14 October 2021

Hurricane Energy plc

("Hurricane", the "Company", or the "Group")

Half-year Results 2021 and Operational and Financial update

Hurricane Energy plc, the UK based oil and gas company focused on hydrocarbon resources in naturally fractured basement reservoirs, provides its 2021 interim report and half-year results for the six-month period ended 30 June 2021, and an update on Lancaster field operations and net cash balances as of 30 September 2021.

2021 Interim results summary

Financial results

- Revenues of $124.5 million from four liftings of Lancaster crude (H1 2020: $81.9 million from seven liftings)
- Cash production costs† of $24.8/bbl (H1 2020: $18.2/bbl)
- Generated $75.9 million of operating cash flow (H1 2020: $21.9 million), equivalent to $38.0/bbl (H1 2020: $8.2/bbl)
- Profit after tax for the period of $42.8 million (H1 2020: loss after tax of $307.8 million)
- Net free cash† of $132.3 million at 30 June 2021 (31 December 2020: $111.4 million)

† Non-IFRS measures. See Appendix B for definition and reconciliation to nearest equivalent statutory IFRS measures

Operations – Greater Lancaster Area ("GLA")

- The Aoka Mizu FPSO continues to deliver excellent uptime, with an average field production uptime of 96% in H1 2021
- 10-million-barrel production milestone reached during H1 2021
- Lancaster EPS production averaged 11,100 bopd for H1 2021 (H1 2020: 14,600 bopd), primarily from the 205/21a-6 well ("P6 well") alone, with the 205/21a-7z well remaining shut in to manage reservoir voidage and pressure decline
- Elected not to exercise the three-year extension option for the Aoka Mizu that would have continued the contract to June 2025. Hurricane remains in positive negotiations with Bluewater over alternative extension options that would allow production to continue beyond June 2022

Operations – Greater Warwick Area ("GWA")

- Post period-end, in July 2021, completed the plug and abandonment of the 205/26b-14 well, which Hurricane operates on behalf of the GWA joint venture, fulfilling its regulatory obligation. Contracted the Stena Don semi-submersible rig with the operation completed within both schedule and budget

- OGA previously agreed to extend the deadline for the GWA licence commitment well from 31 December 2020 to 30 June 2022 as a result of the disruption caused by the COVID-19 pandemic. The Company continues to engage with the Joint Venture, and OGA, on the most appropriate timeframes for future GWA activities

Corporate

- The Company's proposed financial restructuring was ultimately not pursued following the High Court Judgment that the restructuring should not be implemented
- In June 2021, the incumbent non-executive directors resigned from the board, with John Wright and David Craik appointed to the board as non-executive directors and John Wright assuming the position of Interim Chairman
- Post period-end, on 15 September 2021, the Company completed the repurchase of approximately 34% of its outstanding $230 million 7.5% Convertible Bonds due in July 2022 at a cost of $62 million (including accrued interest), reducing the par value of Convertible Bonds held by third parties to $152 million

Outlook

- As previously announced, production guidance for the six months from 1 October 2021 is in the 8,500 – 10,000 bopd range, based on an improved FPSO production uptime assumption of 96.5% and production from the P6 well alone on artificial lift via ESP
- Hurricane continues to evaluate options to bolster production from the Lancaster field, in addition to engaging with GWA stakeholders on possible pathways towards development for the Lincoln discovery
- Following the recent Convertible Bond buyback which saves the Company approximately $22 million in future obligations to bondholders, Hurricane continues to evaluate options to further reduce its debt and improve the viability of its Balance Sheet
- Stronger oil prices and current production forecasts, combined with the impact of the bond buyback, internal cost cutting exercises and other cost reduction measures, have reduced the anticipated funding gap for the repayment of the Convertible Bonds. Whilst there remains uncertainty if the Company will have sufficient net free cash to repay the Convertible Bonds, the board of directors are optimistic that even if a shortfall remains it may be possible to bridge the gap

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Antony Maris, Chief Executive Officer of Hurricane, commented:

"The first six months of 2021 have proved very challenging. The focus has been on exploring ways to provide a stable financial platform for the Company, whilst in parallel delivering production as safely and efficiently as possible from Lancaster. Recent stronger oil prices combined with the impact of the bond buyback, internal cost cutting, and other cost reduction measures, has brought the possibility of bridging the funding gap for the repayment of the bonds within reach. However, the challenge of funding investment in our assets remains.

Going forward our near-term priority remains the repayment of our convertible bonds, and as such we move into the second half of the year with an overarching focus on capital discipline and operational performance. We are optimistic that, despite the economic and operational uncertainties that exist, even if a shortfall remains it may be possible to find a solution to repay the bond in full at maturity.

We continue to engage with all our key stakeholders regarding our financing arrangements as we concentrate on removing the debt burden as well as extracting further value from Lancaster and our other discoveries."

Contacts:

Hurricane Energy plc Antony Maris, Chief Executive Officer communications@hurricaneenergy.com	+44 (0)1483 862 820
Stifel Nicolaus Europe Limited Nominated Adviser & Joint Corporate Broker Callum Stewart / Simon Mensley / Ashton Clanfield	+44 (0)20 7710 7600
Investec Bank plc Joint Corporate Broker Chris Sim / Jarrett Silver	+44 (0)20 7597 5970
Vigo Consulting Public Relations Patrick d'Ancona / Ben Simons hurricane@vigoconsulting.com	+44 (0)20 7390 0230

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

Inside Information

This announcement is released by Hurricane Energy plc and contains inside information under Regulation (EU) 596/2014 on market abuse, as it forms part of domestic law by virtue of the European Union

(Withdrawal) Act 2018 (the UK MAR). For the purpose of the UK MAR, this announcement is made by Antony Maris, Chief Executive Officer at Hurricane Energy plc.

Competent Person

The technical information in this release has been reviewed by Antony Maris, Chief Executive Officer, who is a qualified person for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Mr Maris is a petroleum engineer with 35 years' experience in the oil and gas industry. He has a B.Sc. (Eng.) Petroleum Engineering (Hons) from the Imperial College of Science and Technology (University of London) Royal School of Mines A.R.S.M. and an MBA from Kingston Business School.

Standard

Reserves and resource estimates for the Lancaster field contained in this announcement have been prepared in accordance with the Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers, World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers.

Chief Executive Officer's Review

Introduction

It remains a challenging time for Hurricane, with management's focus in the first six months of 2021 on considering ways to ensure the Company has a stable financial platform upon which to plan for the future, whilst in parallel, overcoming operational hurdles to deliver production as safely and efficiently as possible from its Lancaster field. Despite these challenges, the Lancaster field continues to demonstrate excellent uptime and the board is working constructively to forge a path forward for the business that gives it the best chance to maximise value from its assets for all of its stakeholders.

In the first six months of 2021, the Company produced 2,004 Mbbl (H1 2020: 2,658 Mbbl) of crude from the Lancaster field. The volatile commodity price environment saw oil prices rise materially during the period, enabling Lancaster's production to generate significant cashflow in H1 2021. Revenues for the period were $124.5 million from four liftings of Lancaster crude (H1 2020: $81.9 million from seven liftings), generating operating cash flow of $75.9 million (H1 2020: $21.9 million), equivalent to $38.0/bbl (H1 2020: $8.2/bbl) with profit after tax for the period of $42.8 million (H1 2020: loss after tax of $307.8 million).

As of 30 September 2021, the Company had net free cash[(1)] of $73 million, compared to the last reported figure of $144 million as of 31 August 2021. This follows the completion of the repurchase of approximately 34% of the Company's outstanding $230 million 7.5% Convertible Bonds due in July 2022 at a cost of $62 million (including accrued interest), as announced on 15 September 2021.

COVID-19's ongoing impact on markets remains profound even as some countries begin to see their economies return to growth and continue their recoveries from the worst of the pandemic's effects. The commodity price reflected this reawakening of markets post lockdowns. Dated Brent oil now stands at over $80 per barrel and gas prices have seen unprecedented highs in recent weeks, with commensurate impact on domestic and industrial energy costs. Whilst markets remain volatile and the risks of the resurgence of the virus through the winter remain clear, at the time of writing, the Brent forward curve for oil suggests prices are likely to stay reasonably stable in the coming 12 months.

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

Operational review

Greater Lancaster Area ("GLA")

Operationally, the first half of 2021 was focused on managing production from the Company's Lancaster field to maximise output via the Aoka Mizu FPSO whilst also mitigating the impact of water cut and pressure decline in the main producing well. This approach resulted in an average production rate of 11,100 bopd for the period versus 14,600 bopd in the first six months of 2020, reflecting the decline in reservoir pressure and increasing water cut.

The Company forecasts that average production for the year is expected to be towards the upper-end of the annual production guidance for the full year 2021 of 8,500 – 10,500 bopd, which is based on an FPSO production uptime assumption of 90% and production from the P6 well alone on artificial lift via ESP. The production uptime assumption of 90% includes the impact of the annual maintenance shutdown, evenly spread across the year.

Post period-end, in July 2021, the FPSO underwent a planned maintenance shutdown which was completed safely with production restarting in a timely manner. As previously noted, the production rate immediately following the completion of the annual shutdown was elevated leading to the average oil rate for August being higher than in previous months, however, current oil production performance has returned to that seen just prior to the shutdown.

The following table details production volumes, water cut and minimum flowing bottom hole pressure for the 205/21a-6 ("P6") well during September 2021.

September 2021 Lancaster Field Data

	P6	P7z(2)
Oil produced during the month (Mbbls)	319	–
Average oil rate (bopd)	10,642	–
Water produced during the month (Mbbls)	155	–
Average water cut(3)	33%	–
Well gauge pressure (psia)(4)	1,629	–

(2) The 205/21a-7z ("P7z") well was not on production during September 2021
(3) Expressed as total water produced divided by total fluid (oil and water) production
(4) Pressure reported is the monthly minimum from well downhole gauge

As of 12 October 2021, Lancaster was producing c.10,450 bopd from the P6 well alone with an associated water cut of c. 35%.

The 25th cargo of Lancaster oil, totalling approximately 530 Mbbls, was lifted on 9 October 2021. The next cargo is expected to be lifted in late-November to early-December 2021.

In June 2021, the Company received approval of the Lancaster Field Development Plan Addendum (the "FDPA") by the OGA. The FDPA approval, together with associated production, flare, and vent consents, enables production with the bottom hole flowing pressure up to 300 psi below the bubble point pressure of the fluid (1,605 psia at 1,240 metres TVDSS), subject to the Company ensuring that no incremental liberated gas is produced to surface.

The initial consent was for a three-month period from 16 June 2021 to 15 September 2021. Subsequent production, flare, and vent consents have been received for the current period and future consents will be issued on an ongoing three-monthly basis subject to compliance with the terms of the FDPA. As noted in the Company's announcement post-period end on 29 September 2021, based on current trends, management estimates that bottom hole flowing pressure in the Lancaster reservoir may reach the bubble point by the end of Q1 2022. As previously announced, there is a degree of uncertainty regarding the timing and the full impact of this.

As announced in June 2021, the Company resolved not to exercise its option to extend the bareboat charter of the Aoka Mizu FPSO as it deemed it not to be in the best interest of the Company or its stakeholders. The current initial three-year term is due to expire in June 2022. Hurricane remains in positive negotiations with Bluewater Energy Services B.V., the owner of the Aoka Mizu FPSO, with regards to an alternative extension for a shorter period than three years that would allow production to continue beyond June 2022.

