Hurricane

Hurricane Energy plc

Interim Report and Financial Statements 2015

Chief Executive's Report

I am pleased to present a review of operations in the first half of 2015, a period in which the Group's primary focus continued to be working towards achieving first oil on the Lancaster field.

Technical review

The technical component of progressing to first oil includes further refinement of the Lancaster reservoir field model, well planning and the detailed evaluation of available facilities through which oil will be produced.

The UK Oil and Gas Authority has agreed to the Group's request for a field determination area for Lancaster and has granted the Group's discovery oil field status as Oil Field Number 572. This represents the first step in progressing the submission of the Lancaster Early Production System (EPS) field development plan (FDP). This is considered an important step in progressing to first oil from Lancaster and helps the partitioning of the other discoveries and prospects that sit within Licence P1368.

Jefferies International continues to assist Hurricane in conducting a formal farm-out process to attract an industry partner into some or all of the Group's assets. Following the successful drilling and testing of the Lancaster appraisal well 205/21a-6 in 2014, a comprehensive data room has been made available to potential farm-in partners. Hurricane is engaged with a short list of interested parties and an announcement will be made in due course as appropriate.

New licences

In July 2015 Hurricane was successful in its applications for two further West of Shetland blocks in the Oil and Gas Authority's 28th Offshore Licensing Round Second Tranche of Offers.

Hurricane's applications for blocks 204/30b and 205/26d were based both on the identification of a new basement prospect, provisionally named Warwick, which is considered to be analogous to the Company's Lancaster basement discovery; as well as on the additional prospectivity offered from the extension of the Group's Lincoln prospect into block 204/30b.

The licences offered have a work commitment to 'drill or drop' on either of the identified prospects which, following the implementation of a successful Lancaster EPS, will provide Hurricane with the potential for further high value, relatively low-risk, near-field exploration.

Financial review

The Group's operating expenses were £3.1 million (H1 2014: £4.9 million). The decrease is primarily driven by the reduction in advisor fees that were incurred in early 2014 as part of the Group's initial public offering (IPO). There has been a reduction in the total employment costs of the business from £4.4 million in H1 2014 to £3.0 million in H1 2015 due to a decrease in staff numbers. This decrease includes a lower share-based payment expense of £1.4 million (H1 2014: £2.1 million).

The Group recorded a loss after tax of £3.2 million, which is a significant decrease in the H1 2014 loss after tax of £7.3 million. In addition to the reductions in operating expenses in H1 2015, the effects of foreign exchange rates on the Group's cash held in US Dollars decreased significantly. The reduction in amounts held in US Dollars has minimised the Group's exposure to fluctuations in exchange rates. In addition the convertible loan notes were converted at the time of the Company's admission to AIM in February 2014 and therefore £0.5 million of interest expense in H1 2014 was not incurred in H1 2015.

Net cash outflow from operating activities of £1.9 million were lower than H1 2014 (£2.3 million), as general and administration (G&A) cash costs for running the business were reduced. Expenditure on intangible exploration and evaluation assets in the period amounted to £1.6 million (H1 2014: £15.0 million) and primarily related to further analysis of the recent Lancaster well results and refining the development concepts for an EPS on Lancaster.

The Group ended the period with £10.1 million of cash and cash equivalents (excluding £2.3 million held in escrow) available to meet its outstanding trade and other payables of £0.7 million at 30 June 2015 and prospective G&A costs for at least the next twelve months based on the Group's cash flow forecasts. However further funding will be required for future exploration and appraisal activities on the Group's licences. Further details relating to the Group's funding position and ongoing farm-out process is included in note 3 of the interim financial statements.

Chief Executive's Report

Risk Management

The Executive Directors continually monitor the Group's risk exposures and report to the Audit Committee and Board of Directors as required. The principal risks of the Group remain as detailed on page 21 of the 2014 Annual Report and Group Financial Statements.

