30 September 2022

Hurricane Energy plc

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

Half-year Results 2022

Hurricane Energy plc, the UK based oil and gas company, provides its 2022 interim report and unaudited half-year results for the six-month period ended 30 June 2022.

Highlights

Financial results

- Revenues of $159.5 million from three liftings of Lancaster crude (H1 2021: $124.5 million from four liftings)
- Cash production costs† of $35.4/bbl (H1 2021: $24.8/bbl) in line with expectations
- Generated $110.1 million of operating cash flow (H1 2021: $75.9 million), equivalent to $67.5/bbl (H1 2021: $37.9/bbl)
- Profit after tax for the period of $67.0 million (H1 2021: $42.8 million)
- Net cash† at 30 June 2022 of $48.4 million (31 December 2021 net debt: $27 million) – repaid $78.5 million Convertible Bonds plus $1.5 million of accrued interest after the period end to become debt free
- Net free cash† of $126.9 million at 30 June 2022 (31 December 2021: $51.5 million) ($76.6 million as at 31 August 2022 following repayment of the Convertible Bonds and the July lifting)
- Restricted cash of $60.8 million at 30 June 2022 relating to decommissioning obligations and FPSO charter (31 December 2021: $45.7 million) – Restricted cash is in addition to Net free cash

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

Operations

- Excellent operational performance at the Aoka Mizu FPSO with an average Lancaster field production uptime of 98% in H1 2022 (H1 2021: 96%)
- Lancaster EPS production averaged 9,000 bopd for H1 2022 (H1 2021: 11,100 bopd) in line with expectations
- Annual planned maintenance shutdown successfully carried out in September, with next lifting scheduled for early October 2022

Corporate

- Philip Wolfe appointed Chair in March 2022, replacing John Wright who remains as a Non-Executive Director
- Juan Morera appointed to the Board as a Non-Executive Director in March 2022, representing Crystal Amber, Hurricane's largest shareholder
- Linda Beal appointed to the Board as an Independent Non-Executive Director in May 2022, taking on the role of Audit and Risk Committee Chair
- Robin Allan appointed to the Board as an Independent Non-Executive Director in July 2022, taking on the role of ESG Committee Chair

Outlook

- Hurricane passed a key milestone with its repayment of the outstanding Convertible Bonds post-period end in July 2022, and is focused on building a positive long-term future for the benefit of all stakeholders
- Management will identify and pursue opportunities for the most effective capital allocation of its funds

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Antony Maris, Chief Executive Officer of Hurricane, commented:

"Repaying our Convertible Bonds and becoming debt-free has enabled us to consider multiple trajectories for Hurricane's future. At the same time as ensuring continuing production from Lancaster, we have been working diligently on many workstreams, all with the aim of creating additional value for our shareholders.

In terms of Lancaster, continuing our close collaboration with our FPSO operator, we have been able to deliver superb uptime performance, leading to the production of more oil in the period. Our team can be justifiably proud of the fact that we bettered our targets set for the shutdown and unplanned downtime without at any time compromising the safety of our operations.

Looking to Lancaster's future, we have expended considerable effort and some funds into maintaining the ability to deliver a new well in the Lancaster Field, termed P8, in order to meet our "maximum economic recovery" obligations to the UK Government. Given our emissions challenges, we have worked closely with the UK's offshore regulator, the North Sea Transition Authority ("NSTA"), to plot a way forward for Lancaster. It is disappointing that despite the enormous efforts of our team, and extensive interactions over many months, the NSTA is unable to provide comfort to the Company with regard to the likelihood of it being granted the necessary consents related to flaring for Hurricane to make further commitments to investment in Lancaster.

In parallel, however, we have been pursuing alternative capital allocation opportunities outside of our existing asset base – a task which is challenging owing to the current market volatility – and one that we can now focus on completely.

With our strong balance sheet, no debt, and our decommissioning liabilities being fully funded, I believe Hurricane, with our committed and capable team, is well placed to be able to create additional value for our shareholders."

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About Hurricane

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

The first half of 2022 has been an extraordinarily volatile period for our sector due to surging commodity prices, exacerbated by the terrible events in Ukraine. The resulting high oil price, combined with outstanding operational performance at the Company's Lancaster field, has significantly strengthened Hurricane's finances, and led post-period end to the full repayment in July 2022 of the outstanding Convertible Bonds. This represented a major milestone for our Company.

During the year, the importance of domestic energy security has been highlighted by Russia's invasion of Ukraine and by the subsequent concerns over energy supplies across Europe. Companies such as Hurricane have an important continuing contribution to make to meeting the UK's domestic energy requirements.

Hurricane is now a company underpinned by firm financial foundations, without debt and with significant cash in hand; as such, the Board is now able to devote more time to addressing the future of Hurricane, prioritising the best investment opportunities that could add significant value for shareholders.

Operational Review

Greater Lancaster Area (GLA)

The period saw a very strong operational performance by the Aoka Mizu FPSO at the Company's Lancaster field.

The field has performed well and within guidance, delivering 9,000 barrels of oil per day in the first half of 2022. The anticipated natural decline coupled with increased water cut, offset by high uptime, informed production levels, and these factors are expected to play their part in field performance during the second half of 2022 and beyond. Based on current forecasts we expect production for 2022 to be towards the upper end of our guidance range.

During the period there were three cargo liftings totalling 1.6 million barrels and delivering revenues of $159.5 million.

Over a two-day period in May the Company conducted several flow performance tests on the P7Z well that involved temporarily reducing the flow rate from the P6 well. The data obtained will be useful in refining production forecasts for P6.

In September the planned annual maintenance shutdown was carried out on the Aoka Mizu with production being successfully restarted ahead of the planned timeframe. As at 28 September 2022, production was c. 8,700 bopd with a water cut of 46%. The current production rate and water cut are impacted from the post shutdown flush production. We expect that production will settle at its pre-shutdown level of c. 8,300 bopd (and c. 48% water cut) and then continue its natural decline.

Alongside ongoing production operations, the Company has been progressing the possibility of drilling an additional production well, the P8 well. Although first discussed with the Regulators in 2021, in early 2022 when the Company recognised that not only would it clear its debt but also have sufficient funds to both fully cover the cost of a new well in Lancaster and also its other operational requirements, we engaged with the Regulators concerning the unique challenges Hurricane faces.

The originally approved development plan included flaring as the approved gas disposal mechanism and, under the NSTA approval of the amendment to this plan, allowed for production below the bubble point.

Hurricane is subject to rolling and declining three-monthly production, flare and vent consents under this amendment.

The Company has worked hard to reduce its emissions and, as reported at the 2021 Full Year Results, had significant success in achieving reductions through the combined hard work and efforts of our team and Bluewater. Hurricane is fully cognisant of the increased scrutiny and oversight in this area and is continuing to look at ways of further reducing our overall environmental footprint in 2022 and beyond, where it is economically and commercially viable to do so. However, being fully aware of the challenge concerning flare volumes and the impact that any additional production would have, the Company has worked tirelessly with both OPRED and the NSTA to address the environmental impact of new investment.

With OPRED we have sought to demonstrate that the new well has no significant environmental impact beyond the environmental approvals already given. Interaction has been extensive, and positive, and we believe that we have demonstrated that the P8 well would remain within the limits of the existing approvals.

The work with the NSTA has been to show that the project proposal is in line with the regulations and meets the OGA Strategy's central obligations, and would allow for an increase in the production, flare and vent consents to be awarded when applied for. This would be just prior to the start-up of the new well.

