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Hurricane Energy PLC
20 September 2019

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Hurricane Energy plc

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

Half-year Results 2019

Hurricane Energy plc, the UK based oil and gas company focused on hydrocarbon resources in naturally fractured basement reservoirs, is pleased to provide its 2019 interim report and half-year results for the period ended 30 June 2019.

Dr Robert Trice, Chief Executive of Hurricane, commented:

"I am delighted to announce our half year results for 2019, Hurricane's first financials to include revenue. The Lancaster Early Production System is the first phase of development of our significant Rona Ridge assets. Achieving first oil on schedule and on budget is a remarkable achievement and a huge credit to our operating team, our partners and contractors.

"Since first oil, Hurricane has sold over 1.6 million barrels of oil across four cargoes and Lancaster has been producing at an average of 14,100 barrels of oil per day. The operating cash flow that the EPS is delivering provides Hurricane with greater control of our future as we seek to deliver growth in reserves and production across all of our Rona Ridge assets.

"Whilst the financial security gained from production is crucial, the ultimate goal of the Lancaster Early Production System is to improve our understanding of the reservoir to aid planning of future phases of development of Hurricane's significant Rona Ridge resource. Throughout the start-up phase and following first oil, the reservoir has performed at the higher end of expectations. However, we remain cognisant that it will take at least six months of steady state production before we are able to evaluate the validity of our reservoir model.

"Following the successful Lincoln Crestal well, we look forward to continuing with our Greater Warwick Area work programme with our partners Spirit Energy. This programme is designed to enable us to obtain the necessary reservoir data from across the GWA in order to allow the partnership to work towards an initial phase of full field development on the Greater Warwick Area."

2019 Interim results summary

Financial results

- The Group recognised revenue for the first time relating to a single cargo of crude oil that was sold in the period. This resulted in the Group recording an operating profit of $1.2 million (H1 2018: operating loss of $4.7 million).
- The Group recorded a loss after tax for the first half of 2019 of $21.2 million (H1 2018: $75.1 million). This loss includes a non-cash fair value loss on the embedded derivative element of the Convertible Bond of $23.5 million.
- As at 30 June 2019, the Group had an unrestricted cash position of $81.4 million (31 December 2018: $83.0 million).

Operational developments - Greater Lancaster Area

- Lancaster Early Production System first oil achieved on 4 June 2019, following introduction of hydrocarbons on 11 May 2019
- Lancaster has been producing at an average of approximately 14,100 barrels of oil per day from first oil to latest lifting (completed on 17 September 2019)
- Hurricane has sold over 1.6 million barrels of oil across four cargoes to date
- Overall system availability on the Lancaster Early Production System has exceeded long-term guidance of 85%

Operational developments - Greater Warwick Area

- Three well 2019 drilling campaign being carried out in partnership with Spirit Energy using the Transocean Leader semisubmersible rig
- 'Lincoln Crestal' well (205/26b-14)
  - Drilled to a total depth of 1,780m TVDSS, including a 720 m horizontal section of fractured basement reservoir and successfully flow tested
  - Maximum stable flow rate of c. 9,800 stb/d on electrical submersible pumps, 4,682 stb/d under natural conditions
  - Lincoln confirmed to contain light, 43° API oil
- 'Warwick Deep' well (205/26b-13Z)
  - Drilled to a total depth of 1,964 m TVDSS, including a 712 m horizontal section of fractured basement

reservoir

  - Initial analysis indicates that the well intersected a poorly connected section of the fracture network - it did not flow at commercial rates, producing a mixture of drilling brine, water, oil and gas, and so was plugged and abandoned
  - Encountered oil shows, with gas chromatography indicating light oil and a DST oil sample which laboratory measurements indicate to be a light oil of 40°

Outlook

- Lancaster Early Production System 2019 full year production guidance of over 2.8 million barrels (approx. 12,500 bopd from first oil)
- Warwick West, third well in 2019 Greater Warwick Area programme, due to be spudded shortly
- Long lead items for Greater Warwick Area 2020 well programme have been ordered, rig contract expected to be signed shortly

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About Hurricane

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

The Lancaster field (100%) is the UK's first producing basement field. Hurricane is pursuing a phased development of Lancaster, starting with an Early Production System consisting of two wells tied-back to the Aoka Mizu FPSO. This development is initially expected to produce an average of 17,000 bopd (gross production of 20,000 bopd with assumed operating efficiency of 85%, following a period of ramp-up). Hydrocarbons were introduced to the FPSO system on 11 May 2019 and the first oil milestone was achieved on 4 June 2019.