Dr Robert Trice
CEO
23 September 2015

Independent Review Report

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 2015 which comprises the Group Income Statement, the Group Balance Sheet, the Group Statement of Changes In Equity, the Group Cash Flow Statement and related notes 1 to 9. 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.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in note 2, the Annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with accounting policies the Group intends to use in preparing its next annual financial statements and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
23 September 2015

Condensed Consolidated Income Statement

for the 6 months ended 30 June 2015

	Notes	**6 months ended 30 Jun 2015 (Unaudited) £'000**	6 months ended 30 Jun 2014 (Unaudited) £'000	12 months ended 31 Dec 2014 (Audited) £'000
Operating expenses		**(3,084)**	(4,922)	(8,584)
Intangible exploration and evaluation costs written off	5	**-**	-	-
Operating loss		**(3,084)**	(4,922)	(8,584)
Investment revenue		**14**	26	67
Foreign exchange (losses)/gains	4	**(55)**	(1,816)	125
Finance costs		**(68)**	(563)	(633)
Loss before tax		**(3,193)**	(7,275)	(9,025)
Tax		**-**	(5)	19
Loss for the period		**(3,193)**	(7,280)	(9,006)
Loss per share, basic and diluted		**(0.51) pence**	(1.18) pence	(1.45) pence

All of the Group's operations are classed as continuing.

There was no income or expense in any period other than that disclosed above. Accordingly a Group Statement of Comprehensive Income is not presented.

Condensed Consolidated Balance Sheet

as at 30 June 2015

	Notes	**30 Jun 2015 (Unaudited) £'000**	30 Jun 2014 (Unaudited) £'000	31 Dec 2014 (Audited) £'000
Non-current assets				
Property, plant and equipment		**153**	264	215
Intangible exploration and evaluation assets	5	**178,758**	177,016	177,308
Other receivables		**130**	130	130
		179,041	177,410	177,653
Current assets				
Trade and other receivables		**1,115**	1,078	1,553
Cash and cash equivalents		**12,401**	37,862	15,856
		13,516	38,940	17,409
Total assets		**192,557**	216,350	195,062
Current liabilities				
Trade and other payables	6	**(698)**	(23,198)	(1,481)
Current tax liabilities		**-**	(31)	(6)
		(698)	(23,229)	(1,487)
Non-current liabilities				
Decommissioning provisions	7	**(7,350)**	(7,213)	(7,281)
Total liabilities		**(8,048)**	(30,442)	(8,768)
Net assets		**184,509**	185,908	186,294
Equity				
Share capital		**633**	632	632
Share premium		**210,814**	210,697	210,697
Share option reserve		**6,830**	4,004	5,420
Own shares held by SIP Trust		**(267)**	(194)	(194)
Equity shares to be issued		**649**	-	696
Accumulated deficit		**(34,150)**	(29,231)	(30,957)
Total equity		**184,509**	185,908	186,294

Condensed Consolidated Statement of Changes in Equity

For the 6 months ended 30 June 2015

	Share capital £'000	Share premium £'000	Share option reserve £'000	Own shares held by SIP Trust £'000	Equity Shares to be issued £'000	Accumulated deficit £'000	Total £'000
At 1 January 2014 (audited)	483	167,328	1,901	(136)	-	(37,643)	131,933
Shares allotted	42	18,077	-	-	-	-	18,119
Transaction costs	-	(1,272)	-	-	-	-	(1,272)
Conversion of convertible loan	99	26,564	-	-	-	14,278	40,941
Exercise of warrant	8	-	-	-	-	1,414	1,422
Share options charge	-	-	2,103	-	-	-	2,103
Own shares held by SIP Trust	-	-	-	(58)	-	-	(58)
Loss for the period	-	-	-	-	-	(7,280)	(7,280)
At 30 June 2014 (unaudited)	632	210,697	4,004	(194)	-	(29,231)	185,908
Share option charge	-	-	1,416	-	-	-	1,416
Equity shares to be issued	-	-	-	-	696	-	696
Loss for the period	-	-	-	-	-	(1,726)	(1,726)
At 31 December 2014 (audited)	632	210,697	5,420	(194)	696	(30,957)	186,294
Shares allotted	1	117	-	-	-	-	118
Share option charge	-	-	1,410	-	-	-	1,410
Own shares held by SIP Trust	-	-	-	(73)	-	-	(73)
Equity shares to be issued	-	-	-	-	(47)	-	(47)
Loss for the period	-	-	-	-	-	(3,193)	(3,193)
At 30 June 2015 (unaudited)	**633**	**210,814**	**6,830**	**(267)**	**649**	**(34,150)**	**184,509**

The share option reserve arises as a result of the expense recognised in the income statement to account for the cost of share-based employee compensation arrangements.