We believe we have shown that the project is consistent with the requirements placed upon Hurricane to maximise economic recovery as part of the OGA Strategy's central obligation 2a. Whilst the project would lead to a short-term increase in emissions, we also believe we are fully aligned with the OGA Strategy's central obligation 2b, which is to assist the Secretary of State in meeting the country's Net Zero targets.

Interaction on this latter point has been detailed, and rightly both challenging and highly scrutinised. The situation Hurricane faces is that the retrofitting of a new gas export or disposal system to the existing development is technically challenging, with a high capex requirement. The expected recovery of gas from an additional well, including the benefit of the extended life of the field, is such that the economics of the investment are significantly below the threshold considered appropriate for Hurricane to commit to such a project.

Thus, we have been working with the NSTA team in two specific areas. Firstly, to demonstrate that there is no technical and economically viable solution to mitigate the emissions that is reasonable in the circumstances. Secondly, in order to make the significant financial commitments to the equipment and services required to execute and deliver the P8 well in 2023, Hurricane has been seeking comfort that the NSTA would provide, when requested, the required increase in production, flare and vent consents for the new well, subject to:

a. OPRED confirming that the impact of the new well has no significant environmental impact beyond the current environmental approvals given; and
b. Demonstration that there is no technical and economically viable solution to mitigate the emissions that is reasonable in the circumstances.

Without such comfort from the NSTA the risk of proceeding with the drilling of the well, without knowing if production, flare and vent consent approvals are likely to be granted, is too high.

We are fully aware of the challenge the NSTA faces in terms of the interaction between the competing objectives of maximising economic recovery whilst reducing emissions. The Company therefore offered that all incremental emissions as a result of the new well (including those associated with the extension of the life of the field) would be covered by verifiable carbon offsetting.

The informal feedback from the NSTA during the six months of interaction was that, even where there is no technical and economically viable solution to mitigate the emissions that is reasonable in the circumstances, then the NSTA still may or may not grant the consents when requested even if positive support from OPRED was forthcoming.

The project and the level of financial commitments are of major significance to the Company. Therefore, to seek clarity this issue was raised with the most senior levels within the NSTA. Having now considered this, the NSTA finally confirmed on 29 September 2022 that, in response to our requests, it does not give such comfort.

Whilst the Company believes the proposed P8 project would be within the regulatory guidance, the Board has concluded that in the face of regulatory opposition, the additional financial commitments to offshore equipment suppliers and the associated financial risk of proceeding with P8 is too great.

Therefore, with great reluctance and regret, the Board has decided that no further investment is possible in relation to an additional well on the Lancaster Field. This decision will not result in any accounting impairment or any adjustment to our current reserves estimates.

Greater Warwick Area (GWA) & Halifax Licence

In April, the GWA Joint Venture ("JV") announced that it had reassessed its understanding of the Greater Warwick area, evaluating both the basement and the Mesozoic potential of the JV's licences, and considered all options for further appraisal and routes to possible development.

In June, Hurricane reported that it had determined that further appraisal and development costs to reach an economic development on the Warwick discovery within the remaining licence term was not feasible for the Company. Further to discussions with the Company's JV partner, Spirit Energy, the GWA JV therefore decided to relinquish the P2294 licence area. This was in addition to the previously announced decision to relinquish the Lincoln P1368(S) licence sub area.

The carrying value of the P2294 asset in the Company's accounts of c.$4.9 million, has therefore been impaired. This impairment is an accounting charge only and will not have any cash impact.

In addition, in September 2022 the Company determined that the costs required to further evaluate the Halifax licence (P2308) and the low likelihood of a successful economic development means that the right next step is to relinquish the licence. As with the GWA licences, there is no reasonable expectation that the P2308 licence could generate any near-term cash realisation, and therefore voluntarily relinquishing the licence at this time allows the Company to focus its time and financial resources on alternative and more attractive opportunities. All previously capitalised costs relating to Halifax have already been impaired and therefore no further impairments are required.

The decisions regarding the GWA and Halifax licences followed the deployment of the rigorous screening criteria that Hurricane brings to all opportunities in terms of determining the most appropriate allocation of capital to deliver the best value for shareholders.

New Business Opportunities

As has been previously reported, in addition to considering investing further in the Lancaster Field, the Company has been actively pursuing potential opportunities outside the Company's current asset base.

Focusing on the UKCS, the Company has and continues to evaluate a number of farm in opportunities, acquisitions and mergers. Hurricane’s management and staff have extensive experience in both oil and gas, through all stages of the asset life-cycle, and therefore the scope covers a range of new oil and gas investment opportunities. We will continue to look for both asset and corporate level opportunities that will help diversify our asset base, deliver value to shareholders, and strengthen the Company for the future.

Despite the volatility in prices, and the uncertainties these create, Hurricane believes that its strong balance sheet, technical and operational expertise, and proven track record of capital project delivery offer a strong competitive advantage among its peer group.

Financial

During the first half of 2022, the Company generated revenues of $159.5 million.

Post period end, Hurricane repaid in full its outstanding $78,515,000 7.50 per cent Convertible Bonds (the "Bonds") plus $1.5 million of accrued interest by the maturity date of 24 July 2022. Accordingly, the Bonds were delisted from The International Stock Exchange and cancelled.

The repayment leaves the Company debt free, with significant cash on hand, further cash due in the near term from further liftings from the FPSO, and ongoing cash generative production from the Lancaster field.

As of 30 June 2022, the Company had net free cash of $126.9 million. Following the repayment of the outstanding Bonds and the July lifting, the Company held net free cash of $76.6 million as at 31 August 2022.

Cost control was an important aspect of our work in the first half of 2022 with opex at Lancaster stable and close management of costs a central part of our work on the field and the wider business as a whole.

Energy Profits Levy

On the 26 May 2022, the UK Government announced the introduction of the Energy Profits Levy ("EPL"). Our industry works within the framework of long investment cycles and highly volatile commodity markets. Fiscal stability is key in supporting the investment decision-making to meet the UK's energy transition targets and the introduction of the EPL is unhelpful in that regard. However, as a potential investor in future UK oil and gas assets, we also stand to benefit from the Investment Allowances included as part of the EPL.

The headline rate was an increase in tax of 25%, with no ability to utilise existing carried forward losses. The legalisation for the EPL has now been enacted and the Company has reviewed the implications and the potential impact on the business. For 2022, the Company is forecasting that its EPL liability will be less than $5 million. This amount is lower than originally expected largely due to the impact of our capital allowances available in the period as well as the effect of the Investment Allowance that is included within the EPL legislation.

Corporate

We have strengthened and diversified our Board.

In March Philip Wolfe stepped up to take on the role of Chair, and Juan Morera joined as a Non Executive Director as a representative of our major shareholder, Crystal Amber.

In May, we were pleased to announce that Linda Beal had joined as an Independent Non Executive Director. Her extensive experience as a tax partner at both PwC and Grant Thornton advising international E&P clients, coupled with her recent career serving as a director of listed small cap natural resources businesses, brings an immediate and meaningful contribution to the work of our Board. Her in-depth financial knowledge and governance expertise will be of great benefit as Audit and Risk Committee Chair.

After the period end, in July, we also welcomed Robin Allan as an Independent Non Executive Director. His wide experience at executive level with Premier Oil, including as Director, North Sea and Exploration, and his role as Chairman of BRINDEX, the Association of British Independent Exploration Companies, will serve the Company well as it makes important financial and strategic decisions for the next stage of its growth.

Outlook

With the ongoing success of our technical and operations teams, especially in beating the target for scheduled maintenance, the Company anticipates that, barring any unforeseen issues, production from Lancaster will be towards the upper end of our production target of 7,500 - 8,600 bopd during 2022. On this basis, if the price of oil is up to $90/bbl for the remaining cargoes in 2022, we forecast our year end net free cash being up to $110 million.