Hurricane's other assets include Lincoln (50%), Warwick (50%), Halifax (100%), Whirlwind (100%), and Strathmore (100%). Together with Lancaster, these assets have total combined 2P reserves and 2C contingent resources of 2.6 billion barrels of oil equivalent (2.3 billion barrels of oil equivalent net to Hurricane).

In September 2018, Spirit Energy farmed-in to 50% of the Lincoln and Warwick assets, committing to a phased work programme targeting sanction of an initial stage of full field development. The first phase of the programme includes the drilling and testing of three wells in 2019, which is being carried out using the Transocean Leader semi-submersible drilling rig.

Inside Information

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

Competent Person

The technical information in this release has been reviewed by Dr Robert Trice, who is a qualified person for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Dr Robert Trice, Chief Executive Officer of Hurricane Energy plc, is a geologist and geoscientist with a PhD in geology and has over 30 years' experience in the oil and gas industry.

Standard

Resource estimates 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

On 4 June 2019, we achieved first oil from the Lancaster Early Production System (EPS) after the Aoka Mizu FPSO completed a 72-hour production test with both wells flowing at an aggregate 20,000 barrels per day. This followed the introduction of hydrocarbons on 11 May 2019 and a period of data gathering ahead of first oil. On 18 June 2019, BP Oil International lifted our first cargo. Since first oil, Hurricane has sold over 1.6 million barrels of oil across four cargoes and has been producing at an average of approximately 14,100 barrels of oil per day between first oil and latest lifting, which completed on 17 September 2019.

First oil was achieved on budget and on schedule; an enormous credit to the Hurricane team and its partners and contractors who have drilled and completed the wells, performed an upgrade on the Aoka Mizu, and installed the mooring and subsea umbilicals, risers and flowlines (SURF) West of Shetland.

Hurricane is now a revenue-generating company. The operating cash flow that the Lancaster EPS will deliver provides us with greater control of Hurricane's future as we seek to deliver growth in reserves and production across all of our Rona Ridge assets. Whilst the financial security gained from production is crucial, the ultimate goal of the Lancaster EPS is to improve our understanding of the reservoir to aid planning of future phases of development of Hurricane's significant Rona Ridge resource. We are now generating the data to do so.

The operating loss after net finance costs for the period was $4.0 million (H1 2018: $4.9 million). The majority of this loss related to Convertible Bond interest that could not be capitalised of $3.4 million (H1 2018: nil). In addition, interest on lease liabilities was recognised for the first time ($1.0 million) as required by the new accounting standard on leases, IFRS 16. These interest costs were offset by the operating profit for the period and interest income received.

The Group recorded a loss after tax for the first half of 2019 of $21.2 million (H1 2018: $75.1 million). This loss includes a non-cash fair value loss on the embedded derivative element of the Convertible Bond of $23.5 million. This is discussed in more detail in the Financial Review below. In the six months to 30 June 2019, the Group recognised revenue for the first time relating to the cargo of crude oil that was sold in the period. This resulted in the Group recording an operating profit of $1.2 million (H1 2018: operating loss of $4.7 million). As at 30 June 2019, the Group had an unrestricted cash position of $81.4 million (31 December 2018: $83.0 million).

Lancaster EPS

Most of the reporting period was dominated by the departure of the Aoka Mizu from Rotterdam, hook-up to the turret mooring buoy and offshore commissioning activities in preparation for the introduction of hydrocarbons and first oil. The West of Shetland region is a harsh operating environment which, from time-to-time, will impact operations. Ultimately, hook-up and first oil were achieved on schedule and on budget - a notable achievement.