Greater Warwick Area ("GWA")

The GWA JV (Hurricane 50%, Spirit Energy 50%) has spent the first half of 2021 reassessing its understanding of the GWA licence potential. Efforts have focused on evaluating the basement and the Mesozoic potential over the licence. The GWA JV is looking at all options on pathways for further appraisal and routes to the possible development of resources on the licence including through the addition of a third partner.

Owing to the disruption caused by the COVID-19 pandemic, an agreement was reached with the OGA to extend the deadline for the GWA licence commitment well from 31 December 2020 to 30 June 2022. The GWA JV is now engaging with the OGA on the technical re-evaluation and interpretation of the area to seek an appropriate timeframe for this commitment. If the GWA JV does not achieve an adjusted timeframe, it is likely that the Company will have to engage with Spirit on options to remove this obligation including a mutual surrender of the P1368(S) licence sub area.

Post period-end, in July 2021, Hurricane completed the plug and abandonment of the 205/26b-14 ("Lincoln-14") well, which Hurricane operates on behalf of the GWA JV. Hurricane contracted the Stena Don semi-submersible rig with the operation completed within both schedule and budget. The GWA JV had a regulatory obligation to plug and abandon the Lincoln-14 well by 31 October 2021, and this obligation has therefore now been fulfilled.

Reserves and Resources

In April 2021, ERC Equipoise completed its Competent Person's Report ("CPR") on the Company's West of Shetland assets. This was broadly consistent with the estimates for Lancaster and Lincoln which were presented in the Company's technical review in September 2020 and the full report is available on Hurricane's website.

Corporate

As a result of the combined impact of operational difficulties at Hurricane's Lancaster field, which saw lower production levels due to the use of only one of the field's two wells, and markedly lower oil prices in 2020 following the emergence of COVID-19, the Company believed there was significant doubt over its ability to repay its $230m convertible bond. Therefore, in late-2020, Hurricane commenced engagement with stakeholders including an ad hoc group of its bondholders to find a way to ensure it had a viable financial platform on which to operate and potentially invest further based on its anticipated cashflows.

As a result of those discussions, during the first half of the year, the Company proposed the implementation of a financial restructuring to its bondholders and shareholders in order to provide the Company and its stakeholders with more financial certainty. Following a hearing at which the views of multiple stakeholders were heard, including shareholders and bondholders, the High Court decided that the restructuring should not be implemented.

A number of board changes were implemented in the wake of this decision. The Company's incumbent non-executive directors resigned from the board and John Wright and David Craik were appointed to the board as non-executive directors on 29 June 2021 with Mr Wright assuming the position of Interim Chairman. The Company wishes to thank the previous Chairman and non-executive directors for their long-standing support and dedication to the Company. The Company continues to look to strengthen the Board through the addition of experienced candidates to support its forward plans.

In September 2021, the Company undertook a bond tender exercise, repurchasing approximately 34 per cent of its outstanding bonds at a price of 78 cents in the dollar. This has reduced the par value of bonds held by third parties to $152 million, using $62 million of net free cash (inclusive of accrued interest). The effect of this will save Hurricane approximately $22 million of future obligations to bondholders in capital and interest, a positive development for the Company in managing its outstanding debt.

ESG and Gas Export Update

In June 2021, Hurricane published its second standalone Environmental, Social and Governance report. The ESG report covered Hurricane's approach to ESG and performance across its operations for the 2020 calendar year.

Currently, associated gas production from the Lancaster EPS is partially used as fuel gas for the Aoka Mizu FPSO, with the remainder flared under the consent within the approved Field Development Plan Amendment. Further development of the Company's West of Shetland licences may require the development of a gas export solution. The Company remains fully committed to reducing its greenhouse gas emissions where it is economically and commercially viable to do so.

Outlook

The Company published updated production guidance in September 2021, maintaining its annual production guidance for the full year 2021 of 8,500 - 10,500 bopd. It also provided production guidance from the Lancaster field for the six-month period 1 October 2021 to 31 March 2022 of 8,500 – 10,000 bopd, which is based on an improved FPSO production uptime assumption of 96.5% and assuming no planned shutdowns as these are anticipated to occur outside the period. The guidance is slightly lower than the average for the full year 2021 due to the expected gradual production decline from the reservoir over time, partially offset by the higher FPSO uptime assumption.

Recent stronger oil prices and current production forecasts, combined with the impact of the bond buyback, internal cost cutting exercises and other cost reduction measures have reduced the anticipated funding gap for the repayment of the bonds. Whilst there remains uncertainty regarding the forecast cash available for bonds holders at maturity, at the current oil prices and based on current production forecasts the Company is anticipating that it may have sufficient net free cash to repay the Convertible Bonds at their maturity in July 2022 in full. In light of operational risks and the significant volatility in oil price, and given that not all the net free cash would be available for repayment of the bond, the outcome remains uncertain. Nevertheless, we are optimistic that even if a shortfall remains it may be possible to find a solution to bridge the gap.

We continue to work with all our stakeholders to ensure a stable financial platform for the business, not least with regards to the Convertible Bond due in July 2022, and also to determine the best route forward operationally to maximise the value of our assets West of Shetland. In that context we are in active dialogue with partners, shareholders, bondholders and the regulator to find the best strategy for Hurricane in the coming months and years.

Antony Maris
Chief Executive Officer
13 October 2021

† Non-IFRS measures. See Appendix B for definition and reconciliation to nearest equivalent statutory IFRS measures.

Financial Review

Highlights

	First half 2021	First half 2020	Full year 2020
Production	2,004 Mbbl	2,658 Mbbl	5,078 Mbbl
Average production rate*	11,100 bopd	14,600 bopd	13,900 bopd
Sales volumes	2,003 Mbbl	2,747 Mbbl	5,112 Mbbl
Revenue	$124.5m	$81.9m	$180.1m
Average sales price realised	$62.2/bbl	$29.8/bbl	$35.2/bbl
Cash production cost per barrel†	$24.8/bbl	$18.2/bbl	$17.9/bbl
Cash generated from operations	$75.9m	$21.9m	$80.2m
Closing net free cash†	$132.3m	$106.2m	$111.4m
Net debt†	$97.7m	$123.8m	$118.6m
Underlying loss before tax†	$(1.2)m	$(40.2)m	$(36.0)m
Profit/(loss) after tax	$42.8m	$(307.8)m	$(625.3)m

* Rounded to nearest 100 bopd

† Non-IFRS measures. See Appendix B for definition and reconciliation to nearest equivalent statutory IFRS measures.

During the first half of 2021, over 2 million barrels of Lancaster crude were sold across four cargoes, generating $124.5 million in revenue. The Group generated positive cash flow from operations of $75.9 million, thanks to the low operating costs and production efficiency of the Lancaster EPS. The Group exercised tight capital discipline, with $9.8 million spent on capital expenditure (excluding P&A activity).

Revenue

Revenue for the period was $124.5 million, with an average price realised of $62.2/bbl across four cargoes, versus an average Dated Brent price for the period of $65.0/bbl. Under the sales and marketing agreement with BP, the sale of Lancaster crude is priced at either the first five or last five days of the month of lifting (at buyer's option) and as such the applicable Dated Brent price is, on average, lower than the spot price at date of sale.

The average discount to Brent realized for H1 2021 was $3.0/bbl (H1 2020: $3.9/bbl; FY 2020: $2.9/bbl) (representing the discount or premium offered by the refinery purchasing the crude, BP's marketing fee, and the freight costs incurred by BP in transporting crude to its ultimate destination). All cargoes sold to date have been on time, within specification and contractual terms, and as such Hurricane has a good reputation of being a reliable producer.

Cost of sales

Cost of sales were $88.0 million, including $49.3 million of DD&A. Cash production costs (which exclude DD&A and accounting movements in inventory, but include the fixed lease charges for the Aoka Mizu) were $49.7 million, equivalent to $24.8/bbl versus $17.9/bbl for the full year 2020. The increase in cash

production costs, on a per-barrel basis, is driven by lower average production rates and higher realised sales prices (increasing the revenue-linked incentive tariff payable). Excluding the revenue-linked incentive tariff, cash production costs increased from $14.6/bbl full year 2020 to $19.2/bbl in 2021. With effect from June 2021, the fixed dayrate payable for the Aoka Mizu increased from $25,000/day to $75,000/day. In addition to this uplift, as production from the P6 well continues to decline naturally over time, cash production costs per barrel will increase given the largely fixed operational cost base.

Non-cash adjustments to oil and gas and exploration and evaluation assets

On 4 June 2021, Hurricane announced that it resolved not to exercise its option to extend the bareboat charter of the Aoka Mizu FPSO (the "Bareboat Charter") for a period of three years from June 2022 to June 2025. For the purposes of accounting for the lease under IFRS 16, the lease term has now been re-assessed to end at June 2022 (previously June 2025). This has resulted in a write-back of the lease liability and corresponding lease asset. As the latter had previously been impaired to materially less than the liability, the balance has been credited to the income statement, resulting in a non-cash gain of $49.1 million. Hurricane remains in positive negotiations with Bluewater over an alternative extension to the Bareboat Charter for a shorter period than three years.

Other non-cash charges included $1.8 million related to changes to decommissioning estimates recognised directly in the income statement.

General and administrative expenses

General and administrative costs ('G&A') for the six months ended 2021 were $21.2 million (H1 2020: $3.6 million). After adjusting for non-cash charges (DD&A and share-based payment expense) and amounts recharged to cost of sales and capitalised into fixed assets, gross cash G&A for the period was $26.7 million (H1 2020: $10.8 million). The increase in gross cash G&A was primarily driven by an increase in non-staff costs due to the significant legal and professional fees incurred in preparation for, during and after the proposed financial restructuring process of c.$14 million. Staff costs were largely flat, although the stronger Sterling in 2021 resulted in an increase in reported amounts when translated to USD compared to the prior period. A reconciliation of G&A costs is shown in note 3.3 to the Interim Financial Statements. We continue to investigate internal cost cutting exercises and other cost reduction measures on our G&A base.

Convertible Bond accounting

The accounting for the Convertible Bond (issued in July 2017) required the recognition of an embedded derivative liability related to the equity conversion option. The fair value of the embedded derivative is valued using an option pricing model, with the key inputs being the Company's share price and its share price volatility. Any increase in the liability creates a corresponding non-cash charge in the income statement, and vice versa. See note 5.1 to the Financial Statements for further details. On either conversion, cancellation or repayment of the Bond (or part thereof), the derivative liability (or part thereof) will be released to the Income Statement.

The fair value loss recognised during the period in relation to the embedded derivative was $3.3 million, primarily driven by increases in the Company's share price and its volatility in the period.

Bond repurchase

In September 2021, Hurricane repurchased and cancelled just over one third of its outstanding Convertible Bonds at 78% of face value for cash consideration of $62 million including accrued interest. This repurchase will save approximately $22 million of future obligations to bondholders in capital and interest.