Our staff and management, together with our contractors, have done a great job over the period and I would like to thank them for their excellent performance and contribution to the Company's current strong position. While water cut will continue to increase and pressure to decline, the field is expected to remain highly cash generative into 2024 at current commodity prices. Retaining these funds for further investment and acquisition for the future will be key but always measured against delivery of value to stakeholders.

The decision not to proceed with P8 is very disappointing. While the current extreme volatility of oil and gas prices makes it harder to plan for the future, we are confident that we can deliver additional value for our shareholders. Whether this is in further investment in new opportunities in the UK oil and gas sector, or beyond, Hurricane is well placed for a successful future.

Antony Maris
Chief Executive Officer
29 September 2022

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

Financial Review

Highlights

	First half 2022	First half 2021	Full year 2021
Production	1,632 Mbbl	2,004 Mbbl	3,748 Mbbl
Average production rate*	9,000 bopd	11,100 bopd	10,300 Bopd
Sales volumes	1,601 Mbbl	2,004 Mbbl	3,576 Mbbl
Revenue	$159.5m	$124.5m	$240.5m
Average sales price realised	$99.6/bbl	$62.2/bbl	$67.3/bbl
Cash production cost per barrel†	$35.4/bbl	$24.8/bbl	$28.2/bbl
Cash generated from operations	$110.1m	$75.9m	$147.0m
Closing net free cash†	$126.9m	$132.3m	$51.5m
Restricted cash (and liquid investments)	$60.8m	$59.9m	$45.7m
Net cash/(debt)†	$48.4m	$(97.7)m	$(27.0)m
Underlying profit / (loss) before tax†	$66.6m	$(1.2)m	$10.8m
Profit/(loss) after tax	$67.0.m	$42.8m	$18.2m

* 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 2022, over 1.6 million barrels of Lancaster crude were sold across three cargoes, generating $159.5 million in revenue. The Group generated positive cash flow from operations of $110.1 million, thanks to high oil prices and the production efficiency of the Lancaster EPS.

Revenue

Revenue for the period was $159.5 million, with an average price realised of $99.6/bbl across three cargoes, versus an average Dated Brent price for the period of $108/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 realised for H1 2022 was $2.2/bbl (H1 2021: $3.0/bbl; FY 2021: $2.7/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 $78.5 million, including $36.9 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 $57.7 million, equivalent to $35.4/bbl versus $28.2/bbl for the full year 2021. 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 $22.8/bbl full year 2021 to $27.5/bbl in H1 2022. 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. Cash production costs are currently forecast to be c. $34/bbl for the full year 2022 (excluding the incentive tariff).

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

On 25 March 2022, Hurricane announced that it has signed a contract with Bluewater, for an extension to the Bareboat Charter beyond the previous expiry date of 4 June 2022. The extension is expected to cover the remaining economic life of the Lancaster field given the significant economic incentive for both sides based on the current forward price curve and production profiles. In accordance with IFRS 16 the liability has been remeasured by discounting the revised lease payments covering the economic life of field. This resulted in an increase to the lease liability of $54.5 million and corresponding increase to the associated right-of-use asset cost of $54.5 million

General and administrative expenses

General and administrative costs ("G&A") for the six months ended 30 June 2022 were $3.1 million (H1 2021: $21.2 million). After removing 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 $8.5 million (H1 2021: $26.7 million). The decrease in gross cash G&A was primarily driven by a decrease in non-staff costs due to the legal and professional fees incurred in the six months to 30 June 2021 in preparation for the proposed financial restructuring process of c.$14 million. Staff costs were $5.2 million (H1 2021: $8.4 million), with the decrease being driven by the reduction in headcount from an average of 60 employees in H1 2021 to the current average of 35 in H1 2022. A reconciliation of G&A costs is shown in note 3.3 to the Interim Financial Statements. We continue to pursue cost reduction opportunities in relation to our G&A base.

Underlying profit before tax

Underlying profit before tax for H1 2022 was $66.6 million compared to an underlying loss before tax of $1.2 million for H1 2021. The improvement in performance for the current period was driven by higher oil prices, reduced cost of sales due to a reduced volume of cargoes sold in the period (1,601 thousand barrels from three cargoes in H1 2022 vs 2,004 thousand barrels from four cargoes in H1 2021), and reduced G&A costs as detailed above.

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.

Bond repayment

On 25 July 2022, Hurricane announced that it had repaid in full its outstanding $78,515,000 7.50 per cent Convertible Bonds plus $1.5 million of accrued interest by the maturity date of 24 July 2022. The Bonds have now been delisted from The International Stock Exchange and cancelled.

Decommissioning estimates

A net decrease of $2.0 million to decommissioning estimates has been recognised due to a reassessment of expected costs. During the period, Hurricane agreed with the Regulator to place an additional £5.7 million

($7.7 million) of funds into trust, in order to provide security for the estimated decommissioning liability on the Lancaster EPS on a pre-tax basis. At 30 June 2022, a total of $41.4 million was held in trust as decommissioning security for the Lancaster EPS.

Cash flow

Net free cash† bridge for H1 2022:

Opening net free cash†	Free Cashflow*	Capital expenditure	Movement in restricted funds	Coupon payments	Movements in working capital	Other	Closing net free cash†
$51.5m	$96.4m	$(4.5)m	$(15.1)m	$(2.9)m	$1.2m	$0.3m	$126.9m

**Comprises operating cash flow excluding decommissioning spend and including fixed lease repayments*

At 30 June 2022, the Group had $126.9 million of net free cash† (being unrestricted cash net of payables and accruals and including trade receivables), an increase of $75.4 million from 31 December 2021.

Average realised sales price was $99.6/bbl and cash production costs were $35.4/bbl, generating cash per barrel (before working capital movements) of $70.4/bbl in H1 2022 (full year 2021: $39.1/bbl).

Other operating cash outflows included the general and administrative costs of staff and other overheads. After adjusting for movements in working capital the Group's operating cash inflow for the period amounted to $110.1 million.

Capital expenditure in the period was $4.5 million, comprising primarily previously committed purchases of long lead items for GLA, licences, geological studies, storage costs for inventory and capitalised time-writing costs.

Financing outflows of $16.8 million included fees in relation to coupon payments on the Convertible Bond and fixed lease repayments primarily for the Aoka Mizu.

Included within the terms of the extension to the Bareboat Charter is the requirement to set aside a certain amount of cash to cover the FPSO day rate during the six month notice period, along with amounts to cover the estimated decommissioning costs associated with the vessel's departure from the Lancaster Field. These funds replace the previous escrowed amounts that were in place under the original charter terms to cover early termination costs. At 30 June 2022, this amount was $19.4 million (31 December 2021: $7.9 million), resulting in an increase of $11.5 million into restricted funds during the period. An additional $7.7million was placed into trust in relation to Lancaster EPS decommissioning arrangements (as outlined above), resulting in a net decrease of $15.1 million to net free cash in relation to restricted cash movements once foreign exchange losses of $4.2 million are taken into account.

Cash flow outlook

As of 31 August 2022, the Company had net free cash† of $76.6 million. The main movements over the two-month period from 30 June 2022 were:

- Revenue of c.$60.2 million from one lifting of Lancaster crude
- Operating costs and G&A of c.$20 million
- Repayment of Convertible Bonds of $78.5 million and quarterly cash coupon payments of c.$1.5 million.
- Net cash capital expenditure of c.$1.1 million
- Net movements out of restricted cash of c.$0.9 million
- Decrease in net working capital of c.$10.3 million

The Convertible Bonds have now been repaid in full.