Average production of 14,100 bopd, from first oil to the most recent lifting completed on 17 September 2019, has been ahead of guidance of 9,000 bopd. This has resulted in over 1.6 million barrels having been sold via the offtake agreement with BP Oil International. However, the Aoka Mizu has yet to achieve Final Acceptance and we continue to work through several facilities-related issues which may impact uptime during the rest of the year. While system availability has been ahead of guidance, having only one flowline operational for over a month, due to a faulty valve in the turret, has constrained our data gathering ability and limited maximum production capacity. Operations have now recommenced with two flowlines.

As we note below, and as reflected in our production levels and cash generation, indications from the data gathered to date are generally either in line with or better than pre-start-up guidance. Our expectation, in particular for pressure related data, is that it will take at least six months of steady state production before we are able to confirm our reservoir model.

We have been pleased by the well performance to date, which supports Hurricane's reservoir model of a well-connected highly-permeable fracture network. The initial productivity indexes that we measured on both the -6 and -7Z wells of 205 stb/d/psi and 190 stb/d/psi respectively were world class and surpassed even Company expectations. Flow rates from each of the -6 and -7Z wells of 16,500 bopd were demonstrated during the start-up process under natural flow, without electrical submersible pumps (ESPs). These rates were significantly above those achieved during their drill stem testing (DST), above expectations, and are the clearest demonstration of the performance of the reservoir. To date, we have had no need to turn on the ESPs to support production.

The two Lancaster EPS production wells were deliberately placed in close proximity to each other, in order to be able to test the permeability and anisotropy of the reservoir, through interference testing. As expected, they have demonstrated good inter-well connectivity with an almost instant pressure response. The rapidity at which the two wells react to each other further highlights the fractured and interconnected nature of the network.

Significant efforts were made prior to start-up, in seeking to mitigate the potential effects of our paraffinic (waxy) crude. Operationally, we are pleased that these efforts have ensured that we have witnessed limited flow assurance issues. We expect that this will have a positive impact on both current operations and future capex as we move onto initial stages of full field development.

We have gone to great lengths to explain why we do not expect to see coned aquifer water during the lifetime of the EPS, under our base case. This is our continuing expectation. The perched, or stranded, water we have experienced is consistent with our reservoir model and since our capital markets day presentation this interpretation has been reinforced by the Company's technical work. Notwithstanding the increase in aggregate perched water production to a sustained rate of approximately 7.5%, water cut remains within expected ranges and is not impacting oil production levels or the cost of production.

Now that both flowlines are in operation again, we can see that production from the -6 well continues to be of dry oil. Given the proximity of the wells and strong interference between them, this is supportive of a stranded pocket of water being intersected by the -7Z well. Hurricane's analysis suggests that current production is only coming from a relatively short section of the borehole in the vicinity of the heel in each well. Over time, fractures further along each well bore are expected to contribute to production, reducing the impact of any individual water-bearing fracture.

There are a number of commissioning activities ahead as we seek to move to Final Acceptance of the Aoka Mizu. Key amongst these is commissioning the fuel gas compressor which will reduce the amount of gas flared and diesel burned to provide power to the FPSO. As a result, it is unlikely that the above-guidance system availability demonstrated in the first three months of production will continue for the remainder of the year. We therefore expect the average production constrained by system availability and data gathering requirements to be in-line with guidance at approximately 11,000 bopd for the remainder of the year. This, combined with production since introduction of hydrocarbons, means that we expect to produce over 2.8 million barrels of oil in 2019.

Greater Lancaster Area

A significant majority of the Company's focus in respect of the Greater Lancaster Area (GLA) has been on the start-up of the Lancaster EPS and interpreting the data derived from production. In addition, we have focussed on ensuring that the Aoka Mizu can support a tie-back from a GWA well, plans for which were a cornerstone of our transaction with Spirit last year. Reactivation of the gas compression system, to enable gas export, as well as debottlenecking of the Aoka Mizu to allow for up to 40,000 bopd of throughput, are intended to facilitate this.