Decommissioning estimates

A net increase of $1.3 million to decommissioning estimates has been recognised, primarily due to increased estimates to the cost of decommissioning the Lancaster EPS installations and wells, offset by changes to the discount rate used, assumptions in timing of the decommissioning activity, and lower than provisioned costs realised in plugging and abandoning the Lincoln-14 well. During the period, Hurricane agreed with the Regulator to place an additional £11.2 million ($15.5 million) of funds into trust, in order to provide security for the estimated decommissioning liability on Lancaster EPS on a pre-tax basis. At 30 June 2021, a total of $38.9 million was held in trust as decommissioning security for the Lancaster EPS.

At 30 June 2021, the Stena Don rig was in the process of completing the plug and abandonment of the Lincoln-14 well. The operation was successfully completed in July 2021, with the majority of the cash flows relating to the P&A falling after the balance sheet date.

Cashflow

Net free cash† bridge for H1 2021:

Opening net free cash†	Cash generated*	Capital expenditure	Movement in restricted funds	Coupon payments	Movements in working capital	Other	Closing net free cash†
$111.4m	$59.4m	$(9.8)m	$(8.3)m	$(8.6)m	$(12.3)m	$0.5m	$132.3m

**Comprises operating cash flow, fixed lease payments and financial restructuring costs*

At 30 June 2021, the Group had $132.3 million of net free cash† (being unrestricted cash net of payables and accruals and including trade receivables), an increase of $20.9 million from 31 December 2020.

Average realised sales price was $62.2/bbl and cash production costs were $24.8/bbl, generating cash per barrel (before working capital movements) of $37.4 in H1 2021 (full year 2020: $17.3/bbl).

Other operating cash outflows included the general and administrative costs of staff and other overheads, and the initial costs of the Lincoln P&A activity. After adjusting for movements in working capital the Group's operating cash inflow for the period amounted to $76.1 million.

Capital expenditure in the period was $9.8 million, comprising primarily previously committed purchases of long lead items for GLA and GWA developments, licences, geological studies and capitalised timewriting costs.

Financing outflows of $25.1 million included fees in relation to the proposed financial restructuring, coupon payments of the Convertible Bond and fixed lease repayments primarily for the Aoka Mizu.

Following start-up of production from the EPS, the Group is required to set aside a certain amount of cash to cover some of the termination costs of the FPSO lease should it wish to exit the charter before the end of the contract term. At 30 June 2021, this amount was $18.7 million (31 December 2020: $26.6 million), resulting in a release of $7.9 million into unrestricted funds during the period. This was offset by an additional $15.5 million placed into trust in relation to Lancaster EPS decommissioning arrangements (as

outlined above), resulting in a net decrease of $7.6 million to net free cash in relation to restricted cash movements.

Cashflow outlook

As of 30 September 2021, the Company had net free cash† of $73 million. The main movements over the three-month period from 30 June 2021 were:

- Revenue of c.$33m from one lifting of Lancaster crude in the quarter
- Operating costs and G&A of c.$30 million (including share of costs relating to the Lincoln-14 well plug and abandonment activity)
- Repurchase of Convertible Bonds of c.$62 million (including accrued interest) and quarterly cash coupon payments of c.$4 million
- Net cash capital expenditure of c.$3 million
- Net movements out of restricted cash of c.$6 million
- Decrease in net working capital of c.$1 million

The repurchase and cancellation of just over one third of the outstanding Convertible Bonds, for cash consideration of $62 million (including accrued interest) at a price of 78 cents in the dollar, will reduce the total amounts payable in Convertible Bond principal and interest by $22 million.

Hurricane remains in negotiations with Bluewater over an extension to the Aoka Mizu charter beyond June 2022. An extension of the contract may require Hurricane to ring-fence material additional funds as security. Furthermore, the increase to decommissioning estimates as outlined above may result in the Regulator requesting additional funds be placed into trust and classified as restricted cash. These potential transactions would reduce the amount of free cash available to repay the remaining Convertible Bonds due in July 2022.

The Company would also need to keep a portion of its projected net free cash at July 2022 aside to fund ongoing operating, staff and overhead expenses; as well as to cover any additional decommissioning costs (above those held in trust) that could arise should an unplanned cessation of production event occur and decommissioning activities need to take place earlier than previously assumed.

Principal risks

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance. Certain of these risks impacted the Company in the first half of 2021 and could continue to impact the Company over the remaining six months of 2021 and could cause actual results to differ materially from expected and historical results. The Group's principal risks are as follows:

- Substantial capital requirements
- Exploration, appraisal and development operational risks
- Production operational risks
- COVID-19
- Geological and reservoir risk
- Regulatory
- Oil price fluctuations
- Third-party infrastructure

- Development project delivery
- Health, Safety and Environmental
- Compliance
- Joint venture operations
- Strategy execution and staff retention
- Climate change and energy transition
- Litigation
- Repayment of Convertible Bond

The principal risks and uncertainties, along with the mitigation measures in place to reduce risks to acceptable levels, are consistent with those as at 31 December 2020 except as described below. Further information on the principal risks and uncertainties and the manner in which they are managed and mitigated provided on pages 14 to 23 of the 2020 Annual Report and Group Financial Statements.

The principal risk 'Completion of proposed financial restructuring' previously disclosed is no longer directly relevant, following the proposed financial restructuring not being sanctioned by the Court.

New principal risk, 'Repayment of Convertible Bond':

Following the decision of the Court in June 2021 not to sanction the proposed restructuring, the Company must still address is Convertible Bond debt which falls due in July 2022. This was partly addressed in September 2021 via the bond tender offer process.

There is a risk that the Company would not have sufficient free cash to repay the remaining Convertible Bonds due in July 2022, taking into account cash required to fund existing operations and cover unplanned contingencies. The size of any potential shortfall is highly sensitive to movements in oil price and production rates achieved from existing operations. If there is a shortfall, or projections show that a shortfall is highly likely to occur, between free cash (including any headroom required to fund existing operations and unplanned contingencies) and the Convertible Bond principal repayment, it is likely a form of restructuring of the existing debt would be required, which, depending on the funding gap, may result in dilution to existing shareholders' equity.

If there is not sufficient cash to repay the Bonds in July 2022, no restructuring of the debt is agreed or undertaken, and no alternative funding or finance is available then it is likely there would be a controlled wind-down of the Group followed by an insolvent liquidation. In such a scenario, the Group believes shareholders would receive no recovery in respect of shares that they hold, and Bondholders would rank as unsecured creditors of the Group.

Until such time as the repayment of the Convertible Bonds is addressed, there exists the risk of the uncertainty having a destabilising effect on the business of the Group, and the accrual of additional costs (for example, costs in relation to the preparation and issue of documentation, or other elements of the any debt restructuring or refinancing).

Related party transactions

There have been no new material related party transactions in the period. As of 30 June 2021, Crystal Amber Fund Limited ('Crystal Amber') held 22.6% of the Company's Ordinary Shares, and Crystal Amber have classified its investment in Hurricane as an associate. As such, Crystal Amber are now considered to be a related party of the Group.

Going concern

These Interim Financial Statements are prepared on the going concern basis of accounting. The ability of the Company to continue in operational existence for a period of at least twelve months beyond the approval of these Interim Financial Statements is dependent on (a) Hurricane being able to secure an acceptable extension to the Aoka Mizu FPSO charter beyond its current expiry date of June 2022 and (b) being able to successfully undertake mitigating actions and/or refinancing transactions to address any projected or actual shortfall in the amount required to repay its Convertible Bond debt due in July 2022. For this reason, they continue to adopt the Going Concern Basis for preparing the Interim Financial Statements, however, as there can be no certainty of the occurrence of the factors outlined above, there exists a material financial uncertainty which may cast doubt on the Company's ability to continue as a going concern.

Further details on the going concern assessment, and key assumptions used therein, are described in Note 1.3 to the Interim Financial Statements below.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

INDEPENDENT REVIEW REPORT TO HURRICANE ENERGY PLC

Introduction

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 Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and related notes. 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.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules.

The annual financial statements of the Group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as adopted by the UK.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. 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.

Conclusion

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 International Accounting Standard 34 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as adopted by the UK and the AIM Rules.

Material uncertainty related to Going Concern

We draw attention to Note 1.3 in the half-yearly financial report for the six months ended 30 June 2021, which indicates that the Company's ability to continue as a going concern for a foreseeable future is dependent on the occurrence of one or more mitigating actions outlined in the Note. As there is no certainty in terms of timing and occurrence of any of these events, therefore, there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Use of our report

This report is made solely to the Company's directors, as a body, in accordance with the terms of our engagement letter. Our review has been undertaken so that we may state to the Company's directors those matters we have agreed to state to them in a reviewer's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work, for this report or the conclusion we have formed.

PKF Littlejohn LLP **13 October 2021**
Statutory Auditor
15 Westferry Circus, Canary Wharf, London E14 4HD

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2021

	Notes	**6 months ended 30 Jun 2021 $'000**	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
Revenue	2.1	**124,501**	81,871	180,083
Cost of sales	2.2	**(88,017)**	(101,476)	(179,816)
Gross profit/(loss)		**36,484**	(19,605)	267
General and administrative expenses	3.3	**(21,223)**	(3,552)	(4,229)
Gain on revision of lease term	5.2	**49,125**	–	–
Impairment of oil and gas assets	2.3	**–**	(238,853)	(519,152)
Increase in decommissioning estimates expensed	2.5	**(1,751)**	–	(469)
Impairment of intangible exploration and evaluation assets and exploration expense written off	2.4	**(32)**	(12,537)	(47,476)
Operating profit/(loss)		**62,603**	(274,547)	(571,059)
Finance income	3.2	**745**	843	2,696
Finance costs	3.2	**(17,190)**	(18,730)	(38,160)
Fair value gain/(loss) on Convertible Bond embedded derivative	5.1	**(3,304)**	33,956	35,431
Profit/(loss) before tax		**42,854**	(258,478)	(571,092)
Tax	6.1	**(78)**	(49,262)	(54,233)
Profit/(loss) for the period		**42,776**	(307,740)	(625,325)
		Cents	Cents	Cents
Earnings per share (basic)	3.1	**2.15**	(15.47)	(31.43)
Earnings per share (diluted)	3.1	**2.15**	(15.47)	(31.43)

All results arise from continuing operations.