The Company needs to keep a portion of its net free cash at August 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.

The Company anticipates that, barring any unforeseen issues, production from Lancaster will be towards the upper end of the production guidance of 7,500 - 8,600 bopd during 2022. On this basis, if the price of oil is up to $90/bbl for the remaining cargoes in 2022, the year-end net free cash is forecast to be up to $110 million as at 31 December 2022. Hurricane will continue its work to identify the most effective capital allocation opportunities both within and outside the existing asset base.

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 2022 and could continue to impact the Company over the remaining six months of 2022 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
- 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

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 2021 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 22 to 30 of the 2021 Annual Report and Group Financial Statements.

The principal risk 'Repayment of Convertible Bond' previously disclosed is no longer directly relevant, following the payment in full of the Bond on 24 July 2022.

Related party transactions

There have been no new material related party transactions in the period. As of 30 June 2022, Crystal Amber Fund Limited ("Crystal Amber") held 28.9% of the Company's Ordinary Shares, and Crystal Amber has classified its investment in Hurricane as an associate. As such, Crystal Amber is considered to be a related party of the Group.

Going concern

At the time of preparation of these Interim Financial Statements, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate and meet its liabilities as they fall due for the foreseeable future, a period considered to be at least twelve months from the date of signing these Financial Statements. For this reason, they continue to adopt the Going Concern Basis for preparing the Interim Financial Statements.

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

Conclusion

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 2022 which comprises The Condensed Consolidated Income Statement, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the 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.

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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the AIM Rules for Companies.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued 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.

As disclosed in note 1.1, the annual financial statements of the group are prepared in accordance with UK-adopted IASs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the review of financial information

In reviewing the half-yearly report, we are responsible for expressing to the group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

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 might 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 for the conclusions we have formed.

PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

29 September 2022

Condensed Consolidated Statement of Comprehensive Income

for the 6 months ended 30 June 2022

	Notes	**6 months ended 30 Jun 2022 $'000**	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
Revenue	2.1	**159,461**	124,501	240,540
Cost of sales	2.2	**(78,518)**	(88,017)	(173,125)
Gross profit		**80,943**	36,484	67,415
General and administrative expenses	3.3	**(3,129)**	(21,223)	(26,749)
Gain on revision of lease term	5.2	**–**	49,125	49,125
Decrease/(increase) in decommissioning estimates expensed	2.5	**795**	(1,751)	(1,972)
Impairment of intangible exploration and evaluation assets and exploration expense written off	2.4	**(4,907)**	(32)	(54,280)
Operating profit		**73,702**	62,603	33,539
Finance income	3.2	**39**	745	27
Finance costs	3.2	**(11,290)**	(17,190)	(30,656)
Net gain on repurchase of Convertible Bonds		**–**	–	17,201
Fair value gain/(loss) on Convertible Bond embedded derivative	5.1	**27**	(3,304)	(1,901)
Profit before tax and other comprehensive income		**62,478**	42,854	18,210
Tax	6.1	**4,484**	(78)	26
Profit for the period and other comprehensive income		**66,962**	42,776	18,236
		Cents	Cents	Cents
Earnings per share (basic)	3.1	**3.36**	2.15	0.92
Earnings per share (diluted)	3.1	**3.35**	2.15	0.92

All results arise from continuing operations.

Condensed Consolidated Balance Sheet

as at 30 June 2022

	Notes	**30 Jun 2022 $'000**	30 Jun 2021 $'000	31 Dec 2021 $'000
Non-current assets				
Intangible exploration and evaluation assets	2.4	**128**	56,573	3,830
Oil and gas assets	2.3	**117,052**	146,410	98,296
Other non-current assets		**1,199**	2,361	1,373
Deferred tax assets	6.2	–	–	104
Liquid investments	4.1	**–**	38,938	37,783
		118,379	244,282	141,386
Current assets				
Inventory	2.2	**30,216**	16,816	27,488
Trade and other receivables	4.2	**2,777**	11,520	2,591
Cash and cash equivalents	4.1	**203,885**	169,056	76,792
		236,878	197,392	106,871
Total assets		**355,257**	441,674	248,257
Current liabilities				
Trade and other payables	4.3	**(16,685)**	(24,924)	(18,843)
Lease liabilities	5.2	**(27,745)**	(26,468)	(13,880)
Convertible Bond liability	5.1	**(79,324)**	–	(77,373)
Convertible Bond embedded derivative	5.1	**–**	–	(27)
Decommissioning provisions	2.5	**–**	(4,530)	–
		(123,754)	(55,922)	(110,123)
Non-current liabilities				
Lease liabilities	5.2	**(30,043)**	(2,175)	(1,910)
Convertible Bond liability	5.1	**–**	(221,062)	–
Convertible Bond embedded derivative	5.1	**–**	(4,189)	–
Decommissioning provisions	2.5	**(47,339)**	(47,698)	(49,346)
		(77,382)	(275,124)	(51,256)
Total liabilities		**(201,136)**	(331,046)	(161,379)
Net assets		**154,121**	110,628	86,878
Equity				
Share capital	5.4	**2,885**	2,885	2,885
Share premium		**822,458**	822,458	822,458
Share option reserve		**23,321**	22,512	23,321
Own shares reserve		**(564)**	(826)	(845)
Foreign exchange reserve		**(90,828)**	(90,828)	(90,828)
Accumulated deficit		**(603,151)**	(645,573)	(670,113)
Total equity		**154,121**	110,628	86,878

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022

	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 2021	2,885	822,458	21,443	(923)	(90,828)	(688,349)	66,686
Profit for the period and other comprehensive income	–	–	–	–	–	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
Loss for the period and other comprehensive income	–	–	–	–	–	(24,540)	(24,540)
Share-based payments	–	–	809	(19)	–	–	790
At 31 December 2021	2,885	822,458	23,321	(845)	(90,828)	(670,113)	86,878
Profit for the period and other comprehensive income	–	–	–	–	–	**66,962**	**66,962**
Share-based payments	–	–	–	**281**	–	–	**281**
At 30 June 2022	**2,885**	**822,458**	**23,321**	**(564)**	**(90,828)**	**(603,151)**	**154,121**

Condensed Consolidated Cash Flow Statement

for the 6 months ended 30 June 2022

	Notes	**6 months ended 30 Jun 2022 $'000**	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
Cash flows from operating activities				
Operating profit		**73,702**	62,603	33,539
Adjustments for:				
Depreciation of property, plant and equipment	2.3	**37,036**	49,513	98,100
Impairment of oil and gas assets	2.3	–	1,751	–
Change in decommissioning estimates on fully impaired assets	2.5	**(795)**	–	1,972
Impairment of intangible exploration and evaluation assets and exploration expense written off	2.4	**4,907**	32	54,280
Gain on lease remeasurement	5.2	–	(49,125)	(49,125)
Impairment of other right-of-use assets		–	–	719
Share-based payment charge		**281**	1,166	1,955
Expenditure on proposed financial restructuring		–	11,687	15,903
Decommissioning spend	2.5	**(180)**	(748)	(4,824)
Operating cash flow before working capital movements		**114,951**	76,879	152,519
Movement in receivables		**(903)**	(2,324)	579
Movement in payables		**(800)**	6,877	5,356
Movement in crude oil, fuel and chemicals inventories		**(3,129)**	(5,531)	(11,410)
Net cash from operating activities		**110,119**	75,901	147,044
Cash flows from investing activities				
Interest received		**39**	20	27
Decrease / (increase) in liquid investments		**34,739**	(15,530)	(15,530)
Expenditure on oil and gas assets		**(3,137)**	(6,997)	(6,618)
Expenditure on other fixed assets		–	(2)	(2)
Expenditure on intangible exploration and evaluation assets		**(1,383)**	(2,778)	(2,782)
Movement in spares and supplies inventories		**401**	–	(4,793)
Tax refund relating to R&D expenditure		**4,588**	–	–
Net cash from/(used in) investing activities		**35,247**	(25,287)	(29,698)
Cash flows from financing activities				
Repurchase of Convertible Bond principal for cancellation		–	–	(130,346)
Transaction costs		–	–	(1,311)
Convertible Bond interest paid	5.1	**(2,944)**	(8,625)	(17,372)
Lease repayments	5.2	**(13,892)**	(4,808)	(18,596)
Interest and other finance charges paid		**(11)**	(20)	(34)
Expenditure on proposed financial restructuring		–	(11,687)	(15,903)
New shares issued under employee share schemes		–	–	–
Net cash used in financing activities		**(16,847)**	(25,140)	(183,562)
Increase/(decrease) in cash and cash equivalents		**128,519**	25,474	(66,216)
Cash and cash equivalents at beginning of period		**76,792**	143,703	143,703
Net increase/(decrease) in cash and cash equivalents		**128,519**	25,474	(66,216)
Effects of foreign exchange rate changes		**(1,426)**	(121)	(695)
Cash and cash equivalents at end of period	4.1	**203,885**	169,056	76,792

