Hurricane Energy plc

Interim Report and Financial Statements 2016

HUR-COR-FIN-STA-0015-0

I am pleased to present a review of operations for the first half of 2016, an exciting period in Hurricane's history during which the Company raised £52.1 million in order to drill two further wells on our Lancaster oil field.

We were delighted to welcome Kerogen Capital to the shareholder register in May 2016 and to complete the capital raise led principally by Kerogen Capital and Crystal Amber, which enabled us to start drilling the Lancaster 7 Wells.

Operations Update

Lancaster 7 Wells

On 9 September, the Company announced the interim results of the Pilot Well. We were delighted with the results confirming a minimum oil down to ("ODT") of 1,620 metres TVDSS which is 240 metres TVD below structural closure. This result confirms the Company's reservoir model for the Lancaster field. We see no reason why similar results should not be replicated on our Lincoln, Warwick and Typhoon prospects and Whirlwind discovery.

DST testing of the basement reservoir yielded a maximum natural flow rate of 6,600 barrels of oil per day ("bopd") and a maximum flow rate of 11,000 bopd (artificial lift with an electrical submersible pump) of good quality 38 degree API oil with no formation water produced. This flow is interpreted as predominantly emanating from a single fault zone within the basement reservoir.

The Company is now updating its resource model prior to producing an updated CPR and, as such, we are delighted that wireline and well test data indicated that no pressure barriers were detected in the reservoir, and that wireline samples of oil have been recovered to surface from deeper than our minimum oil down to case. Once these data are fully evaluated we anticipate a significant resource upgrade of the Lancaster reservoir.

The drilling of the sidetrack Horizontal Well has now kicked off and we look forward to reporting the results of this well in due course. Further refinement of the Pilot Well data should lead to a further update towards the end of the year.

Early Production System ("EPS")

Concurrently with drilling operations, we have materially progressed our plans for the EPS during the period. At the time of the capital raise our base case was a two-well 53 million barrel development via an FPSO, with life-of-field operating cost of $35 per barrel. Prior to updating the reservoir model as a result of the Pilot Well results, the base case has been revised to a 62 million barrel development with life-of-field operating cost of $26 per barrel at the same capital expenditure.

During the second half of the year we will continue to work with FPSO and subsea production facility providers to refine our development in order to meet FID during 1H 2017. We believe that the EPS has been materially de-risked by the results of the Pilot Well.

Farmout / EPS Financing

As noted in the Financial Review which follows, in order to finance the EPS the Company will have to either raise capital across the equity and debt spectrum and / or farm down a portion of some or all of the Company's assets. In June 2016, we temporarily suspended farmout discussions until completion of the Lancaster 7 Wells and subsequent analysis. We expect that the data room will be re-opened by the end of the year once all the data from the drilling campaign has been analysed.

Survey

After the period ended we completed an initial seabed and environmental survey of areas adjacent to Lancaster and Lincoln which might be required for FPSO moorings and otherwise to bring our seabed surveys up to date.

Chief Executive's Report (continued)

Financial review

On 10 May 2016 the Group raised £52.1 million (gross proceeds) principally to fund the drilling of the Lancaster 7 Pilot and Horizontal Sidetrack Well.

Despite the increased activity raising capital and planning and preparing for drilling operations, the Group's operating expenses were 6.5% lower at £2.9 million compared with H1 2015 of £3.1 million. The number of full time staff decreased to 14 in the period (H1 2015: 17). There has been a corresponding reduction in total employment costs of the business to £2.5 million in H1 2016 from £3.0 million in H1 2015 due to a decrease in staff numbers and a lower share-based payment expense of £0.9 million (H1 2015: £1.4 million).

The Group recorded a loss after tax of £1.8 million, which is a significant decrease compared with the H1 2015 loss after tax of £3.2 million. In addition to the reductions in operating expenses in H1 2016, there was a positive impact from converting GBP in to US Dollars to fund US Dollar based drilling costs prior to the 23 June Referendum vote and the subsequent sharp movement in GBP:US Dollar rates.

