramping up to expected plateau rates of c. 20 kboepd (net to Harbour).

Harbour has numerous high return, infrastructure-led investment opportunities within its portfolio to sustain production at current levels. Notably, over 20 development and infill wells plus several well interventions are planned for 2022. This includes a three well programme at the Catcher Area which commenced drilling in March; two J-Area development wells where drilling is also underway; and drilling campaigns in Southeast Asia at Chim Sao (Vietnam) and Natuna Sea Block A (Indonesia).

Pre-development growth opportunities

Harbour has several international pre-development projects which together could add materially to future production. In Mexico, the Zama project continues to progress. The unitisation process concluded in March with the Mexican regulatory authority SENER issuing the unitisation resolution. The Zama Unit partners are now working to finalise a unit development plan ahead of a possible final investment decision in 2023.

In Indonesia Harbour is assessing the data from its successful 2021 Tuna appraisal campaign and finalising the development concept ahead of submitting an initial development plan later this year. Tuna and Zama together represent almost 150 mmboe of the Group's 2C resource. Elsewhere in Indonesia, Harbour and its partners BP and Mubadala spudded the Timpan-1 exploration well on the Andaman II licence in May.

In April, Harbour signed agreements to divest its Falkland Islands interests, including its position in the Sea Lion project, to Navitas Petroleum thereby, subject to certain conditions being met (including Falkland Islands Government approval), effecting our exit from the region.

Energy transition

Harbour has interests in two early-stage UK CCS projects, V Net Zero and Acorn, which have the potential to capture and store multiple times the Group's annual emissions. The transportation and storage capacity for the V Net Zero project alone is upwards of 10 million tonnes per annum. The first quarter saw Harbour award energy engineering specialist Kent the pre-front end engineering design contract for the V Net Zero pipeline systems. Subject to receiving clarity from the UK government on inclusion of V Net Zero in Track 2 as well as the fiscal, regulatory and commercial framework, Harbour is aiming to progress the project to a final investment decision in 2024 with first CO_2 injection as early as 2027.

Harbour, together with its partners, also continues to progress the Acorn project, which was awarded Track 1 Reserve status in 2021. On 31 March, Shell was appointed technical developer for the capture module and the transportation and storage module of the Acorn project which has the potential to address up to 9 million tonnes per annum of CO_2.

Financial review

Estimated revenue for the first quarter was c.$1.5 billion. Average realised oil prices pre- and post-hedging were $103/bbl and $84/bbl respectively. Average realised gas prices pre- and post-hedging were $160/boe and $66/boe respectively. A full schedule of the Group's hedging position is set out in Appendix 2.

Operating costs for the first quarter were $272 million and $14.1/boe on a unit of production basis. Full year unit operating cost guidance remains unchanged at $15-16/boe reflecting planned summer maintenance programmes during the second and third quarter. Integration of the Premier portfolio continues as the Group works to consolidate its supply chain contracts and capture the benefits of scale.

Harbour's total capex (production, development, exploration and decommissioning) for the first quarter was c.$160 million. Harbour's full year 2022 total capex guidance of $1.3 billion is unchanged with the majority of the spend in the UK. This is an increase of c.40 per cent when compared to capex levels in 2021.

Group cash tax paid in the first quarter was around $140 million, predominantly reflecting a UK tax payment in January relating to Harbour's 2021 UK activities.

In December 2021, Harbour announced a $200 million per annum dividend. The first $100 million distribution (8.4505 pence per share) will be in respect of the final dividend for the 2021 financial year and will be paid on 18 May 2022, subject to shareholder approval.

As a result of strong operational performance, underpinned by continued investment in the Group's asset base, and improved commodity prices Harbour is generating material free cash flow. At the end of March Harbour's net debt (excluding unamortised fees) was c. $1.7 billion, reduced from $2.3 billion at the end of 2021, with available liquidity (cash and undrawn facilities) in excess of $2 billion.

At $100/bbl and 200p/therm average prices for 2022, Harbour continues to expect to generate between $1.5 and $1.7 billion of free cash flow (after tax and the $200 million dividend payment) with the potential to be net debt free in 2023. As a result, we have significant optionality over our future capital allocation, including for meaningful value accretive transactions and additional shareholder returns. In the event commodity prices remain elevated and we continue to rapidly de-lever, additional shareholder returns will be considered as we progress through the year within the context of our existing capital allocation framework.

A summary of Harbour's performance for the first quarter and guidance for the full year 2022 is set out in Appendix 3.

Upcoming events

Harbour will hold its Annual General Meeting (AGM) today at 10.00 and the voting results will be announced shortly after the meeting.

As previously announced, immediately following the AGM, Harbour will hold a General Meeting, regarding a proposed capital reduction. The proposed capital reduction, if approved by shareholders, would create additional distributable reserves to provide flexibility for future dividend payments and / or share buybacks.

As announced by FTSE Russell on 9 May, Harbour will be added to the FTSE 100 Index with effect from start of trading on Thursday 12 May.

Harbour's next scheduled update to the market is on Thursday 25 August 2022 when it will issue its Half Year results for the period 1 January to 30 June 2022.

Appendix 1: Group production

	Equity (%)	Q1 2022 (net, kboepd)	Q1 2021 (net, kboepd)
Greater Britannia Area	26.3-93.8	34	35
J-Area	67-67.5	34	28
AELE hub	32-100	27	32
Catcher	50	22	-
Elgin Franklin[1]	19.3	26	18
Buzzard	21.7	16	16
Beryl	34-49	13	14
West of Shetlands[2]	7.5-100	15	10
Other North Sea[3]	8.4-100	12	5
North Sea	**7.5-100**	**199**	**158**
International	**28.7-53.1**	**16**	**-**
Total Group	**7.5-100**	**215**	**158**

[1] In Q1 2021, Harbour had a 14.1 per cent interest in Elgin Franklin. This increased to 19.3 per cent following the Premier Merger. [2] West of Shetlands comprises Clair, Schiehallion in Q1 2021 and Clair, Schiehallion and Solan in Q1 2022. Other Europe includes East Irish Sea and Galleon in Q1 2021 and East Irish Sea, Galleon and Ravenspurn North in Q1 2022.

Appendix 2: Hedging schedule[1]

	2022		2023		2024	
	Volume (mmboe)	Price (p/th, $/bbl)	Volume (mmboe)	Price (p/th, $/bbl)	Volume (mmboe)	Price (p/th, $/bbl)
UK gas						
Swaps	19.1	42	21.5	40	9.9	52
Collars	5.2	50-60	1.6	50-56	-	-
Options	1.1	35	-	-	-	-
Oil						
Swaps	18.8	61.2	7.3	61.1	3.7	80.5

[1] As per 3 May 2022

Appendix 3: 2022 guidance

	Actual (Q1 2022)	Guidance (FY 2022)
Production	215 kboepd	195-210 kboepd
Operating costs	$14.1/boe	$15-16/boe
Total capex (including decommissioning)	$160 million	$1.3 billion