Notes to the Interim Financial Statements

for the 6 months ended 30 June 2022

Section 1 General information and basis of preparation

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 29 September 2022.

This set of Interim Financial Statements for the six months ended 30 June 2022 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 2021 were approved by the Board of Directors on 27 April 2022 and have been delivered to the Registrar of Companies. The auditor's report on those Financial Statements, issued by PKF Littlejohn LLP, was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under Section 498 of the Companies Act 2006.

1.1 Basis of preparation

The Interim Financial Statements for the six months ended 30 June 2022 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 2021.

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 2022:

- a significant increase in revenue versus the comparative six-month period due to the continued strong recovery in crude oil prices (note 2.1);
- an impairment of intangible exploration and evaluation assets of $4.9m (note 2.4), following the decision to relinquish the Lincoln (P1368 S) and Warwick (P2294) licences during the period following an assessment of the options for further appraisal and potential development in relation to these licences;

- a significant reduction in finance costs versus the comparative six-month period due to a significant repurchase of Convertible Bonds during 2021 and consequent reduction in associated debt (note 5.1); and
- an increase in the lease liabilities and right-of-use assets relating to the Aoka Mizu FPSO resulting from a renegotiation of the bareboat charter of the Aoka Mizu FPSO and increase in the lease term assumption against a background of higher oil prices and consistent performance on Lancaster (notes 2.3 and 5.2)

Since the end of the reporting period, the Group repaid in full its outstanding $78,515,000 7.50 per cent Convertible Bonds plus $1.5 million of accrued interest (see note 7.2.1).

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 2022. 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 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. The Group ended the half year with $203.9 million of cash and cash equivalents, of which $143.1 million was unrestricted. After adjusting for working capital items, net free cash at 30 June 2022 was $126.9 million (Appendix B). The Group's most significant liabilities at 30 June 2022 were $78.5 million in relation to Convertible Bonds which were paid in full in July 2022, and committed lease liabilities in respect of the Aoka Mizu FPSO. 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 $100/bbl (average for remainder of 2022), $93/bbl (average for 2023) and $85/bbl (average for 2024);
- no sanctioned capital or development projects;
- continued use of the Aoka Mizu FPSO throughout the assessment period; and
- production from the P6 well alone in line with approved guidance and the production profiles supporting the most recent CPR;
- Oil and Gas Energy Profits Levy (EPL) effective from 26 May 2022 until 31 December 2025

Under the base case scenario, the Group had sufficient headroom thereafter for a period of at least 12 months to fund ongoing working capital requirements.

Sensitivity analysis was also undertaken to reflect the following:

- a reduction to the forecast oil price curve of $20/bbl; and
- a 25% reduction to forecast production rates

Under the sensitivity cases above, both individually and in aggregate, the Group is projected to have sufficient cash to continue operating for a period of at least 12 months.

As a result of the going concern assessment presented above, the directors have a reasonable expectation that, after also taking into consideration the current macroeconomic situation, the Group has adequate resources to continue in operational existence throughout the going concern period.

Therefore, the directors continue to adopt the going concern basis of accounting in preparing these consolidated financial statements and the financial statements do not include the adjustments that would result if the Group were unable 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 2021. 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 key risks at 30 June 2022 are the same as those described in the audited Financial Statements of the Group for the year ended 31 December 2021. Changes to underlying key estimates (as compared with estimates made at 31 December 2021) primarily comprise of the change to the lease liability and associated right-of use asset in respect of the Aoka Mizu FPSO following a renegotiation of the lease contract and reassessment of the lease term (notes 2.3 and 5.2).

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 2022 $'000	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
Oil sales	**159,461**	124,501	240,540
Revenue from contracts with customers	**159,461**	124,501	240,540
Cargoes sold	**3**	4	7
Sales volumes	**1,601 Mbbl**	2,004 Mbbl	3,576 Mbbl
Average sales price realised	**$99.6/bbl**	$62.2/bbl	$67.3/bbl

2.2 Cost of sales and inventory

Cost of sales

	Note	**6 months ended 30 Jun 2022 $'000**	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
Operating costs		**31,226**	32,717	65,688
Depreciation of oil and gas assets – owned	2.3	**28,145**	45,855	94,200
Depreciation of oil and gas assets – leased	2.3	**8,725**	3,405	3,405
Movement in crude oil inventory		**(2,516)**	(5,059)	(10,622)
Variable lease payments	5.2	**12,938**	11,099	20,454
Cost of sales		**78,518**	88,017	173,125

Inventory

	30 Jun 2022 $'000	30 Jun 2021 $'000	31 Dec 2021 $'000
Crude oil	**15,829**	7,750	13,313
Fuel and chemicals	**2,737**	1,808	2,124
Spares and supplies	**11,650**	7,258	12,051
Inventory	**30,216**	16,816	27,488

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 2021		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
Additions		–	(996)	(996)
Changes to decommissioning estimates	2.5	1,961	1,227	3,188
At 31 December 2021		85,570	790,644	876,214
Additions		–	**2,314**	**2,314**
Remeasurement of lease liability	5.2	**54,493**	–	**54,493**
Changes to decommissioning estimates	2.5	–	**(1,181)**	**(1,181)**
At 30 June 2022		**140,063**	**791,777**	**931,840**
Depreciation and impairment				
At 1 January 2021		(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)
Depreciation charge for the period		–	(48,345)	(48,345)
Provision for impairment		(1,961)	–	(1,961)
At 31 December 2021		(85,570)	(692,348)	(777,918)
Depreciation charge for the period		**(8,725)**	**(28,145)**	**(36,870)**
At 30 June 2022		**(94,295)**	**(720,493)**	**(814,788)**
Carrying amount at 30 June 2021		–	146,410	146,410
Carrying amount at 31 December 2021		–	98,296	98,296
Carrying amount at 30 June 2022		**45,768**	**71,284**	**117,052**

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 following a renegotiation of the lease contract resulting in the leased asset value (see note 5.2). The Group has reasonable certainty that it will be able to lease the Aoka Mizu FPSO until economic end of life of the Lancaster field. Given that no indications of impairment existed at 30 June 2022 no impairment test for the purposes of determining the recoverable amount of oil and gas assets has been performed.