The Group ended the period with £57.4 million of cash and cash equivalents (including £2.3 million held in escrow within non-current assets, and £14.6 million held as restricted cash to be used in the Lancaster 7 Wells drilling programme available to meet its expected drilling costs, outstanding trade and other payables of £1.8 million at 30 June 2016 and prospective G&A costs, for at least the next twelve months based on the Group's cash flow forecasts.

The Group will need to either raise additional capital and/or farm down its equity in Lancaster and its other assets in order to fund the EPS costs.

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 pages 19 - 21 of the 2015 Annual Report and Group Financial Statements.

The Group has reviewed its operations in light of the Referendum vote on 23 June. Other than the immediate impact of change in GBP:US Dollar exchange rates, for which the Group was prepared, the Executive Directors do not believe that the vote will have an impact on the business in the immediate future.

Dr Robert Trice
CEO
21 September 2016

Glossary of terms used in the Chief Executive's Report

CPR	competent person's report
DST	Drill Stem Testing
TVD	true vertical depth
TVDSS	true vertical depth (sub-sea)

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 2016 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 1 to 11. 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 have 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 2016 is not prepared, in all material respects, in accordance with the 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

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, UK
21 September 2016

Condensed Consolidated Income Statement

for the 6 months ended 30 June 2016

	Notes	**6 months ended 30 Jun 2016 (Unaudited) £'000**	6 months ended 30 Jun 2015 (Unaudited) £'000	12 months ended 31 Dec 2015 (Audited) £'000
Operating expenses		**(2,910)**	(3,084)	(5,448)
Operating loss		**(2,910)**	(3,084)	(5,448)
Investment revenue		**34**	14	37
Foreign exchange gains / (losses)	4	**1,117**	(55)	28
Finance costs		**(32)**	(68)	(140)
Loss before tax		**(1,791)**	(3,193)	(5,523)
Tax		**-**	-	-
Loss for the period		**(1,791)**	(3,193)	(5,523)
Loss per share, basic and diluted	5	**(0.25) pence**	(0.51) pence	(0.87) 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 2016

	Notes	30 Jun 2016 (Unaudited) £'000	30 Jun 2015 (Unaudited) £'000	31 Dec 2015 (Audited) £'000
Non-current assets				
Property, plant and equipment		**52**	153	89
Intangible exploration and evaluation assets	6	**177,804**	178,758	176,012
Other receivables		**130**	130	130
Other non-current assets*		**2,325**	2,311	2,318
		180,311	181,352	178,549
Current assets				
Inventory		**410**	-	410
Trade and other receivables		**1,260**	1,115	420
Cash and cash equivalents*		**55,042**	10,090	7,623
		56,712	11,205	8,453
Total assets		**237,023**	192,557	187,002
Current liabilities				
Trade and other payables	7	**(1,751)**	(698)	(271)
Current tax liabilities		**-**	-	-
		(1,751)	(698)	(271)
Non-current liabilities				
Decommissioning provisions	8	**(3,251)**	(7,350)	(3,221)
Total liabilities		**(5,002)**	(8,048)	(3,492)
Net assets		**232,021**	184,509	183,510
Equity				
Share capital	9	**984**	633	633
Share premium		**260,556**	210,814	210,814
Share option reserve		**8,984**	6,830	8,089
Own shares held by SIP Trust		**(232)**	(267)	(195)
Equity shares to be issued		**-**	649	649
Accumulated deficit		**(38,271)**	(34,150)	(36,480)
Total equity		**232,021**	184,509	183,510

* Prior period balances have been restated (see note 2).

Condensed Consolidated Statement of Changes in Equity

for the 6 months ended 30 June 2016

	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 2015 (audited)	632	210,697	5,420	(194)	696	(30,957)	186,294
Shares allotted	1	117	-	-	-	-	118
Share options charge	-	-	1,410	-	-	-	1,410
Equity shares to be issued	-	-	-	-	(47)	-	(47)
Own shares held by SIP Trust	-	-	-	(73)	-	-	(73)
Loss for the period	-	-	-	-	-	(3,193)	(3,193)
At 30 June 2015 (unaudited)	633	210,814	6,830	(267)	649	(34,150)	184,509
Share option charge	-	-	1,259	-	-	-	1,259
Own shares held by SIP Trust	-	-	-	72	-	-	72
Loss for the period	-	-	-	-	-	(2,330)	(2,330)
At 31 December 2015 (audited)	633	210,814	8,089	(195)	649	(36,480)	183,510
Shares allotted	351	49,742*	-	-	-	-	50,093
Share option charge	-	-	895	-	-	-	895
Own shares held by SIP Trust	-	-	-	(37)	-	-	(37)
Equity shares to be issued	-	-	-	-	(649)	-	(649)
Loss for the period	-	-	-	-	-	(1,791)	(1,791)
At 30 June 2016 (unaudited)	**984**	**260,556**	**8,984**	**(232)**	**-**	**(38,271)**	**232,021**

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.