This work comprises the next phase of Hurricane's growth as we seek to increase reserves to approximately 100 million barrels and gross production to a maximum of 40,000 bopd (35,000 bopd net to Hurricane). We aim to achieve this through utilising the Aoka Mizu's capacity fully and ensuring that there is sufficient well stock to sustain production.

Hurricane is also now looking ahead towards an initial stage of full field development on the GLA. Well placement and planning will depend on subsurface and reservoir modelling, which will require at least six months of reservoir data to be progressed. However, work has commenced on identifying the appropriate development scenario in terms of facilities. Hurricane continues to have a 100% interest in the GLA and is exploring a number of structures to fund full field development, including those that do not result in a reduction in licence equity.

Greater Warwick Area

We were delighted to announce the results of a successful drill stem test on the Lincoln Crestal well on 12 September 2019. Consent for suspension of the well, with gauges downhole, was granted for the purposes of: completing pressure build-up tests, gathering interference data between the Lincoln Crestal and Warwick West wells, and gathering data from the early wells that are planned to be drilled in 2020. The suspension consent provided requires that the well is re-entered to be plugged and abandoned by 22 June 2020.

Following the successful test of the Lincoln Crestal well, Hurricane, as licence operator, intends to apply for regulatory consent to tie this well back to the Aoka Mizu during 2020, concurrent with the West of Shetland Gas Pipeline system (WOSPs) tie-in and Aoka Mizu debottlenecking. This application will be subject to further technical evaluations and final investment decision by the joint venture. If regulatory consent for the tie-back is granted, first oil from the Lincoln Crestal well is currently forecast for Q4 2020 / Q1 2021. In order to maintain the target schedule, regulatory consent must be obtained by end Q1 2020.

First gas into the West of Shetland Pipeline System (WOSPs) is expected at the same time as first oil from the tie-back. Our ability to tie-in to WOSPs is dependent on final regulatory approval, agreement on tie-in and commercial transportation terms which are expected to be achieved soon, and ultimately, joint venture final investment decision. Orders have been placed to acquire time critical equipment for a tie-back in 2020.

We have secured the long lead items to allow Hurricane to operate a three well campaign on the Greater Warwick Area (GWA) during 2020. The locations of these proposed wells will be agreed by the joint venture following the completion of the 2019 well campaign.

The cause of the lack of commercial flowrates on the Warwick Deep well is still being investigated and we will update the market once it has been established. Results from laboratory analysis of oil recovered to surface from Warwick Deep indicates a light oil of approximately 40° API. We believe that following more detailed analysis than can be achieved on the rig, the oil recovered from Lincoln Crestal will be demonstrated to be broadly similar to that from Warwick Deep.

Whirlwind

Both the subsurface and development teams are working on solutions on how to best appraise the Whirlwind discovery. The fluid type is probably a gas condensate, which means that it is not a suitable candidate to be tied back to the Aoka Mizu.

Gas in the West of Shetland region is only marginally economic based on existing gas export infrastructure. We are therefore seeking solutions that minimise gas export in the first instance.

Corporate

Having achieved the Lancaster EPS first oil milestone, Hurricane has satisfied its licence obligations with respect to the P1368 licence. The Company has therefore applied to the Oil and Gas Authority to extend the third term of the P1368 licence subareas that cover Lancaster, Lincoln and Whirlwind. The licence would otherwise expire at the end of 2019. The Strathmore subarea is planned to be relinquished given Hurricane's focus on its basement assets. The carrying value of the Strathmore asset, a small sandstone discovery, was fully impaired in 2017.

Hurricane's team expanded significantly in Q4 2018 and Q1 2019. The new arrivals have been happily assimilated into the Hurricane culture and we are getting used to operating 24 hours a day for 365 days a year. The pace of work has not slowed since the first oil milestone was reached; if anything, it has picked up. We have world class assets on the Rona Ridge, but their value is only delivered through the work of Hurricane's people and our partners. I thank them for these efforts.

Dr Robert Trice

Chief Executive Officer

19 September 2019

Financial Review

The first half of the year included a momentous shift for the Group with the first recognition of revenue. The Aoka Mizu FPSO was hooked up and first oil from the Lancaster EPS was announced on 4 June 2019. By the middle of June, sufficient oil had been produced to allow the completion of the first lifting, shortly followed by the receipt of cash from the sale of the crude oil. The total capital expenditure on the project remained within the original budget.