Included within the cost of owned oil and gas assets is $42.8 million of capitalised borrowing costs (6 months ended 30 June 2021 and 12 months ended 31 December 2021: $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 $37.0 million (6 months ended 30 June 2021: $49.5 million; 12 months ended 31 December 2021: $98.1 million).

2.4 Intangible exploration and evaluation assets

	Note	**6 months ended 30 Jun 2022 $'000**	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
At start of period		**3,830**	55,390	55,390
Additions		**1,208**	2,881	5,235
Provision for impairment and exploration expense written off		**(4,907)**	(32)	(54,280)
Changes to decommissioning estimates	2.5	**(3)**	(1,666)	(2,515)
At end of period		**128**	56,573	3,830

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 2022, comprise only the Halifax (licence P2308) following the relinquishment of the Lincoln (P1368 S) and Warwick (P2294) licences during the period.

The Group and its joint operation partner Spirit Energy have determined that further appraisal and development costs to reach an economic development on the Greater Warwick Area (GWA) discovery within the remaining licence term is not feasible. The Group and its joint operation partner Spirit Energy therefore decided to relinquish the Lincoln (P1368 S) and Warwick (P2294) licences, with a consequent impairment charge of $4.9 million being recognised during the period.

2.5 Decommissioning provisions

	Note	**6 months ended 30 Jun 2022 $'000**	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
At start of period		**49,346**	61,141	61,141
Net new provisions and changes in estimates		**(1,982)**	(1,293)	(1,921)
Utilised and transferred to accruals in period		**(180)**	(7,620)	(9,894)
Unwinding of discount	3.2	**155**	–	20
At end of period		**47,339**	52,228	49,346
Of which:				
Current		–	4,530	–
Non-current		**47,339**	47,698	49,346
		47,339	52,228	49,346
Restricted funds held in respect of decommissioning:				
Restricted cash	4.1	**41,385**	2,299	–
Liquid investments	4.1	–	38,938	37,783
		41,385	41,237	37,783

The provision for decommissioning relates to 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 final payments relating to the plugging and abandoning of the Lancaster 4Z well, and cessation of production planning for the Lancaster EPS and FPSO.

Restricted funds held in respect of decommissioning at 30 June 2021 included an amount sitting in trust of $38.9m classified as 'Liquid Investments'. The amount at 30 June 2022 sitting in trust of $41.4m was reclassified from 'Liquid Investments' to 'Restricted Cash' due to the notice of those funds being less than 3 months on this date.

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 Lincoln (P1368 South) and Warwick (P2294) licences were relinquished in the period. Before the joint operation is formally concluded, there remain a number of operational and administrative matters to complete. The Group currently acts as operator of the joint operation and will continue to do so until these matters are concluded. 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 2022 $'000	30 Jun 2021 $'000	31 Dec 2021 $'000
Contractual commitments in respect of oil and gas assets	**6,516**	7,643	1,201
Contractual commitments in respect of intangible exploration and evaluation assets	**648**	4,915	821

Section 3 Income Statement

3.1 Earnings per share

	6 months ended 30 Jun 2022 $'000	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
Profit attributable to holders of Ordinary Shares in the Company used in calculating basic earnings per share (being profit after tax)	**66,962**	42,776	18,236
Add back impact of:			
Convertible Bond – interest expense not capitalised	**4,896**	n/a	n/a
Convertible Bond – depreciation of interest capitalised in the year	**–**	n/a	n/a
Convertible Bond – fair value gain	**(27)**	n/a	n/a
Profit attributable to holders of Ordinary Shares in the Company used in calculating diluted earnings per share	**71,831**	42,776	18,236
	Number	Number	Number
Weighted average number of Ordinary Shares used in calculating basic earnings per share	**1,990,393,725**	1,989,515,103	1,989,927,148
Potential dilutive effect of:			
Convertible Bond	**150,990,234**	n/a	n/a
Weighted average number of Ordinary Shares and potential Ordinary Shares used in calculating diluted earnings per share	**2,141,383,959**	1,989,515,103	1,989,927,148
	Cents	Cents	Cents
Basic earnings per share	**3.36**	2.15	0.92
Diluted earnings per share	**3.35**	2.15	0.92

For the 6 months ended 30 June 2021 and 12 months ended 31 December 2021, 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. The impact of the VCP and PSP share award schemes was antidilutive in 2021 because market based conditions for both schemes was not met at any point during the year.

3.2 Finance income and costs

	Note	**6 months ended 30 Jun 2022 $'000**	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
Interest income on cash, cash equivalents and liquid investments		**39**	20	27
Net foreign exchange gains		**–**	725	–
Finance income		**39**	745	27
Convertible Bond interest expense	5.1	**(4,896)**	(13,654)	(24,810)
Interest on lease liabilities	5.2	**(1,591)**	(3,402)	(4,412)
Other interest expense and bank charges		**(203)**	(134)	(217)
Net foreign exchange losses		**(4,445)**	–	(1,197)
Unwinding of discount on decommissioning provisions	2.5	**(155)**	–	(20)
Finance costs		**(11,290)**	(17,190)	(30,656)
Net finance costs		**(11,251)**	(16,445)	(30,629)

3.3 General and administrative expenditure

	6 months ended 30 Jun 2022 $'000	6 months ended 30 Jun 2021 $'000	Year ended 31 Dec 2021 $'000
Wages and salaries	**4,392**	7,167	9,939
Social security costs	**616**	877	1,226
Defined contribution pension costs	**224**	370	689
Staff costs	**5,232**	8,414	11,854
Non-staff costs	**3,278**	18,280	22,958
Gross general and administrative expenditure before recharges	**8,510**	26,694	34,812
Capitalised into oil and gas assets	**(1,095)**	(1,911)	(3,025)
Capitalised into exploration and evaluation assets	**(1,682)**	(2,438)	(3,456)
Included within cost of sales	**(3,051)**	(2,542)	(4,752)
Net general and administrative expenditure before non-cash items	**2,682**	19,803	23,579
Non-cash general and administrative costs:			
Net share-based payment charge	**281**	1,166	1,956
Depreciation of other fixed assets and other right-of-use assets	**166**	254	495
Impairment of other right-of-use assets	**–**	–	719
General and administrative expenditure	**3,129**	21,223	26,749

	Number	Number	Number
Average number of employees	**35**	60	55

Section 4 Cash, working capital and financial instruments

4.1 Cash and cash equivalents and liquid investments

	30 June 2022 $'000	30 June 2021 $'000	31 December 2021 $'000
Unrestricted cash and cash equivalents (current)	**143,083**	148,082	68,858
Restricted cash and cash equivalents (current)	**60,802**	20,974	7,934
Current cash and cash equivalents	**203,885**	169,056	76,792
Restricted cash and cash equivalents (non-current)	–	–	–
Liquid investments	–	38,938	37,783
Total cash and cash equivalents and liquid investments	**203,885**	207,994	114,575
Of which:			
Unrestricted	**143,083**	148,082	68,858
Restricted	**60,802**	59,912	45,717
	203,885	207,994	114,575

Restricted funds held in respect of decommissioning at 30 June 2021 included an amount sitting in trust of $38.9m classified as 'Liquid Investments'. The amount at 30 June 2022 sitting in trust of $41.4m was reclassified from 'Liquid Investments' to 'Restricted Cash' due to the notice of those funds being less than 3 months on this date.