Condensed Consolidated Balance Sheet

as at 30 June 2021

	Notes	**30 Jun 2021**	30 Jun 2020	31 Dec 2020
		$'000	$'000	$'000
Non-current assets				
Intangible exploration and evaluation assets	2.4	**56,573**	88,619	55,390
Oil and gas assets	2.3	**146,410**	513,614	208,027
Other non-current assets		**2,361**	2,862	2,605
Deferred tax assets	6.2	–	5,048	78
Liquid investments	4.1	**38,938**	–	22,811
Cash and cash equivalents	4.1	**–**	2,881	–
		244,282	613,024	288,911
Current assets				
Inventory	2.2	**16,816**	8,870	11,285
Trade and other receivables	4.2	**11,520**	36,718	14,524
Derivative financial instruments	4.4	–	2,542	–
Cash and cash equivalents	4.1	**169,056**	143,223	143,703
		197,392	191,353	169,512
Total assets		**441,674**	804,377	458,423
Current liabilities				
Trade and other payables	4.3	**(24,924)**	(54,952)	(16,356)
Lease liabilities	5.2	**(26,468)**	(9,463)	(18,479)
Decommissioning provisions	2.5	**(4,530)**	(12,650)	(15,466)
		(55,922)	(77,065)	(50,301)
Non-current liabilities				
Lease liabilities	5.2	**(2,175)**	(88,561)	(78,842)
Convertible Bond liability	5.1	**(221,062)**	(211,097)	(216,034)
Convertible Bond embedded derivative	5.1	**(4,189)**	(2,360)	(885)
Decommissioning provisions	2.5	**(47,698)**	(41,437)	(45,675)
		(275,124)	(343,455)	(341,436)
Total liabilities		**(331,046)**	(420,520)	(391,737)
Net assets		**110,628**	383,857	66,686
Equity				
Share capital	5.4	**2,885**	2,885	2,885
Share premium		**822,458**	822,458	822,458
Share option reserve		**22,512**	21,141	21,443
Own shares reserve		**(826)**	(1,035)	(923)
Foreign exchange reserve		**(90,828)**	(90,828)	(90,828)
Accumulated deficit		**(645,573)**	(370,764)	(688,349)
Total equity		**110,628**	383,857	66,686

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2021

	Share capital $'000	Share premium $'000	Share option reserve $'000	Own shares reserve $'000	Foreign exchange reserve $'000	Accumulated deficit $'000	Total $'000
At 1 January 2020	2,883	821,910	20,828	(684)	(90,828)	(63,024)	691,085
Loss for the period	–	–	–	–	–	(307,740)	(307,740)
New shares issued under employee share schemes	2	548	–	(445)	–	–	105
Share-based payments	–	–	313	94	–	–	407
At 30 June 2020	2,885	822,458	21,141	(1,035)	(90,828)	(370,764)	383,857
Loss for the period	–	–	–	–	–	(317,585)	(317,585)
Share-based payments	–	–	302	112	–	–	414
At 31 December 2020	2,885	822,458	21,443	(923)	(90,828)	(688,349)	66,686
Profit for the period	**–**	**–**	**–**	**–**	**–**	**42,776**	**42,776**
Share-based payments	**–**	**–**	**1,069**	**97**	**–**	**–**	**1,166**
At 30 June 2021	**2,885**	**822,458**	**22,512**	**(826)**	**(90,828)**	**(645,573)**	**110,628**

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2021

	Notes	**6 months ended 30 Jun 2021 $'000**	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
Cash flows from operating activities				
Operating profit/(loss)		**62,603**	(274,547)	(571,059)
Adjustments for:				
Depreciation of property, plant and equipment	2.3	**49,513**	55,881	97,136
Impairment of oil and gas assets	2.3	**1,751**	238,853	519,152
Impairment of intangible exploration and evaluation assets and exploration expense written off	2.4	**32**	12,537	47,945
Gain on lease remeasurement	5.2	**(49,125)**	–	–
Share-based payment charge		**1,166**	407	821
Purchase of derivative financial instruments	4.4	–	(3,420)	(3,420)
Expenses paid related to corporate finance activities		**11,687**	–	–
Decommissioning spend		**(748)**	(2,100)	(2,108)
Operating cash flow before working capital movements		**76,879**	27,611	88,467
Movement in receivables		**(2,324)**	(16,932)	159
Movement in payables		**6,877**	8,169	(10,352)
Movement in crude oil, fuel and chemicals inventories		**(5,531)**	3,041	1,946
Net cash from operating activities		**75,901**	21,889	80,220
Cash flows from investing activities				
Interest received		**20**	843	1,227
Increase in liquid investments		**(15,530)**	–	(22,811)
Expenditure on oil and gas assets		**(6,997)**	(12,373)	(23,396)
Expenditure on other fixed assets		**(2)**	(69)	(69)
Expenditure on intangible exploration and evaluation assets		**(2,778)**	(21,432)	(35,269)
Movement in spares and supplies inventories		–	(1,966)	(3,286)
Net cash used in investing activities		**(25,287)**	(34,997)	(83,604)
Cash flows from financing activities				
Convertible Bond interest paid	5.1	**(8,625)**	(8,625)	(17,250)
Lease payments	5.2	**(4,808)**	(4,836)	(9,658)
Interest and other finance charges paid		**(20)**	(4)	(15)
Expenses paid related to corporate finance activities		**(11,687)**	–	–
New shares issued under employee share schemes		–	105	105
Net cash used in financing activities		**(25,140)**	(13,360)	(26,818)
Increase/(decrease) in cash and cash equivalents		**25,474**	(26,468)	(30,202)
Cash and cash equivalents at beginning of period		**143,703**	171,434	171,434
Net increase/(decrease) in cash and cash equivalents		**25,474**	(26,468)	(30,202)
Effects of foreign exchange rate changes		**(121)**	1,138	2,471
Cash and cash equivalents at end of period	4.1	**169,056**	146,104	143,703

Notes to the Interim Financial Statements

Section 1 General information

Hurricane Energy plc is a public company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006 (registered company number 05245689). The nature of the Group's operations and its principal activity is exploration, development and production of oil and gas reserves principally on the UK Continental Shelf. The address of Hurricane Energy plc's registered office is The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, GU7 2QN. Hurricane Energy plc's shares are listed on the AIM market of the London Stock Exchange.

This Interim Report and Financial Statements was approved by the Board of Directors and authorised for issue on 13 October 2021.

This set of Interim Financial Statements for the six months ended 30 June 2021 is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Audited statutory Financial Statements for the year ended 31 December 2020 were approved by the Board of Directors on 24 May 2021 and have been delivered to the Registrar of Companies. The auditor's report on those Financial Statements, issued by Deloitte LLP, was unqualified, but drew attention to material uncertainty related to going concern by way of emphasis of matter, and did not contain a statement made under Section 498 of the Companies Act 2006. At the Company's most recent Annual General Meeting, held on 30 June 2021, the Resolution to re-appoint Deloitte LLP as the Company's auditors was not passed by the Company's shareholders. The Group has subsequently engaged PKF Littlejohn LLP as its statutory auditor, who have reviewed these Interim Financial Statements and who will audit the statutory Financial Statements of the Group for the year ending 31 December 2021 in due course.

1.1 Basis of preparation

The Interim Financial Statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) in conformity with the requirements of the Companies Act 2006 and the AIM Rules. The annual financial statements of the group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards. The consolidated income statement and related notes represent results arising from continuing operations, there being no discontinued operations in the periods presented. The Interim Financial Statements have been prepared using accounting bases and policies consistent with those used in the preparation of the audited Financial Statements of the Group for the year ended 31 December 2020.

1.2 Significant events and changes in the current reporting period

The financial performance and position of the Group was affected by the following events and changes during the six-month period to 30 June 2021:

- a significant increase in revenue versus the comparative six-month period due to a strong recovery in crude oil prices (note 2.1);
- the incurrence of significant legal and professional costs (for advisers engaged by the Group, bondholders and shareholders) related to the proposed financial restructuring of the Group,

originally announced in April 2021, but ultimately not sanctioned by the Court in June 2021 (note 3.3);

- a reduction in lease liabilities, right-of-use assets and a non-cash lease remeasurement gain arising from the decision not to extend the bareboat charter of the Aoka Mizu FPSO beyond June 2022 (notes 5.2 and 2.3); and
- the placing of an additional £11.2 million of cash into restricted funds following a formal request by OPRED to increase the amount of decommissioning security for the Lancaster field (note 4.1).

Since the end of the reporting period, the Group repurchased and cancelled $78 million in aggregate principal amount of its Convertible Bonds (see note 7.2.2).

The Group's business and operations are not exposed to seasonality or cyclicality. The Group has reviewed its exposure to climate-related and other emerging business risks but has not identified any of these risks that could impact the financial performance or position of the group as at 30 June 2021. The principal risks and uncertainties impacting the Group are outlined within the Financial Review above.

1.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Chief Executive Officer's review and Financial Review above. The financial position of the Group, its cash flows and liquidity position are set out in these Interim Financial Statements. These interim Financial Statements have been prepared in accordance with the going concern basis of accounting, with the presumption of going concern being a critical judgment.

The following key assumptions were used in the assessment of the going concern position:

- Dated Brent oil price of $79/bbl (average for remainder of 2021), $74/bbl (average for 2022) and $69/bbl (average for 2023);
- production from the P6 well alone (assuming continued production, flare and vent consents are received from the Regulator), with forecast production profiles based on internal reservoir simulation modelling;
- including the impact of the repurchase and cancellation of $78 million principal of Convertible Bonds in September 2021;
- renegotiated terms of the Aoka Mizu FPSO charter to allow production to continue beyond June 2022;
- no funding by Hurricane in respect of the joint operation's regulatory obligation to commence drilling a commitment well on the Lincoln field by 30 June 2022; and
- no sanction of further investment cases.

These production profiles modelled incorporated different oil price and technical assumptions to those included in the 2021 ERCE CPR but were within the ranges of reserves and contingent resources estimated by ERCE. The analysis included a review of the budget for the year ending December 2021 and onwards, committed capital expenditure, regret costs and longer-term forecasts and plans, including consideration of the principal risks faced by the Company and the Group, and taking into account the ongoing impact of the global COVID-19 pandemic on the macroeconomic situation and any potential impact to operations.

Under the production simulations and oil price assumptions used as outlined above, it is forecast that the Group would not be able to fully repay the remaining Convertible Bonds due in July 2022 whilst also leaving in place an appropriate level of headroom to cover ongoing operating expenditure, general and administrative costs and/or other contingencies to cover unplanned decommissioning and abandonment

costs in an unplanned cessation of production scenario. As such the ability of the Group to continue trading as a going concern would depend upon the occurrence of one or more of the following:

- a successful equity raise;
- securing short-term bridging financing to temporarily meet any shortfall;
- bondholders and creditors agreeing to financial waivers and/or amendments;
- the Group agreeing alternative plans for a proposed financial restructuring with stakeholders.

Under the scenario and assumptions outlined above, the quantum of the shortfall (between the amount of free cash assessed to be required by management to continue operations, and the Convertible Bond principal repayment amount) is forecast to be of such a size that the directors believe it is reasonably possible the one or more of the above transactions could be successfully undertaken in order to address the projected shortfall in meeting the remaining Convertible Bond principal. However, until one or more of these has been concluded, this outcome cannot be guaranteed. The projected shortfall is highly sensitive to movements in forecast oil prices and, due to declining production (meaning liftings occur less frequently) the Company is more exposed to oil price volatility.

One of the key assumptions above is that Hurricane does not fund its share of the Lincoln commitment well due to be commenced by 30 June 2022. Unless other funding arrangements are agreed with third parties in respect of the well, and/or the Regulator consents to a significant deferral or change in scope of the activity, the joint operation will automatically relinquish the Lincoln sub-area of the P1368 licence.

As a result of the going concern assessment presented above, and on the key assumptions that (a) the Company is able to secure an acceptable extension to the Aoka Mizu FPSO charter beyond its current expiry date of June 2022 and (b) Hurricane is able to successfully undertake mitigating actions and/or refinancing transactions to address any projected or actual shortfall in the amount required to repay its Convertible Bond debt due in July 2022, the directors have a reasonable expectation that, after also taking into consideration the current macroeconomic situation and uncertainty arising from the COVID-19 pandemic, the Company has adequate resources and support to continue in operational existence for a period of at least 12 months from the approval of these interim financial statements.