* Includes £460k in relation to deferred bonus shares now issued (see note 9).

Condensed Consolidated Cash Flow Statement
for the 6 months ended 30 June 2016

	Notes	**6 months ended 30 Jun 2016 (Unaudited) £'000**	6 months ended 30 Jun 2015 (Unaudited) £'000	12 months ended 31 Dec 2015 (Audited) £'000
Net cash outflow from operating activities	10	**(2,069)**	(1,867)	(2,558)
Investing activities				
Interest received		**36**	14	35
Expenditure on property, plant and equipment		**(6)**	(2)	(3)
Expenditure on intangible exploration and evaluation assets		**(1,016)**	(1,567)	(3,029)
Expenditure on inventory		**-**	-	(410)
Net cash used in investing activities		**(986)**	(1,555)	(3,407)
Financing activities				
Interest paid		**(1)**	-	(1)
Proceeds from issue of share capital and warrants		**49,533**	22	23
Gross proceeds from SIP issue		**18**	-	-
Deferred bonus arrangements settled in cash		**(186)**	-	-
Net cash provided by financing activities		**49,364**	22	22
Net increase / (decrease) in cash and cash equivalents		**46,309**	(3,400)	(5,943)
Cash and cash equivalents at the beginning of the period*		**9,941**	15,856	15,856
Net increase /(decrease) in cash and cash equivalents		**46,309**	(3,400)	(5,943)
Effects of foreign exchange rate changes		**1,117**	(55)	28
Cash and cash equivalents at the end of the period*		**57,367**	12,401	9,941

* Cash and cash equivalents includes £2,325k (30 June 2015: £2,311k; 31 December 2015: £2,318k) of cash held in escrow which has been included in the balance sheet in other non-current assets.

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 21 September 2016.

This set of Interim Financial Statements for the 6 months ended 30 June 2016 is unaudited and does not constitute statutory accounts as defined by the Companies Act. The information for the year ended 31 December 2015 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 2015 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 annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. 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 2015 and those to be used for the year ending 31 December 2016.

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

During the period, management have reconsidered the classification of cash balances held in escrow that relate to decommissioning. As these balances may not be available for at least 12 months from the balance sheet date, these balances have been reclassified from Cash and cash equivalents within current assests to Other non-current assets. The comparative balances have been restated to reflect this reclassification.

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. 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 for developing its core assets is dependent on this future fundraising activity. The Group has no external borrowings and ended the period with £55.0 million of cash and cash equivalents (excluding amounts held in decommissioning escrow) available to meet its outstanding trade and other payables of £1.8 million at 30 June 2016, the costs of the work programme for the Lancaster 7 Wells, 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 the work programme for the Lancaster 7 Wells for which the additional capital has been raised. These sensitivities indicate that the Group is fully funded for both the Lancaster 7 Wells operation and for prospective G&A costs for at least the next twelve months based on the Group's cash flow forecasts.

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 gains of £1.1 million (6 months ended 30 June 2015: loss of £0.1 million; year ended 31 December 2015: 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 May 2016, the Group converted £13 million of its cash balance to US Dollars in preparation for the drilling of the Lancaster 205/21a-7 pilot well and the 205/21a-7Z horizontal well, and the foreign exchange gain relates to the change in value of this USD balance.

5. Loss per share

The basic and diluted loss per share has been calculated using the loss for the 6 months ended 30 June 2016 of £1,791,000 (30 June 2015: £3,193,000; 31 December 2015: £5,523,000). The loss per share is calculated using a weighted average number of Ordinary Shares in issue less treasury shares. For the period ended 30 June 2016 this amounts to 730,566,202 Ordinary Shares (30 June 2015: 632,117,123; 31 December 2015: 632,151,017). The loss per share for the period ended 30 June 2016 was 0.25 pence (30 June 2015: 0.51 pence; 31 December 2015: 0.87 pence).