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 2022		
	Restricted $'000	**Unrestricted $'000**	**Total $'000**
At 1 January	**45,717**	**68,858**	**114,575**
Operating cash flows	–	**110,119**	**110,119**
Change in Lancaster EPS decommissioning security arrangements	**7,749**	**(7,749)**	–
Capital expenditure and other investing cash flows	–	**508**	**508**
Financing cash flows	–	**(16,847)**	**(16,847)**
Movement in FPSO early termination reserve	**11,489**	**(11,489)**	–
Foreign exchange rate changes	**(4,153)**	**(317)**	**(4,470)**
At 30 June	**60,802**	**143,083**	**203,885**

	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

	Year ended 31 Dec 2021		
	Restricted $'000	Unrestricted $'000	Total $'000
At 1 January	51,603	114,911	166,514
Operating cash flows	–	147,970	147,970
Change in Lancaster EPS decommissioning security arrangements	15,530	(15,530)	–
Capital expenditure and other investing cash flows	–	(15,095)	(15,095)
Financing cash flows	–	(183,562)	(183,562)
Movement in FPSO early termination reserve	(18,670)	18,670	–
Net release of other restricted funds	(2,244)	2,244	–
Foreign exchange rate changes	(502)	(750)	(1,252)
At 31 December	45,717	68,858	114,575

Included within restricted cash and cash equivalents is $19.4 million (31 December 2021: $7.9 million; 30 June 2021: $18.7 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 the lessor to cover the costs associated with the day rate for the six-month notice period and decommissioning in respect of the vessel.

The remaining $41.4 million of restricted cash 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. In June 2021, the Group agreed with the Regulator to place an additional £11.2 million ($15.5 million) into trust, in order to provide security for its decommissioning liability on the Lancaster field on a pre-tax basis, with a further £5.7 million ($7.7 million) being placed in February 2022.

4.2 Trade and other receivables

	30 Jun 2022 $'000	30 Jun 2021 $'000	31 Dec 2021 $'000
Amounts due from joint operation partner	**300**	6,800	813
Trade receivables	**115**	630	423
Prepayments	**2,227**	2,423	1,058
Other receivables	**135**	1,667	297
Trade and other receivables	**2,777**	11,520	2,591

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 accrued interest based at LIBOR in the period and are generally due for settlement within ten days.

4.3 Trade and other payables

	30 Jun 2022 $'000	30 Jun 2021 $'000	31 Dec 2021 $'000
Trade payables	**5,988**	1,329	2,915
Other payables	**304**	628	351
Accruals	**10,393**	22,967	15,577
Trade and other payables	**16,685**	24,924	18,843

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.

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). At the time of issue, the number of potential Ordinary Shares that could be issued if all the bonds were converted was 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. During 2021, the Group repurchased $151.5 million of nominal Convertible Bonds debt for cash consideration of $131.9 million, including accrued interest of $1.6 million. As at 30 June 2022, the nominal value of Convertible Bonds remaining in issue was $78.5 million. Subsequent to the balance sheet date, in July 2022, the Group repaid in full the outstanding $78.5 million 7.50 per cent Convertible Bonds plus $1.5 million of accrued interest by the maturity date of 24 July 2022 – see note 7.2.1.

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 2021	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
Carrying value at 30 June 2021	221,062	4,189	225,251
Cash interest paid	(8,747)	–	(8,747)
Cash consideration for repurchase of Convertible Bond principal	(130,346)	–	(130,346)
Gain on repurchase	(15,753)	(2,759)	(18,512)
Fair value gain	–	(1,403)	(1,403)
Interest charged	11,157	–	11,157
Carrying value at 31 December 2021	77,373	27	77,400
Cash interest paid	**(2,944)**	**–**	**(2,944)**
Fair value gain	–	**(27)**	**(27)**
Interest charged	**4,895**	**–**	**4,895**
At 30 June 2022	**79,324**	**–**	**79,324**
Fair value at 30 June 2021	132,825	4,189	137,014
Fair value at 31 December 2021	75,449	27	75,476
Fair value at 30 June 2022	**78,711**	**–**	**78,711**

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 2021 Annual Report and Financial Statements.

The embedded derivative component of the Convertible Bond is categorised within Level 3 of the fair value hierarchy, as the derivatives themselves are not traded on an active market and their fair values are determined using a valuation technique that uses one key input that is not based on observable market data, being share price volatility.

The key inputs used are share price volatility (calculated as the volatility of one Hurricane Ordinary Share over a period equivalent to the remaining expected term to redemption) and the price of one Ordinary Share at 30 June 2022. 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 Convertible Bond were considered. The likelihood of each was considered to be nil for the purposes of the valuation.

The fair value calculation at 30 June 2022 used a share price volatility assumption of 135.6% (31 December 2021: 117.6%; 30 June 2021: 171.4%) and the price of one Hurricane Energy plc Ordinary Share as at the balance sheet date of £0.071 (31 December 2021: £0.038; 30 June 2021: £0.036). Given the time to maturity, it is not considered that there is a significant risk of changes to these assumptions resulting in a material adjustment to the carrying amounts of the embedded derivative between the balance sheet date and the maturity date of 24 July 2022.

5.2 Leases

	6 months ended 30 Jun 2022 $'000	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
At start of period	**15,790**	97,321	97,321
Remeasurement of lease liability	**54,493**	(67,337)	(67,337)
Cash payments of principal and interest	**(13,892)**	(4,808)	(18,596)
Interest charged	**1,591**	3,402	4,412
Foreign exchange movements	**(194)**	65	(10)
At end of period	**57,788**	28,643	15,790
Of which:			
Current	**27,745**	26,468	13,880
Non-current	**30,043**	2,175	1,910
	57,788	28,643	15,790

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 $12.9 million (6 months ended 30 June 2021: $11.1 million; year ended 31 December 2021: $20.5 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 had elected not to exercise an option previously included in its determination of the lease term, the lease term was assessed, for IFRS 16 accounting purposes, to be expiring at the end of the contractual period (being June 2022), and therefore the liability was remeasured by discounting the revised lease payments. This 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 in the Group's 2021 Annual Report and Financial Statements (note 5.2).

On 25 March 2022, the Group announced that it has signed a contract with Bluewater, for an extension to the Bareboat Charter beyond the previous expiry date of 4 June 2022. The extension is expected to cover the remaining economic life of the Lancaster field given the significant economic incentive for both sides to extend the lease based on the current forward price curve and production profiles. In accordance with IFRS 16 the liability has been remeasured by discounting the revised lease payments covering the economic life of field. This resulted in an increase to the lease liability of $54.5 million (above) and corresponding increase to the associated right-of-use asset cost of $54.5 million (note 2.3).

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	**16,685**	–	–	–	–	**16,685**
Convertible Bond interest	**1,472**	–	–	–	–	**1,472**
Convertible Bond principal	**78,515**	–	–	–	–	**78,515**
Lease liabilities	**13,952**	**13,877**	**27,800**	**7,844**	**787**	**64,260**
At 30 June 2022	**110,624**	**13.877**	**27,800**	**7,844**	**787**	**160,932**

	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
Convertible Bond principal	–	–	230,000	–	–	
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	18,843	–	–	–	–	18,843
Convertible Bond interest	2,944	1,472	–	–	–	4,416
Convertible Bond principal	–	78,515	–	–	–	78,515
Lease liabilities	13,900	441	499	1,038	865	16,743
At 31 December 2021	35,687	80,428	499	1,038	865	118,517

The maturity analysis for lease liabilities includes only those fixed lease repayments contracted to at the balance sheet date.