Therefore, the directors continue to adopt the going concern basis of accounting in preparing these interim Financial Statements, and the interim Financial Statements do not include the adjustments that would result if the Company was unable to continue as a going concern. However, as there can be no certainty of the occurrence of one or more scenarios outlined above, there exists a material financial uncertainty which may cast doubt on the Company's ability to continue as a going concern.

1.4 Accounting policies

The accounting policies adopted are consistent with those of the annual Financial Statements for the year ended 31 December 2020. New and amended standards that became applicable for the Group in the current reporting period have not resulted in changes to accounting policies or retrospective adjustments.

1.5 Critical accounting judgments and key sources of estimation uncertainty

The critical judgments made in applying those accounting policies and the key sources of estimation uncertainty are the same as those described in the audited Financial Statements of the Group for the year ended 31 December 2020. Changes to underlying key estimates (as compared with estimates made at 31 December 2020) primarily comprise changes to the estimated future cashflows and taxable profits used for

the impairment test of oil and gas assets (note 2.3.1) and assessment of deferred tax assets (note 6.2) as a result of updates to forecast oil prices, production rates and other projections; and a change in estimate to the volatility of the Company's Ordinary Share price used in valuing the embedded derivative component of the Convertible Bond (note 5.1) as a result of movements in the Company's share price.

Section 2 Oil and gas operations

2.1 Revenue

All revenue is derived from contracts with customers and is comprised of one category and within one geographical location, being the sale of crude oil from the Lancaster EPS. All sales were made to one external customer (BP Oil International Limited).

	6 months ended 30 Jun 2021 $'000	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
Oil sales	**124,501**	81,871	180,083
Revenue from contracts with customers	**124,501**	81,871	180,083
Cargoes sold	**4**	7	12
Sales volumes	**2,003 Mbbl**	2,747 Mbbl	5,112 Mbbl
Average sales price realised	**$62.2/bbl**	$29.8/bbl	$35.2/bbl

2.2 Cost of sales and inventory

Cost of sales

	Note	**6 months ended 30 Jun 2021 $'000**	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
Operating costs		**32,717**	36,170	65,107
Depreciation of oil and gas assets – owned	2.3	**45,855**	48,348	84,756
Depreciation of oil and gas assets – leased	2.3	**3,405**	7,258	11,828
Movement in crude oil inventory		**(5,059)**	2,113	1,733
Variable lease payments	5.2	**11,099**	7,587	16,392
Cost of sales		**88,017**	101,476	179,816

Inventory

	30 Jun 2021 $'000	30 Jun 2020 $'000	31 Dec 2020 $'000
Crude oil	**7,750**	2,311	2,691
Fuel and chemicals	**1,808**	621	1,336
Spares and supplies	**7,258**	5,938	7,258
Inventory	**16,816**	8,870	11,285

No net realisable value provision was held for inventory.

2.3 Oil and gas assets

	Note	Leased $'000	Owned $'000	Total $'000
Cost				
At 1 January 2020		101,347	757,424	858,771
Additions		–	13,762	13,762
Changes to decommissioning estimates	2.5	(228)	(1,616)	(1,844)
At 30 June 2020		101,119	769,570	870,689
Additions		–	9,890	9,890
Changes to decommissioning estimates	2.5	702	5,098	5,800
At 31 December 2020		**101,821**	**784,558**	**886,379**
Additions		–	**5,568**	**5,568**
Remeasurement of lease liability	5.2	**(18,212)**	**–**	**(18,212)**
Changes to decommissioning estimates	2.5	–	**287**	**287**
At 30 June 2021		**83,609**	**790,413**	**874,022**
Depreciation				
At 1 January 2020		(8,210)	(54,406)	(62,616)
Depreciation charge for the period		(7,258)	(48,348)	(55,606)
Impairment		(31,040)	(207,813)	(238,853)
At 30 June 2020		(46,508)	(310,567)	(357,075)
Depreciation charge for the period		(4,570)	(36,408)	(40,978)
Impairment		(29,126)	(251,173)	(280,299)
At 31 December 2020		**(80,204)**	**(598,148)**	**(678,352)**
Depreciation charge for the period		**(3,405)**	**(45,855)**	**(49,260)**
At 30 June 2021		**(83,609)**	**(644,003)**	**(727,612)**
Carrying amount at 30 June 2020		54,611	459,003	513,614
Carrying amount at 31 December 2020		21,617	186,410	208,027
Carrying amount at 30 June 2021		**–**	**146,410**	**146,410**

Oil and gas assets held under leases comprise the Aoka Mizu FPSO bareboat charter, which commenced in May 2019. During the current period, the lease term was reassessed, resulting in a decrease in the leased asset value to nil (see note 5.2). The Group remains in negotiations with the owner of the Aoka Mizu FPSO, over an alternative extension to the Bareboat Charter for a shorter period and believes there is a reasonable prospect of negotiating such an extension of the existing contract on acceptable terms as it would be in the best interests of stakeholders so to do. As such, in determining the recoverable amount of oil and gas assets for the purposes of performing the impairment test as at 30 June 2021, one of the key assumptions is that an extension to the charter is agreed between the Group and the Aoka Mizu owner to allow production to continue beyond June 2022.

Included within the cost of owned oil and gas assets is $42.8 million of capitalised borrowing costs (six months end 30 June 2020 and 12 months ended: $42.8 million).

The total amount of depreciation charged in the period (comprising depreciation of oil and gas assets above, and depreciation of other fixed assets) was $49.5 million (six months ended 30 June 2020: $55.9 million; 12 months ended 31 December 2020: $97.1 million).

2.3.1 Impairment testing of oil and gas assets

The Group assesses its assets and cash generating units ('CGUs') in each reporting period to determine whether any indicators of impairment exist. Where indicators exist, a formal impairment test is undertaken

to estimate the recoverable amount (which is considered to be the higher of fair value less costs of disposal ('FVLCD') and value in use ('VIU')).

The non-sanction of the proposed financial restructuring and the decision not to extend the lease of the Aoka Mizu FPSO beyond June 2022 both been identified as impairment triggers and as such a formal impairment assessment was undertaken.

For the producing Lancaster field, the recoverable amount was based on VIU which was estimated using a discounted cash flow model over the field's life. The key assumptions used are based on best estimates using past experience, latest internal technical analysis and external factors, and include:

- production profiles and operating performance based on internal estimates and reservoir simulation models;
- a negotiated extension to the charter of the Aoka Mizu FPSO to allow production to continue until the end of the Lancaster field's economic life should no further investment activity be undertaken, estimated to be mid-2023 based on the assumed oil prices, production profiles and operating costs;
- Dated Brent oil price assumptions (in real terms) of $74/bbl average for the remainder of 2021; $69/bbl average in 2022 and $65/bbl average in 2023;
- operating cost assumptions based on latest budgets and information from key contractors; and
- a pre-tax real discount rate of 9.4%.

These estimates and assumptions are subject to risk and uncertainty, and therefore changes to external factors and internal developments and plans have the ability to significantly impact these projections, which could lead to additional impairments or future reversals in future periods.

The results of the impairment test were that no impairment charge was necessary; although this was subject to the key judgment that it would be possible to agree an alternative extension to the bareboat charter beyond June 2022 until such time as, based on management's forecast of production rates, operating costs and oil prices, production became uneconomic.

The estimated impairment charge that would be recognised as a result of changes to some of these key estimates and assumptions made (in isolation) is as follows:

	Impairment charge $m
Oil price assumption:	
$5/bbl decrease to price curve	**(11.8)**
$10/bbl decrease to price curve	**(33.2)**
Forecast production rates:	
5% decrease	**(3.9)**
10% decrease	**(17.5)**
Cessation of production date:	
June 2022	**(30.8)**
December 2022	**(7.4)**

The triggers for the prior period impairment charges were the downward revision of estimated recoverable reserves as a result of the Technical Review and updated CPR, the decline in oil prices across the first half of 2020 and the market capitalisation of the Group falling below its net assets. The charge was allocated pro-rata to owned and leased assets based on their respective carrying values pre-impairment.

2.4 Intangible exploration and evaluation assets

	Note	**6 months ended 30 Jun 2021 $'000**	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
At start of period		**55,390**	75,874	75,874
Additions		**2,881**	24,080	25,623
Exploration expense written off		**(32)**	(12,109)	(12,079)
Provision for impairment		**–**	–	(35,397)
Changes to decommissioning estimates	2.5	**(1,666)**	774	1,369
At end of period		**56,573**	88,619	55,390

Intangible exploration and evaluation assets comprise the Group's share of the cost of licence interests and exploration and evaluation expenditure within its licensed acreage in the West of Shetland area which, at 30 June 2021, comprise Lincoln (on licence P1368 (South)), Warwick (licence P2294) and Halifax (licence P2308).

The directors have fully considered and reviewed the potential value of licence interests, including carried forward exploration and evaluation expenditure. In doing so, they have considered the Groups' tenure of its licence interests, its plan for further exploration and evaluation activities in relation to these and the likely opportunities for realising the value of those licences, However, any appraisal and development activity would involve a significant financial commitment for the Group (and its joint operation partner); and the directors would also consider their ability to realise value from the licences via sale or farm-out transaction, subject to regulatory and joint operation partner approval. The Group and its joint operation partner, Spirit Energy, has a regulatory obligation to commence drilling a commitment well on the Lincoln field by 30 June 2022. As outlined in note 1.3 above, one key assumption within the assessment of going concern is that Hurricane does not fund its share of the commitment well in 2022. Unless other funding arrangements are agreed with third parties in respect of the well, and/or the Regulator consents to a significant deferral or change in scope of the activity, the joint operation will automatically relinquish the Lincoln sub-area of the P1368 licence. This relinquishment would trigger a write-off of costs attributable to the Lincoln area ($53.3 million as at 30 June 2021) and reduction to Hurricane's share of 2C reserves of 18.5 MMbbl.

Amounts written off in the prior periods were $12.1 million, comprising the Group's share of standby costs for the Paul B Loyd Jr rig, which was not used for any drilling campaigns following the OGA granting an extension to the licence commitments on the Lincoln field in light of the COVID-19 pandemic.

Provision for impairment of $35.4 million was made in the year ended 31 December 2020, being the full carrying amount of exploration and evaluation expenditure attributable to the Halifax licence, as the 2021 CPR did not attribute any Reserves or Contingent Resources to that area.

2.5 Decommissioning provisions

	Note	**6 months ended 30 Jun 2021 $'000**	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
At start of period		**61,141**	55,673	55,673
Net new provisions and changes in estimates		**(1,293)**	397	7,459
Utilised and transferred to accruals in period		**(7,620)**	(2,100)	(2,108)
Unwinding of discount	3.2	**–**	117	117
At end of period		**52,228**	54,087	61,141
Of which:				
Current		**4,530**	12,650	15,466
Non-current		**47,698**	41,437	45,675
		52,228	54,087	61,141
Restricted funds held in respect of decommissioning:				
Restricted cash	4.1	**2,299**	2,881	2,244
Liquid investments	4.1	**38,938**	–	22,811
		41,237	2,881	25,055

The provision for decommissioning relates to the costs required to decommission the suspended wells previously drilled on the Lincoln-14 well and Lancaster 4z wells, the costs required to decommission the Lancaster EPS installations and the costs required to clean, remove and restore the Aoka Mizu FPSO at the end of the charter term.

