

18 December 2020

Hurricane Energy plc

("Hurricane" or the "Company")

Operational and Corporate Update

Hurricane Energy plc, the UK based oil and gas company, provides an operational and corporate update.

Antony Maris, Chief Executive Officer of Hurricane, commented:

"Options to enhance both Lancaster field performance and recovery have progressed considerably in recent months, utilising the revised geological model of the Lancaster field and a rebuilt simulation model incorporating additional reservoir data gathered since September 2020.

While several development options continue to be evaluated, a side-track of the existing 205/21a-7z well to an up-dip oil producer location could increase oil production from late 2021. This could be followed by a water injection well in the northwest of the Lancaster field, which, with related FPSO and subsea work, could provide pressure support and sweep oil within the onlapping sandstone reservoirs towards the producing wells from late 2022.

We will now commence a period of stakeholder engagement to seek alignment on the merits of this further Lancaster activity and the support and/or approvals which may be required to execute this programme. While there can be no certainty as to the outcome of this engagement, we continue to believe there is significant value in Lancaster and our broader West of Shetland portfolio, and we remain focused on delivering that value for the benefit of our stakeholders."

Lancaster Production Update

Since the Company's last update on 8 October 2020, the Lancaster field has continued to produce from the 205/21a-6 well alone, except for a short period of testing the 205/21a-7z well to assist in the refinement of the Lancaster reservoir simulation model.

The 205/21a-6 well is currently producing at c.12,300 bopd on artificial lift with a c.23% water cut. In early November 2020, the Company decided to limit production to approximately 12,000 bopd for reservoir evaluation and management purposes and aims to maintain production around this level in the near-term.

Since 1 September 2020, the Lancaster field has averaged 12,500 bopd and as a result, the Company expects production for the period 1 September 2020 to 31 December 2020 to be within the previously announced 12,000 – 14,000 bopd guidance range.

The 17th and 18th cargoes of Lancaster crude were lifted in mid-October and mid-November, respectively.

Future Lancaster Development Options

Since the 11 September 2020 technical update announcement, a significant amount of work has been completed to further refine the revised technical interpretation of the Lancaster reservoir systems and formulate further development options for the field.

Underpinning these efforts are two main objectives: to deliver production levels which ensure resilience in a volatile oil price environment, as well as to achieve optimal further development of the Lancaster field to maximise stakeholder value.

Building on the initial results of the technical review announced in September 2020, a remapping exercise has been completed to more accurately define the complex reservoir horizons now recognised in Lancaster. The reservoir simulation model has also been extensively rebuilt, utilising this remapping work, recognising the contribution from sandstones onlapping fractured basement, and using additional historical and regional data. This simulation model has been used to assess various near-term development options which are currently under technical and commercial review.

While no firm decisions have been taken, the Company has focussed on the location, operations planning and execution in 2021 of a new production well in the central “attic” high of the Lancaster field, by re-entering and side-tracking the existing 205/21a-7z well. This could add meaningfully to the production capacity from the existing 205/21a-6 well, accelerate production of existing reserves, and, depending on oil price, materially improve near-term cashflow generation. Development costs are currently estimated at c.\$60 million. Subject to a sanction decision early in the first quarter of 2021 and securing a suitable rig and equipment, first production from this well should be possible by late 2021.

Implementing a water injection programme is important to provide pressure support generally, but also to sweep oil towards the producing wells in the centre of the field, which could materially improve recovery from Lancaster. Preliminary evaluation has identified that injection into the northwest of the field could provide the greatest benefit. Ongoing assessment of this water injection option is focussed on finalising the well location, subsurface and FPSO modifications, operations planning and execution in 2022. Costs are currently estimated at c.\$75 million.

Hurricane recently appointed ERC Equipoise Limited as its Independent Competent Person and reserves auditor. A Competent Person’s Report covering the Company’s West of Shetland assets is still on track for completion by the end of the first quarter in 2021, at which time updated estimates of Lancaster reserves and resources will be available, together with updated resources estimates for the Company’s other assets.

Funding Requirements and Stakeholder Engagement

At 30 November 2020, the Company had net free cash¹ of \$87 million.

The contemplated development activity is conditional on the approval of Hurricane’s board of directors, requisite regulatory approvals and the availability and contracting of long lead items. It is also subject to achieving stakeholder support to underpin suitable funding arrangements.

At current production levels and oil prices, the Lancaster field is generating positive cash flow. However, the reduced estimates of Lancaster reserves announced in September 2020, combined with the reduction in oil prices since the first quarter of 2020, have negatively impacted the projected future cash generation potential of the field.

Accordingly, the Company has appointed Evercore Partners International LLP and Dentons UK and Middle East LLP as its financial and legal advisors, respectively. Substantive discussions with certain key stakeholders (including holders of the Company’s outstanding convertible bonds) and relevant third parties are expected to commence shortly in regard to the funding of and/or required support for the development options described above.

¹ Unrestricted cash and cash equivalents, plus current financial trade and other receivables, current oil price derivatives, less current financial trade and other payables

Other technical options which may be available to improve production and recovery efficiency, as well as commercial options to manage projected funding requirements, are being and will continue to be considered. Reductions to the Company’s cost base are also being implemented.

It should be noted that there is a risk of dilution to existing shareholders from a possible restructuring and/or partial equitisation of the convertible bonds. Furthermore, if no agreement can be reached with the Company’s stakeholders on additional investment, further development activity at Lancaster might not be possible. In such a scenario, Lancaster could continue to produce from existing wells before reaching the economic limit, the timing of which would depend on oil prices, actual production levels delivered and the level of cost savings achievable. The field may then be decommissioned, with potentially limited or no value returned to shareholders. Notwithstanding these risks, the Company will endeavour to secure the best possible outcome for all stakeholders.

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About Hurricane

Hurricane was established to discover, appraise and develop hydrocarbon resources associated with naturally fractured basement reservoirs. The Company’s acreage is concentrated on the Rona Ridge, in the West of Shetland region of the UK Continental Shelf.

The Lancaster field (100% owned by Hurricane) is the UK’s first producing basement field. Hurricane is pursuing a phased development of Lancaster, starting with an Early Production System consisting of two wells tied-back to the Aoka Mizu FPSO. Hydrocarbons were introduced to the FPSO system on 11 May 2019 and the first oil milestone was achieved on 4 June 2019.

In September 2018, Spirit Energy farmed-in to 50% of the Lincoln and Warwick assets, committing to a phased work programme targeting sanction of an initial stage of full field development.

Visit Hurricane’s website at www.hurricaneenergy.com

Glossary

bopd	Barrels of oil per day
FPSO	Floating production storage and offloading vessel

Inside Information

This announcement contains inside information as stipulated under the market abuse regulation (EU no. 596/2014). Upon the publication of this announcement via regulatory information service this inside information is now considered to be in the public domain.