5.4 Share capital

	Ordinary Shares	$'000
At 1 January 2021	1,991,871,556	2,885
Shares issued under employee share schemes	–	–
At 30 June 2022, 31 December 2021 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/credit for the period

	6 months ended 30 Jun 2022 $'000	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
UK corporation tax			
Current tax – prior years	**(4,588)**	–	–
Total current tax	**(4,588)**	–	–
Deferred tax – current year	**104**	(78)	21
Effect of changes in tax rates	–	–	5
Total deferred tax	**104**	(78)	26
Tax (charge)/credit per Income Statement	**4,484**	(78)	26
Profit/(loss) on ordinary activities before tax	**62,478**	42,854	18,210
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK applicable to oil and gas companies of 40%	**(24,991)**	(17,142)	(7,284)
Effects of:			
Expenses not deductible for tax purposes	**(643)**	(1,404)	(1,934)
Income not chargeable for tax purposes	**–**	–	7,692
Items taxed at rates other than the standard rate of 40%	**(562)**	(2,481)	(2,064)
Ring fence expenditure supplement	–	–	20,560
Prior period current tax	**4,588**	–	–
Prior period deferred tax	–	–	5
Utilisation of losses not previously recognised	**19,263**	–	–
Temporary differences not recognised	**6,829**		
Impact of tax rate change	–	–	25
Chargeable gain	–	–	(10,287)
Total tax (charge)/credit for the period	**4,484**	(78)	26

In 2021 the Group made a claim under the SME and RDEC research and development tax relief scheme in respect of the 2019 & 2020 financial years. £3.4 million was received in respect of this in 2022 and classified within cash flows from investing activities as the original expenditure giving rise to the credit was reported within investing activities.

The deferred tax charge for the current year of $0.1 million wholly relates to the derecognition of the deferred tax asset previously recognised at 31 December 2021 (note 6.2).

6.2 Deferred tax

	6 months ended 30 Jun 2022 $'000	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
Accelerated capital allowances	–	–	83
Other timing differences	–	–	21
Deferred tax asset	–	–	104

A potential deferred tax asset of $258.1 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 $73.9 million 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 deferred 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 deferred 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 $316.8 million at 30 June 2022 (30 June 2021: $357.7 million, 31 December 2021: $381.9 million) and supplementary charge losses and allowances of $484.5 million (30 June 2021: $574.4 million, 31 December 2021: $693.0 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 $31.7 million based on the position at 30 June 2022. The Group also has unused capital allowances of $275.3 million available to be used against future taxable profits (30 June 2021: $389.1 million, 31 December 2021: $328.4 million).

In addition to the above, the Group has pre-trading expenditure of $126.1 million which is carried forward at 30 June 2022, and tax relief may be available should trading activities commence (this expenditure could also be uplifted by RFES to $203.2 million).

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the profits earned from the production of oil and gas in the UK with effect from that date. The EPL enabling legislation, the Energy (Oil and Gas) Profits Levy Act 2022, was substantively enacted on 11 July 2022. The EPL is charged at the rate of 25 per cent on taxable profits in addition to ring fence corporation tax of 30 per cent and the Supplementary Charge of 10 per cent.

As the legislation was not substantively enacted as at 30 June 2022, the tax charge in the half-year results does not include the impact of EPL for the period which will instead be reflected in the second half of 2022. If the EPL had been considered in the interim period, no current tax liability would be expected to arise from business performance in the period 26 May 2022 to 30 June 2022 due to no revenue being recognised in that period. However, a forecasted current tax liability of less than $5 million is expected to arise in the second half of 2022, though the liability will be dependent on numerous factors (including production and oil prices). The EPL tax is a temporary measure and as enacted will cease to apply on 31 December 2025.

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 2022, Crystal Amber Fund Limited (‘Crystal Amber’) held 28.9% of the Company’s Ordinary Shares, and Crystal Amber has classified its investment in Hurricane as an associate. As such, Crystal Amber is considered to be a related party of the Group.

7.2 Subsequent events

7.2.1 Repayment of Convertible Bonds

On 25 July 2022, Hurricane announced that it had repaid in full its outstanding $78,515,000 7.50 per cent Convertible Bonds plus $1.5 million of accrued interest by the maturity date of 24 July 2022. The bonds have now been delisted from The International Stock Exchange and cancelled

Appendix A: Glossary

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
Convertible Bond(s)	$230 million of 7.5% convertible bonds issued by the Company in July 2017
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
FPSO	Floating production storage and offloading vessel
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
NSTA	North Sea Transition Authority
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
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 out of 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 2022 $'000**	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
Profit before tax (IFRS measure)		**62,478**	42,854	18,210
Add back:				
Fair value loss/(gain) on Convertible Bond embedded derivative	5.1	**(27)**	3,304	1,901
Net gain on repurchase of Convertible Bonds		–	–	(17,201)
Gain on lease remeasurement		–	(49,125)	(49,125)
Impairment and write-off of intangible exploration and evaluation assets	2.4	**4,907**	32	54,280
Impairment of other fixed assets and other right-of-use assets		–	–	719
(Decrease)/increase in decommissioning estimates expensed	2.5	**(795)**	1,751	–
Change in decommissioning estimates on fully impaired assets		–	–	1,973
Underlying profit / (loss) before tax		**66,563**	(1,184)	10,757

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 2022 $'000**	6 months ended 30 Jun 2021 $'000	12 months ended 31 Dec 2021 $'000
Cost of sales (IFRS measure)	2.2	**78,518**	88,017	173,125
Less:				
Depreciation of oil and gas assets – owned	2.3	**(28,145)**	(45,855)	(94,200)
Depreciation of oil and gas assets – leased	2.3	**(8,725)**	(3,405)	(3,405)
Movements in crude oil inventory	2.2	**2,516**	5,059	10,622
Add:				
Fixed lease payments payable for oil and gas assets		**13,575**	5,838	19,638
Cash production costs		**57,739**	49,654	105,780
Variable lease payments (incentive tariff)	5.2	**(12,939)**	(11,099)	(20,454)
Cash production costs (excluding incentive tariff)		**44,800**	38,555	85,326
Production volumes		**1,632 Mbbl**	2,004 Mbbl	3,748 Mbbl
Cash production cost per barrel		**$35.4/bbl**	$24.8/bbl	$28.2/bbl
Cash production cost per barrel (excluding incentive tariff)		**$27.5/bbl**	$19.2/bbl	$22.8/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 2022 $'000**	30 Jun 2021 $'000	31 Dec 2021 $'000
Cash and cash equivalents (IFRS measure)	4.1	**203,885**	207,994	76,792
Add:				
Trade and other receivables	4.2	**2,777**	11,520	2,591
Less:				
Restricted cash and cash equivalents	4.1	**(60,802)**	(59,912)	(7,934)
Prepayments	4.2	**(2,227)**	(2,423)	(1,058)
Trade and other payables	4.3	**(16,685)**	(24,924)	(18,843)
Net free cash		**126,948**	132,255	51,548
Par value of Convertible Bond	5.1	**(78,515)**	(230,000)	(78,515)
Net cash / (debt)		**48,433**	(97,745)	(26,967)

Free cash flow

Free cash flow is defined as net cash inflow or outflow from operating activities per the Cash Flow Statement, excluding decommissioning spend and including fixed lease repayments, adjusted for other items considered by management to be capital rather than operating in nature. Free cash flow per barrel is calculated as free cash flow divided by production volumes for the year.

Management believes that free cash flow is a useful measure as it shows cash generated from ongoing operations and G&A.

	Note	**6 months ended 30 Jun 2022 $000**	6 months ended 30 Jun 2021 $'000	Year ended 31 Dec 2021 $'000
Net cash inflow from operating activities (IFRS measure)		**110,119**	75,901	147,044
Adjustments:				
Decommissioning spend		**180**	748	4,824
Lease repayments	5.2	**(13,892)**	(4,808)	(18,596)
Free cash flow		**96,407**	71,841	135,677
Free cash flow per barrel		**$59.1/bbl**	$35.8/bbl	$36.2/bbl