The utilisation of provisions during the period related to the plugging and abandonment of the 205/26b-14 Lincoln well. As at 30 June 2021, the Stena Don semi-submersible rig was on location conducting the plug and abandonment activity, with operations concluding successfully in July 2021 in line with the remaining gross decommissioning cost estimate.

The remaining decommissioning costs are expected to be incurred the fourth quarter of 2021 (for the Lancaster 4z well) and the second half of 2023 (for the Lancaster EPS and Aoka Mizu FPSO, based on the remaining economic life of the Lancaster EPS producing on the P6 well alone). As at 30 June 2021, a total of $41.3 million is held under decommissioning security arrangements for these decommissioning programmes ($39.0 million classified as restricted liquid investments and $2.3 million classified as restricted cash; see note 4.1).

Changes in estimates in the period have arisen from increases to cost estimates change in the assumed discount rate, changes in foreign exchange rates, and changes to the expected costs and timing of decommissioning the EPS which is now expected to occur in June 2023.

Of the total net new provisions and changes in estimates, $1.7 million was recorded as reductions to intangible exploration and evaluation assets, $0.3 million as additions to oil and gas assets, $1.7 million reduction to receivables due from the Group's joint operation partner and $1.8 million charged to the income statement (as it related to the Aoka Mizu FPSO right-of-use lease asset which had been written down to nil as a result of the reassessment of lease term).

2.6 Joint operation

In September 2018 the Group entered into a joint operation with Spirit to share costs and risks associated with the Greater Warwick Area (GWA) in exchange for granting Spirit a 50% interest in the Group's Lincoln (P1368 South) and Warwick (P2294) licences. Costs of the joint operation are currently being shared equally between the joint operation partners. The Group currently acts as operator of the joint operation and will continue to do so until full field development workstreams commence. Amounts due from and to the joint operation partner are shown in notes 4.2 and 4.3 respectively.

Further details on the activities and progress of the joint operation are described in the Chief Executive Officer's review above.

2.7 Commitments

	30 Jun 2021	30 Jun 2020	31 Dec 2020
	$'000	$'000	$'000
Contractual commitments for acquisition/construction of oil and gas assets	**7,643**	11,847	9,089
Contractual commitments for acquisition/construction of intangible exploration and evaluation assets	**4,915**	4,624	3,888

Section 3 Income Statement

3.1 Earnings per share

	6 months ended 30 Jun 2021	6 months ended 30 Jun 2020	12 months ended 31 Dec 2020
	$'000	$'000	$'000
Profit/(loss) attributable to holders of Ordinary Shares in the Company used in calculating basic earnings per share (being profit/(loss) after tax)	**42,776**	(307,740)	(625,325)
Add back impact of:			
Convertible Bond – depreciation of interest capitalised in the year	**n/a**	n/a	n/a
Convertible Bond – fair value gain	**n/a**	n/a	n/a
Profit/(loss) attributable to holders of Ordinary Shares in the Company used in calculating diluted earnings per share	**42,776**	(307,740)	(625,325)
	Number	Number	Number
Weighted average number of Ordinary Shares used in calculating basic earnings per share	**1,989,515,103**	1,989,515,103	1,989,607,524
Potential dilutive effect of:			
Convertible Bond	**n/a**	n/a	n/a
Weighted average number of Ordinary Shares and potential Ordinary Shares used in calculating diluted earnings per share	**1,989,515,103**	1,989,515,103	1,989,607,524
			Cents
Basic earnings per share	**2.15**	(15.47)	(31.43)
Diluted earnings per share	**2.15**	(15.47)	(31.43)

In the current period, the potential impact of the conversion feature included within the Convertible Bond was antidilutive as their conversion to Ordinary Shares would have increased earnings per share, and the

impact of employee share scheme awards was antidilutive as market-based conditions had not been met at the balance sheet date.

The potential effect of the conversion feature included within the Convertible Bond, and the effect of outstanding share awards and options, was antidilutive for the six months ended 30 June 2020 and 12 months ended 31 December 2020 as the Group incurred a loss.

3.2 Finance income and costs

	Note	**6 months ended 30 Jun 2021 $'000**	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
Interest income on cash, cash equivalents and liquid investments		**20**	843	1,227
Net foreign exchange gains		**725**	–	1,469
Finance income		**745**	843	2,696
Convertible Bond interest expense	5.1	**(13,654)**	(13,118)	(26,680)
Interest on lease liabilities	5.2	**(3,402)**	(3,846)	(7,702)
Fair value losses on oil price derivatives	4.4	–	(878)	(3,420)
Other interest expense and bank charges		**(134)**	(121)	(241)
Net foreign exchange losses		–	(650)	–
Unwinding of discount on decommissioning provisions	2.5	–	(117)	(117)
Finance costs		**(17,190)**	(18,730)	(38,160)
Net finance costs		**(16,445)**	(17,887)	(35,464)

3.3 General and administrative expenditure

	Year ended 30 Jun 2021 $'000	Year ended 30 Jun 2020 $'000	Year ended 31 Dec 2020 $'000
Wages and salaries	**7,167**	6,530	10,001
Social security costs	**877**	603	937
Defined contribution pension costs	**370**	351	720
Staff costs	**8,414**	7,484	11,658
Non-staff costs	**18,280**	3,351	7,409
Gross general and administrative expenditure before recharges	**26,694**	10,835	19,067
Capitalised into oil and gas assets	**(1,911)**	(956)	(3,499)
Capitalised into exploration and evaluation assets	**(2,438)**	(4,317)	(7,121)
Included within cost of sales	**(2,542)**	(2,692)	(5,591)
Net general and administrative expenditure before non-cash items	**19,803**	2,870	2,856
Non-cash general and administrative costs:			
Net share-based payment charge	**1,166**	408	821
Depreciation of other fixed assets and other right-of-use assets	**254**	275	552
General and administrative expenditure	**21,223**	3,552	4,229
	Number	Number	Number
Average number of employees	**60**	60	62

Section 4 Cash, working capital and financial instruments

4.1 Cash and cash equivalents and liquid investments

	30 June 2021 **$'000**	30 June 2020 $'000	31 December 2020 $'000
Unrestricted cash and cash equivalents (current)	**148,082**	123,170	114,911
Restricted cash and cash equivalents (current)	**20,974**	20,053	28,792
Current cash and cash equivalents	**169,056**	143,223	143,703
Restricted cash and cash equivalents (non-current)	**–**	2,881	–
Liquid investments	**38,938**	–	22,811
Total cash and cash equivalents and liquid investments	**207,994**	146,104	166,514
Of which:			
Unrestricted	**148,082**	123,170	114,911
Restricted	**59,912**	22,934	51,603
	207,994	146,104	166,514

The carrying amounts of cash and cash equivalents and liquid investments are considered to be materially equivalent to their fair values.

The movement in restricted and unrestricted cash, cash equivalents and liquid investments is as follows:

	Six months ended 30 June 2021		
	Restricted **$'000**	**Unrestricted** **$'000**	**Total** **$'000**
At 1 January	**51,603**	**114,911**	**166,514**
Operating cash flows	**–**	**75,901**	**75,901**
Change in Lancaster EPS decommissioning security arrangements	**15,530**	**(15,530)**	**–**
Capital expenditure and other investing cash flows	**–**	**(9,757)**	**(9,757)**
Financing cash flows	**–**	**(25,140)**	**(25,140)**
Movement in FPSO early termination reserve	**(7,872)**	**7,872**	**–**
Foreign exchange rate changes	**651**	**(175)**	**476**
At 30 June	**59,912**	**148,082**	**207,994**

	Six months ended 30 June 2020		
	Restricted $'000	Unrestricted $'000	Total $'000
At 1 January	14,843	156,591	171,434
Operating cash flows	–	21,889	21,889
Capital expenditure and other investing cash flows	–	(34,997)	(34,997)
Financing cash flows	–	(13,360)	(13,360)
Movement in FPSO early termination reserve	8,312	(8,312)	–
Foreign exchange rate changes	(221)	1,359	1,138
At 30 June	22,934	123,170	146,104

	Year ended 31 Dec 2020		
	Restricted $'000	Unrestricted $'000	Total $'000
At 1 January	14,843	156,591	171,434
Operating cash flows	–	80,220	80,220
Change in Lancaster EPS decommissioning security arrangements	22,811	(22,811)	–
Capital expenditure and other investing cash flows	–	(60,793)	(60,793)
Financing cash flows	–	(26,818)	(26,818)
Movement in FPSO early termination reserve	14,807	(14,807)	–
Net release of other restricted funds	(892)	892	–
Foreign exchange rate changes	34	2,437	2,471
At 31 December	51,603	114,911	166,514

Included within restricted cash and cash equivalents is $18.7 million (31 December 2020: $26.5 million; 30 June 2020: $20.0 million) set aside in relation to the Aoka Mizu FPSO bareboat charter. Under the terms of the contract, the Group is required to ring-fence amounts to ensure it could meet its liability to pay an early termination fee to the lessor if the contract was terminated by the Group earlier than at the expiry of an option period. The remaining $2.3 million of restricted cash comprises decommissioning security in place for the suspended Lancaster 205/21a-4z well, which will be released following confirmation of the successful abandonment of that well, expected to take place in the fourth quarter of 2021.

The $38.9 million restricted liquid investment balance comprises decommissioning security in place for the Lancaster EPS. As part of the original Lancaster Field Development Plan approval, the Group was required to provide security of £16.8 million for its decommissioning liability on the Lancaster field, being the estimated post-tax amount to meet future decommissioning obligations. This security was held in trust (classified within restricted liquid investments) until February 2019 when it was transferred into a decommissioning bond, and subsequently released to unrestricted cash during 2019 as the bond conditions were satisfied. Following the downwards revision of Reserves and Contingent Resources in September 2020 and the ongoing uncertainty with regard to oil prices, the bond provider requested that the Company provide cash collateral for 100% of the bond's value. As the Group would derive no benefit from the bond while still paying fees to the bond provider, the decommissioning bond was terminated by mutual agreement and the required security amount was placed back into trust (classified within restricted liquid investments). In June 2021, the Group agreed with the Regulator to place an additional £11.2 million ($16.1 million) into trust, in order to provide security for its decommissioning liability on the Lancaster field on a pre-tax basis.

4.2 Trade and other receivables

	30 Jun 2021 $'000	30 Jun 2020 $'000	31 Dec 2020 $'000
Receivables due from joint operation partner	**6,800**	17,759	12,024
Trade receivables	**630**	17,414	393
Prepayments	**2,423**	1,256	1,644
Other receivables	**1,667**	289	463
Trade and other receivables	**11,520**	36,718	14,524

The carrying amounts of trade and other receivables are considered to be materially equivalent to their fair values and are unsecured. Joint operation receivables represent expenses incurred by the Group as operator of the joint operation which will be recovered from the Group's joint operation partner. Amounts billed to the joint operation partner accrue interest at LIBOR and are generally due for settlement within ten days.