Condensed Consolidated Cash Flow Statement

for the 6 months ended 30 June 2015

	Notes	**6 months ended 30 Jun 2015 (Unaudited) £'000**	6 months ended 30 Jun 2014 (Unaudited) £'000	12 months ended 31 Dec 2014 (Audited) £'000
Net cash outflow from operating activities	8	**(1,867)**	(2,319)	(4,677)
Investing activities				
Interest received		**14**	26	67
Expenditure on property, plant and equipment		**(2)**	-	(24)
Expenditure on intangible exploration and evaluation assets		**(1,567)**	(14,992)	(36,585)
Net cash used in investing activities		**(1,555)**	(14,966)	(36,542)
Financing activities				
Interest paid		**-**	(2)	(3)
Net proceeds from issue of share capital and warrants		**22**	16,798	16,786
Net cash provided by financing activities		**22**	16,796	16,783
Net decrease in cash and cash equivalents		**(3,400)**	(489)	(24,436)
Cash and cash equivalents at the beginning of the period		**15,856**	40,167	40,167
Net decrease in cash and cash equivalents		**(3,400)**	(489)	(24,436)
Effects of foreign exchange rate changes		**(55)**	(1,816)	125
Cash and cash equivalents at the end of the period		**12,401**	37,862	15,856

Notes to the Interim Financial Statements
for the 6 months ended 30 June 2015

1. General information

Hurricane Energy plc is a company incorporated 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 for 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 23 September 2015.

This set of Interim Financial Statements for the 6 months ended 30 June 2015 and 30 June 2014 is unaudited and does not constitute statutory accounts as defined by the Companies Act. The information for the year ended 31 December 2014 contained within these Interim Financial Statements does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The Group Financial Statements for the year ended 31 December 2014 have been delivered to the Registrar of Companies. The auditor's report on those Financial Statements 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.

2. Basis of preparation

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 2014 and those to be used for the year ending 31 December 2015.

The Interim Financial Statements have been prepared under the historical cost convention, except for share based payments and any derivative financial instruments, which have been measured at fair value, and in accordance with the requirements of the AIM Rules.

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's Report. The financial position of the Group, its cash flows and liquidity position are set out in the Interim Financial Statements. In addition, note 22 of the audited Financial Statements of the Group for the year ended 31 December 2014 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The Group has no source of operating revenue and currently obtains working capital primarily through equity financing. The Group is therefore dependent on future fundraising, capital receipts or other forms of finance in order to continue in operation in the long term and the Group's work programme is dependent on this future fundraising activity. Management is in active ongoing discussions with a number of parties in relation to securing such funding. The Group has no external borrowings and ended the period with £10.1 million of cash and cash equivalents (excluding amounts held in escrow) available to meet its outstanding trade and other payables of £0.7 million at 30 June 2015, and prospective general and administration (G&A) costs for at least the next twelve months based on the Group's cash flow forecasts.

The Directors have considered sensitivities to the Group's forecasts, including the effect of identified uncertain expenditures which could become payable in the next twelve months together with the Group's ability, in the absence of new funds, to curtail discretionary G&A. These sensitivities indicate that the Group's maximum estimate of these uncertain expenditures could be accommodated, albeit the Group's existing cash reserves would then be essentially depleted in twelve months' time. The Directors believe that the likelihood of the maximum estimate of these uncertain expenditures becoming payable, within twelve months, is remote.

Therefore, having considered reasonable possible sensitivities the Directors believe that the Group will be able to operate within its existing funding and to meet all commitments as they fall due. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Interim Financial Statements.