6. Intangible exploration and evaluation assets

	6 months ended 30 Jun 2016 (Unaudited) £'000	6 months ended 30 Jun 2015 (Unaudited) £'000	12 months ended 31 Dec 2015 (Audited) £'000
At start of period	**176,012**	177,308	177,308
Additions	**1,792**	1,450	2,903
Effects of changes to decommissioning estimates (note 8)	**-**	-	(4,199)
At end of period	**177,804**	178,758	176,012

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 is included in note 3. The Directors have concluded that no impairment is necessary at this time.

7. Trade and other payables

	30 Jun 2016 (Unaudited) £'000	30 Jun 2015 (Unaudited) £'000	31 Dec 2015 (Audited) £'000
Trade payables	**833**	161	71
Other payables	**362**	71	78
Accruals	**556**	466	122
	1,751	698	271

8. Decommissioning provisions

	6 months ended 30 Jun 2016 (Unaudited) £'000	6 months ended 30 Jun 2015 (Unaudited) £'000	12 months ended 31 Dec 2015 (Audited) £'000
At start of period	**3,221**	7,281	7,281
Unwinding of discount rate	**30**	69	139
Changes to decommissioning estimate	**-**	-	(4,199)
At end of period	**3,251**	7,350	3,221

The provision for decommissioning relates to the costs required to decommission the suspended wells previously drilled on the Lancaster and Whirlwind exploration assets. 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% per annum. The change to the decommissioning estimate in 2015 was due to a revised approach to decommissioning the suspended wells in an integrated campaign coupled with an underlying reduction in the rates charged for oil field services.

9. Called up share capital

	30 June 2016 £'000	30 Jun 2015 £'000	31 Dec 2015 £'000
Allotted, called up and fully paid 30 June 2016: 984,030,277 (30 June 2015: 633,112,533; 31 December 2015: 633,112,533) Ordinary Shares of £0.001 each	**984**	633	633

The Company does not have an authorised share capital.

On 21 January 2016 1,016,976 new Ordinary Shares were issued to the Hurricane Energy plc Share Incentive Plan (SIP) at a subscription price of £0.09 per share.

On 10 May 2016 347,245,265 new Ordinary Shares were issued to Kerogen Capital and other institutional investors at a subscription price of £0.15 per share. In connection with the fundraising, the Group has issued warrants to Crystal Amber to subscribe for up to 23,333,333 new Ordinary shares at a price of £0.20 per share.

On 08 June 2016 2,655,503 new Ordinary Shares were issued to Directors who held office during 2014 in partial settlement of the 2014 deferred bonus, at a market price at that date of £0.17 per share, with the remainder of the deferred bonus settled via a cash payment of £186,000.

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

	6 months ended 30 Jun 2016 (Unaudited) £'000	6 months ended 30 Jun 2015 (Unaudited) £'000	12 Months ended 31 Dec 2015 (Audited) £'000
Operating loss	**(2,910)**	(3,084)	(5,448)
Adjustments for:			
Depreciation of property, plant and equipment	**25**	41	82
Equity shares to be issued	**-**	(5)	(5)
Share based payment charge	**936**	1,433	2,764
Operating cash outflow before working capital movements	**(1,949)**	(1,615)	(2,607)
Decrease / (increase) in receivables	**(842)**	418	1,113
(Decrease) / increase in payables	**722**	(670)	(1,058)
Cash used in operating activities	**(2,069)**	(1,867)	(2,552)
Corporation tax paid	**-**	-	(6)
Net cash outflow from operating activities	**(2,069)**	(1,867)	(2,558)

11. Subsequent events

On 6 July 2016 the Group announced that the Lancaster 205/21a-7 Pilot well had been spudded. Following that, and on 9 September, the company announced the interim results of this well.

The drilling of the sidetrack Horizontal Well has now kicked off and the results of this well will be reported in due course. Further refinement of the Pilot Well data should lead to a further update towards the end of the year.

See the Chief Executive Report on page 2 for further details.