4.3 Trade and other payables

	30 Jun 2021 $'000	30 Jun 2020 $'000	31 Dec 2020 $'000
Amounts due to joint operation partner	–	1,120	–
Trade payables	**1,329**	9,500	2,748
Other payables	**628**	616	646
Accruals	**22,967**	43,716	12,962
Trade and other payables	**24,924**	54,952	16,356

The carrying amounts of trade and other payables are considered to be materially equivalent to their fair values and are unsecured. Trade and other payables are non-interest bearing and generally payable within 30 days.

Trade and other payables and accruals include the Group's share of joint operation payables, including amounts that the Group settles on behalf of joint operation partners. Accruals includes expenditure relating to joint operations incurred by the Group as operator which have yet to be billed to joint operation partners. Amounts due to the joint operation partner represent cash calls the Group has made as operator in advance of balances relating to the joint operation falling due.

4.4 Derivative financial instruments

In June 2020, the Group hedged a portion of its forecast production for the second half of 2020. At total of 1.8MMbbls (the equivalent of c.10,000 bopd) were hedged with an average strike price of $35/bbl, at a total cost of $3.4 million. The options expired on 31 December 2020 out of the money. The fair value loss attributable to the options recognised within finance costs for the period ended 30 June 2020 was $0.9 million (year ended 31 December 2020: $3.4 million).

There were no other derivative commodity price contracts in place or outstanding at the balance sheet date.

Section 5 Capital and debt

5.1 Convertible Bond

In July 2017 the Group raised $230 million (gross) from the successful placement of the Convertible Bond. The Convertible Bond was issued at par and carries a coupon of 7.5% payable quarterly in arrears. The Convertible Bond is convertible into fully paid Ordinary Shares with the initial conversion price set at $0.52, representing a 25% premium above the placing price of the concurrent equity placement, being £0.32 (converted into US Dollars at a USD/GBP rate of 1.30). The number of potential Ordinary Shares that could be issued if all the bonds were converted is 442,307,692 (assuming conversion at the initial conversion price of $0.52). The impact of these potential Ordinary Shares on diluted earnings per share, where applicable, is shown in note 3.1. Unless previously converted, redeemed or purchased and cancelled, the Convertible Bond will be redeemed at par on 24 July 2022. Subsequent to the balance sheet date, in September 2021 the Group repurchased and cancelled $78.0 million In aggregate principal amount of its Convertible Bonds – see note 7.2.2.

The Convertible Bond's carrying value is split between a debt component (the host contract) measured at amortised cost (with an effective interest rate of 13.5%) and an embedded derivative component measured at fair value.

The amounts recognised in the Financial Statements relating to the Convertible Bond, being all liabilities arising from financing activities, are as follows:

	Debt component $'000	Derivative component $'000	Total $'000
Carrying value at 1 January 2020	206,604	36,316	242,920
Cash interest paid	(8,625)	–	(8,625)
Fair value gain	–	(33,956)	(33,956)
Interest charged	13,118	–	13,118
Carrying value at 30 June 2020	211,097	2,360	213,457
Cash interest paid	(8,625)	–	(8,625)
Fair value gain	–	(1,475)	(1,475)
Interest charged	13,562	–	13,562
Carrying value at 31 December 2020	216,034	885	216,919
Cash interest paid	**(8,625)**	–	**(8,625)**
Fair value loss	**–**	**3,304**	**3,304**
Interest charged	**13,653**	–	**13,653**
At 30 June 2021	**221,062**	**4,189**	**225,251**
Fair value at 30 June 2020	115,000	2,360	117,360
Fair value at 31 December 2020	102,615	885	103,500
Fair value at 30 June 2021	**132,825**	**4,189**	**137,014**

The Convertible Bond contains covenants relating to the restrictions on incurrence of certain indebtedness. These covenants were complied with for the current and prior periods. Further details on the Convertible Bond and its covenants are disclosed in note 5.1 to the Group's 2020 Annual Report and Financial Statements.

The embedded derivative component of the Convertible Bond has been assessed to be a Level 2 financial liability, as the valuation has been calculated using the Black-Scholes option pricing model using direct and

indirect observable inputs. The key inputs used are share price volatility (calculated as the volatility of one Hurricane Ordinary Share over two years period to the measurement date) and the price of one Ordinary Share at 30 June 2021. In determining the fair value of the embedded derivative, the likelihood of the early redemption option being exercised and the likelihood of a change of control of the Group within the life of the bonds were considered. The likelihood of each was considered to be nil for the purposes of the valuation.

The fair value calculation at 30 June 2021 used a share price volatility assumption of 171.4 % (31 December 2020: 118.2%; 30 June 2020: 88.3%) and the price of one Hurricane Energy plc Ordinary Share as at the balance sheet date of £0.036 (31 December 2020: £0.025; 30 June 2020: £0.058). The sensitivity of a reasonably possible increase or decrease of those inputs to the Group's profit before tax for the period ended 30 June 2021 is summarised below, assuming all other variables were held constant:

	Gain/(loss) $'000
Share price volatility assumption:	
50% points increase	**(4,455)**
50% points decrease	**3,262**
Share price at balance sheet date:	
£0.05 increase	**(13,489)**
£0.02 decrease	**3,250**

5.2 Leases

	6 months ended 30 Jun 2021 $'000	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
At start of period	**97,321**	99,186	99,186
Remeasurement of lease liability	**(67,337)**	–	–
Cash payments of principal and interest	**(4,808)**	(4,836)	(9,658)
Interest charged	**3,402**	3,846	7,702
Foreign exchange movements	**65**	(172)	91
At end of period	**28,643**	98,024	97,321
Of which:			
Current	**26,468**	9,463	18,479
Non-current	**2,175**	88,561	78,842
	28,643	98,024	97,321

The Group's main lease is the bareboat charter of the Aoka Mizu FPSO for which the Group makes fixed payments (which are included within the lease liability measurement) and variable payments (which are based on a percentage of the quantity and price of crude oil sold, and recognised as an expense in the period in which the related sales are made – see note 2.2). Variable lease payments for the period were $11.1 million (six months ended 30 June 2020: $7.6 million; year ended 31 December 2021: $16.4 million).

The lease term for the Aoka Mizu FPSO was previously assessed to have been six years from inception of the lease (to June 2025), taking into account extension options and termination arrangements. On 4 June 2021, the Group announced it had resolved not to exercise its option to extend the bareboat charter of the Aoka Mizu FPSO for a period of three years from June 2022 to June 2025. As the Group has elected not to

exercise an option previously included in its determination of the lease term, the lease term has now been assessed, for IFRS 16 accounting purposes, to be expiring at the end of the contractual period (being June 2022), and therefore the liability has been remeasured by discounting the revised lease payments. This has resulted in a decrease to the lease liability of $67.3 million, decrease to the associated right-of-use asset cost of $18.2 million and a gain of $49.1 million recognised in profit and loss.

The assumption that the bareboat charter can be extended beyond June 2022 is a critical judgment within the assessment of impairment of oil and gas assets (note 2.3) and the presumption of going concern (note 1.3). Should a revised contract be agreed with the lessor, the lease term will be reassessed and the lease liability and right-of-use asset remeasured accordingly.

5.3 Maturity analysis of financial liabilities

The maturity analysis of contractual undiscounted cash flows for non-derivative financial liabilities, as at the balance sheet dates, is as follows:

	Less than 6 months $'000	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**	**Total $'000**
Trade payables and accruals	**24,924**	–	–	–	–	**24,924**
Convertible Bond interest	**8,625**	**8,625**	**4,313**	–	–	**21,563**
Lease liabilities	**13,795**	**14,098**	**514**	**1,109**	**891**	**30,407**
At 30 June 2021	**47,344**	**22,723**	**4,827**	**1,109**	**891**	**76,894**

	Less than 6 months $'000	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**	**Total $'000**
Trade payables and accruals	54,952	–	–	–	–	54,952
Convertible Bond interest	8,625	8,625	17,250	4,313	–	38,813
Lease liabilities	4,803	4,778	27,654	83,322	1,446	122,003
At 30 June 2020	68,380	13,403	44,904	87,635	1,446	215,768

	Less than 6 months $'000	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**	**Total $'000**
Trade payables and accruals	**16,356**	–	–	–	–	**16,356**
Convertible Bond interest	8,625	8,625	12,938	–	–	30,188
Lease liabilities	4,801	**13,799**	**27,877**	69,976	1,295	117,748
At 31 December 2020	29,782	22,424	40,815	69,976	1,295	164,292

Not included within the tables above is the Convertible Bond principal of $230 million which, unless previously converted into Ordinary Shares, redeemed or cancelled, is due to be redeemed on 24 July 2022 (see note 5.1). Following the repurchase and cancellation of $78.0 million in aggregate principal amount of Convertible Bonds for cash consideration of $61.7 million (including accrued interest) in September 2021, the remaining aggregate principal amount of Convertible Bonds due in July 2022 is now $152.0 million (see note 7.2.2). The maturity analysis of the Convertible Bond interest payments as at 30 June 2021 will now be $8.0 million (less than six months), $5.7 million (6-12 months) and $2.9 million (1-2 years).

At 30 June 2021, $8.5 million (31 December 2020: $12.0 million; 30 June 2020 $17.8 million) was due from the Group's joint operation partner to settle its share of trade payables and accruals relating to the joint operation (see note 4.3).

5.4 Share capital

	Ordinary Shares	$'000
At 1 January 2020	1,990,228,053	2,883
Shares issued under employee share schemes	1,643,503	2
At 30 June 2020, 31 December 2020 and 30 June 2021	1,991,871,556	2,885

The Company has one class of Ordinary Share, which has a par value of £0.001. No new shares were issued under employee share schemes during the current period.

Section 6 Tax

6.1 Tax charge for the period

	6 months ended 30 Jun 2021 $'000	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
UK corporation tax			
Current tax – prior years	**–**	–	–
Total current tax	**–**	–	–
Deferred tax – current year	**(78)**	(49,262)	(44,501)
Effect of changes in tax rates	**–**	–	(9,732)
Total deferred tax	**(78)**	(49,262)	(54,233)
Tax (charge)/credit per Income Statement	**(78)**	(49,262)	(54,233)
Profit/(loss) on ordinary activities before tax	**42,854**	(258,478)	(571,092)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK applicable to oil and gas companies of 40%	**(17,142)**	103,391	228,437
Effects of:			
Expenses not deductible for tax purposes	**(1,404)**	(2,432)	(4,656)
Income not chargeable for tax purposes	–	6,285	15,138
Items taxed at rates other than the standard rate of 40%	**(2,481)**	(6,946)	(24)
Ring fence expenditure supplement	–	–	22,769
Recognition of deferred tax not previously recognised	**–**	–	–
Prior period deferred tax	**–**	–	(9,732)
Derecognition of losses and losses not recognised	**20,949**	(149,560)	(306,165)
Total tax charge for the period	**(78)**	(49,262)	(49,262)

The tax charge for the prior periods of $0.1 million wholly relates to the derecognition of most of the deferred tax asset previously recognised at 31 December 2020.