4. Foreign exchange gains and losses

Foreign exchange losses of £0.1 million (H1 2014: loss of £1.8 million, year ended 31 December 2014: gain of £0.1 million) relate to fluctuations in the US Dollar to Pounds Sterling exchange rate. The Group's cash and cash equivalents are predominately held in Pounds Sterling. In the prior periods the Group held significant cash balances in US Dollars to meet the commitments due in respect of the drilling of the Lancaster 205/21a-6 horizontal well. However, in the current period, the Group converted some of its US Dollar cash holding to Pounds Sterling to reduce the Group's future exposure to movements in the foreign exchange rate.

Notes to the Interim Financial Statements

for the 6 months ended 30 June 2015

5. Intangible exploration and evaluation assets

	6 months ended 30 Jun 2015 (Unaudited) £'000	6 months ended 30 Jun 2014 (Unaudited) £'000	12 months ended 31 Dec 2014 (Audited) £'000
At start of period	**177,308**	137,681	137,681
Additions	**1,450**	36,931	37,223
Effects of changes to decommissioning estimates (note 7)	-	2,404	2,404
At end of period	**178,758**	177,016	177,308

Intangible exploration and evaluation expenditure comprises the book cost of licence interests and exploration and evaluation expenditure within the Group's licensed acreage in the West of Shetlands.

The Directors have fully considered and reviewed the potential value of licence interests, including carried forward exploration and evaluation expenditure. The Directors have considered the Group's tenure to its licence interests, its plans for further exploration and evaluation activities in relation to these and the likely opportunities for realising the value of the Group's licences, either by farm-out or by development of the assets. Further details relating to the Group's funding position and ongoing farm-out process is included in note 3. The Directors have concluded that no impairment is necessary at this time.

6. Trade and other payables

	30 Jun 2015 (Unaudited) £'000	30 Jun 2014 (Unaudited) £'000	31 Dec 2014 (Audited) £'000
Trade payables	**161**	3,595	405
Other payables	**71**	102	80
Accruals	**466**	19,501	996
	698	23,198	1,481

7. Decommissioning provisions

	6 months ended 30 Jun 2015 (Unaudited) £'000	6 months ended 30 Jun 2014 (Unaudited) £'000	12 months ended 31 Dec 2014 (Audited) £'000
At start of period	**7,281**	4,764	4,764
Unwinding	**69**	45	113
Additions	-	2,404	2,404
At end of period	**7,350**	7,213	7,281

The provision for decommissioning relates to the costs required to decommission the Lancaster and Whirlwind exploration assets. The additions in 2014 represent the expected decommissioning cost for the Lancaster 205/21a-6 horizontal well which was completed in June 2014. The expected decommissioning cost for both assets is based on the Directors' best estimate of the cost of decommissioning at the end of the current licence term in 2019 discounted at 1.9%.

8. Reconciliation of operating loss to net cash outflow from operating activities

	6 months ended 30 Jun 2015 (Unaudited) £'000	6 months ended 30 Jun 2014 (Unaudited) £'000	12 Months ended 31 Dec 2014 (Audited) £'000
Operating loss	**(3,084)**	(4,922)	(8,584)
Adjustments for:			
Depreciation of property, plant and equipment	**41**	67	95
Equity shares to be issued	**(5)**	-	486
Share based payment charge	**1,433**	2,103	3,531
Operating cash outflow before working capital movements	**(1,615)**	(2,752)	(4,472)
Decrease / (increase) in receivables	**418**	24	(455)
(Decrease) / increase in payables	**(670)**	414	250
Cash used in operating activities	**(1,867)**	(2,314)	(4,677)
Corporation tax paid	**-**	(5)	-
Net cash outflow from operating activities	**(1,867)**	(2,319)	(4,677)

9. Subsequent events

In July 2015, the Group was successful in its applications for two further West of Shetland blocks in the Oil and Gas Authority's 28th Offshore Licensing Round Second Tranche of Offers.

Hurricane's applications for blocks 204/30b and 205/26d were based both on the identification of a new basement prospect, provisionally named Warwick, which is considered to be analogous to the Company's Lancaster basement discovery; as well as on the additional prospectivity offered from the extension of the Group's Lincoln prospect into block 204/30b.