6.2 Deferred tax

	6 months ended 30 Jun 2021 $'000	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
Accelerated capital allowances	–	(95,482)	(2,645)
Other timing differences	–	–	16
Tax losses carried forward	–	100,530	2,707
Deferred tax asset	–	5,048	78

A potential deferred tax asset of $281.3 million has not been recognised in relation to tax losses and allowances in the main trading entity, Hurricane GLA Limited, as it has been concluded that it is not appropriate to recognise any of this potential deferred tax asset based on current forecasts of future profitability. A further $45.0m relates to pre-trading expenditure losses not recognised after offset of the carrying value of those pre-trading assets and includes potential claims for ring fence expenditure supplement ('RFES'). The unrecognised potential differed tax assets relate to different types of tax loss, each being calculated at a different rate, the highest being that applicable to UK ring fence profits of 30%.

6.3 Factors which may affect future tax charges

The quantum of the differed tax asset recognised, and corresponding deferred tax charge or credit, is highly dependent on management's estimate of future cash flows and taxable income. Changes to estimates of future taxable profits will occur in future periods due to movements in forecast oil prices, finalisation of estimated reserves and resources, and the sanction or otherwise of capital projects.

The Group has ring-fenced trading losses of $357.7 million at 30 June 2021 (30 June 2020: $562.3 million; 31 December 2020: $468.7 million) and supplementary charge losses and allowances of $574.7 million (30 June 2020: $820.9 million; 31 December 2020: £707.8 million) which have no expiry date and would be available for offset against future trading profits. A potential RFES claim could also be made for the current accounting period which would result in additional trading losses of $35.8 million based on the position at 30 June 2021. The group also has unused capital allowances of $389.1 million available to be used against future taxable profits (30 June 2020: $377.5 million; 31 December 2020: $383.5 million).

In addition to the above, the Group has pre-trading expenditure of $122.2 million which is carried forward at 30 June 2021, and tax relief may be available should trading activities commence (this expenditure could also be uplifted by RFES to $180.6 million).

Section 7 Other disclosures

7.1 Related party transactions

Related party transactions during the period comprise remuneration and fees paid to directors, who are considered the Group's key management personnel.

As of 30 June 2021, Crystal Amber Fund Limited ('Crystal Amber') held 22.6% of the Company's Ordinary Shares, and Crystal Amber have classified its investment in Hurricane as an associate. As such, Crystal Amber are now considered to be a related party of the Group.

7.2 Subsequent events

7.2.1 **Lincoln-14 well plug and abandonment**

On 7 July 2021, the operation to plug and abandon the 205/26b-14 well ("Lincoln 14") was completed within both schedule and budget.

7.2.2 **Bond tender offer**

On 31 August 2021, the Group announced a tender offer to repurchase a proportion of its outstanding Convertible Bonds, the results of which were announced on 10 September 2021; being a final acceptance of $78.0 million in aggregate principal amount of its Convertible Bonds at a price of 78% of principal amount. On 15 September 2021, the Group completed the repurchase of the tendered Convertible Bonds for cash consideration of $61.7 million (including accrued interest). The repurchased bonds were cancelled on 16 September 2021, following which $152.0 million in aggregate principal amount of Convertible Bonds remain outstanding and due in July 2022.

Appendix A: Glossary

2C	Denotes best estimate of Contingent Resources
2P	Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.
AIM	The AIM market of the London Stock Exchange
Aoka Mizu	Aoka Mizu FPSO
bbl	Barrel
Bluewater	Bluewater Energy Services and affiliates
Bondholder	A holder of one or more the Company's Convertible Bonds
Board	Board of directors of the Company
bopd	Barrels of oil per day
BP	BP Oil International Limited
bubble point	The pressure at which gas begins to come out of solution from oil within the reservoir
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Company	Hurricane Energy plc and/or its subsidiaries
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.
Convertible Bond(s)	$230 million of 7.5% convertible bonds issued by the Company in July 2017 ($152 million following tender offer completed in September 2021)
COO	Chief Operations Officer
COVID-19	Coronavirus
CPR	Competent Persons Report
Crystal Amber	Crystal Amber Fund Limited
DD&A	Depreciation, depletion and amortisation
Developed reserves	Reserves that are expected to be recovered from existing wells and facilities. Developed reserves may be further sub-classified as producing or non-producing.
E&E	Exploration and Evaluation
EPS	Early Production System
ERCE	ERC Equipoise Limited
ESG	Environmental, Social and Governance
ESP	Electrical submersible pump
EUR	Euro
FDP	Field Development Plan
FDPA	Field Development Plan Addendum
FPSO	Floating production storage and offloading vessel
FVLCD	Fair value less costs of disposal
FVTPL	Fair value through profit and loss
G&A	General and Administrative costs
GBP	British Pounds Sterling
GLA	Greater Lancaster Area, comprising UKCS licences P1368 Central and P2308
Group	Hurricane Energy plc, together with its subsidiaries
GWA	Greater Warwick Area, comprising the Lincoln and Warwick fields located on UKCS licences P1368 South and P2294
Hurricane	Hurricane Energy plc, together with its subsidiaries
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
JV	Joint venture
LLIs	Long-Lead Items
Mbbl	Thousand barrels of oil
MMbbl	Million barrels of oil
OGA	Oil and Gas Authority
Ordinary Shares	Ordinary shares in the Company of £0.001 each
P&A	Plug and abandon
PP&E	Property, Plant and Equipment

Regret costs	Amounts that remain payable under contracts on cancellation of a project
Regulator	Oil and Gas Authority, Department for Business Energy and Industrial Strategy, and/or The Health and Safety Executive
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.
RFES	Ring fence expenditure supplement
Spirit Energy	Spirit Energy Limited
SURF	Subsea, Umbilical, Risers, Flowlines
Tier 1 contractors	Hurricane's major direct contractors
TVDSS	True Vertical Depth Sub Sea
UKCS	United Kingdom Continental Shelf
USD	United States Dollars
VIU	Value in use
WOSPS	West of Shetland Pipeline System

Appendix B: Non-IFRS Measures

Management believes that certain non-IFRS measures (also referred to as 'alternative performance measures') are useful metrics as they provide additional useful information on performance and trends. These measures are used by management for internal performance analysis and incentive compensation arrangements for directors and employees. The non-IFRS measures presented below are not defined in IFRS or other GAAPs and therefore may not be comparable with similarly described or defined measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures.

Definitions and reconciliations to the nearest equivalent IFRS measure are presented below.

Underlying profit before tax

Underlying profit before tax is defined as profit before tax under IFRS, before fair value gains or losses on the Convertible Bond embedded derivative, fair value gains or losses on derivatives not designated as hedging instruments in a hedging relationship, impairment and write-offs of intangible exploration and evaluation assets and oil and gas assets (including amounts relating to increases in decommissioning estimates not recognised on the balance sheet), gains or losses on lease remeasurements, and gains or losses on disposal of assets or subsidiaries.

Management believe underlying profit before tax is a useful measure as it provides useful trends on the pre-tax performance of the Group's core business and asset by removing certain items and transactions within the income statement. These are the volatile non-cash impact of the Convertible Bond embedded derivative movement (the valuation of which is largely outwith management's control); and gains or losses arising from write-offs, impairments and disposals of assets which do not reflect the Group core assets and business.

	Note	**6 months ended 30 Jun 2021 $'000**	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
Profit/(loss) before tax (IFRS measure)		**42,854**	(258,478)	(571,092)
Add back:				
Fair value loss/(gain) on Convertible Bond embedded derivative	5.1	**3,304**	(33,956)	(35,431)
Fair value loss on unhedged derivative financial instruments	4.4	**–**	878	3,420
Gain on lease remeasurement		**(49,125)**	–	–
Impairment and write-off of intangible exploration and evaluation assets	2.4	**32**	12,537	47,476
Increase in decommissioning estimates expensed	2.5	**1,751**	–	469
Impairment of oil and gas assets	2.3	**–**	238,853	519,152
Underlying loss before tax		**(1,184)**	(40,166)	(36,006)

Cash production costs

Cash production costs are defined as cost of sales under IFRS, less depreciation of oil and gas assets (including right-of-use assets) and accounting movements of crude oil inventory (including any net realisable value provision movements), plus fixed lease payments payable for leased oil and gas assets.

Depreciation and movements in crude oil inventory are deducted as they are non-cash accounting adjustments to cost of sales. Fixed lease payments for oil and gas assets are added back because, under IFRS 16, the charge relating to fixed lease payments is charged to the income statement within both depreciation of oil and gas assets and interest on lease liabilities. They are therefore included within cash production costs as they are considered by management to be operating costs in nature. Fixed lease payments payable for the purposes of this measure are calculated as the day rate charge multiplied by the number of days in the period. Cash production cost per barrel is defined as cash operating costs divided by production volumes.

Management believe that cash production costs, and cash production cost per barrel are useful measures as they remove non-cash elements from cost of sales, assist with cashflow forecasting and budgeting, and provide indicative breakeven amounts for the sale of crude oil.

	Note	**6 months ended 30 Jun 2021 $'000**	6 months ended 30 Jun 2020 $'000	12 months ended 31 Dec 2020 $'000
Cost of sales (IFRS measure)	2.2	**88,017**	101,476	179,816
Less:				
Depreciation of oil and gas assets – owned	2.3	**(45,855)**	(48,348)	(84,756)
Depreciation of oil and gas assets – leased	2.3	**(3,405)**	(7,258)	(11,828)
Movements in crude oil inventory	2.2	**5,059**	(2,113)	(1,733)
Add:				
Fixed lease payments payable for oil and gas assets		**5,838**	4,550	9,150
Cash production costs		**49,654**	48,307	90,649
Variable lease payments (incentive tariff)	5.2	**(11,099)**	(7,587)	(16,392)
Cash production costs (excluding incentive tariff)		**38,555**	40,720	74,257
Production volumes		**2,004 Mbbl**	2,658 Mbbl	5,078 Mbbl
Cash production cost per barrel		**$24.8/bbl**	$18.2/bbl	$17.9/bbl
Cash production cost per barrel (excluding incentive tariff)		**$19.2/bbl**	$15.3/bbl	$14.6/bbl

Net free cash and net debt

Net free cash is defined as current unrestricted cash and cash equivalents, plus current financial trade and other receivables, current oil price derivatives, less current financial trade and other payables.

Management believe that net free cash is a useful measure as it provides a view of the Group's available liquidity and resources after settling all its immediate creditors and accruals and recovering amounts due and accrued from joint operation activities, outstanding amounts from crude oil sales and after settling any other financial trade payables or receivables.

Net debt is defined as net free cash less the par value of the Convertible Bond; being the total amount repayable on maturity of the Bond in July 2022 (unless previously converted, redeemed or repurchased and cancelled).

Management believe that net debt is a useful measure as it aids stakeholders in understanding the current financial position of the Company.

	Note	**30 Jun 2021 $'000**	30 Jun 2020 $'000	31 Dec 2020 $'000
Cash and cash equivalents (IFRS measure)	4.1	**207,994**	146,104	143,703
Add:				
Trade and other receivables	4.2	**11,520**	36,718	14,524
Derivative financial instruments	4.4	–	2,542	–
Less:				
Restricted cash and cash equivalents	4.1	**(59,912)**	(22,934)	(28,792)
Prepayments	4.2	**(2,423)**	(1,256)	(1,644)
Trade and other payables	4.3	**(24,924)**	(54,952)	(16,356)
Net free cash		**132,255**	106,222	111,435
Par value of Convertible Bond	5.1	**(230,000)**	(230,000)	(230,000)
Net debt		**(97,745)**	(123,778)	(118,565)