Alongside the progress on the Lancaster field, activity continued on the GWA with the drilling of the Warwick Deep and Lincoln Crestal wells. The majority of the GWA activity was paid for in full by the Group's joint venture partner, Spirit Energy, as per the terms of the farm-out agreement. The Warwick Deep well was not a commercial success and therefore has been plugged and abandoned, but not before valuable data had been collected. The rig then moved on to drill the Lincoln Crestal well, which has been successfully tested at commercial flow rates. Upon completion of operations, the rig will move to drill the Warwick West well.

Sources and use of funds

In H1 2019, the Group's main sources of cash received were:

i) Proceeds from first lifting of $22.5 million

ii) Tax refund relating to R&D tax credits of $6.2 million

iii) New shares issued under warrants and rights of $7.8 million

In H1 2019, the Group's primary uses of funds were:

i) Development expenditure on the Lancaster EPS of $30.9 million

ii) Expenditure relating to cost of sales and G&A of $16.3 million

iii) Convertible Bond coupon payments of $8.6 million

Income statement

The Group recorded a loss after tax for the first half of 2019 of $21.2 million (H1 2018: $75.1 million). This loss includes a non-cash fair value loss on the embedded derivative element of the Convertible Bond of $23.5 million. This is discussed in more detail below. In the six months to 30 June 2019 the Group recognised revenue for the first time from the cargo of crude oil that was sold in the period. This resulted in the Group recording an operating profit of $1.2 million (H1 2018: operating loss of $4.7 million).

The operating loss after net finance costs for the period was $4.0 million (H1 2018: $4.9 million). This loss included interest charges on the Convertible Bond of $3.4 million which, following first oil, can no longer be capitalised. In addition, in the period interest on lease liabilities (primarily relating to the Aoka Mizu FPSO) was recognised for the first time ($1.0 million) as required under IFRS 16, the new accounting standard on leases. These interest costs were offset by the operating profit for the period and interest income received.

Due to the nature of the Group's business, it has accumulated significant tax losses since incorporation. The Group had trading losses of $569.2 million at 30 June 2019, which have no expiry date and would be available for offset against future trading profits (though a deferred tax asset has not been recognised beyond offsetting existing deferred tax liabilities). A potential Ring Fence Expenditure Supplement claim could also be made which would result in additional trading losses of $169.0 million.

The Group had pre-trading expenditure of $89.2 million which was carried forward at 30 June 2019. Tax relief will be available on this amount as the Group's remaining licences reach the development stage.

Exploration and evaluation assets and property plant and equipment

During the period, the Group incurred expenditure in relation to the Lancaster EPS as commissioning entered its final phases. Total expenditure during the period was $24.3 million, including $9.1 million of capitalised interest, included within property, plant and equipment.

Following the commencement of production, the Group's charter of the Aoka Mizu FPSO began. Under IFRS 16 this lease was initially recognised on the balance sheet as an asset of $101.2 million (within oil and gas assets) and a lease liability of $96.4 million. See notes 3.2, 9 and 16 for further details.

The Group recognised minimal additions to exploration and evaluation assets, due to the carry element of the farm-in deal relating to Phase 1 of the GWA programme.

Cashflow

As at 30 June 2019, the Group had an unrestricted cash position of $81.4 million (31 December 2018: $83.0 million).

In June 2019 the Group sold its first cargo of oil and received proceeds of $22.5 million. In addition, in May 2019 Crystal Amber exercised warrants to subscribe for 23,333,333 Ordinary Shares at £0.20 per share. Kerogen Capital subsequently exercised a related right to subscribe for 6,257,501 Ordinary Shares also at £0.20 per share. Total proceeds received by the Group from the issue of these shares were $7.8 million. Other cash received in the period was in respect of a tax claim under the Research & Development tax relief scheme for the 2016 and 2017 financial years; $6.2 million was received in April 2019.

Cash expenditure in the period, including the cash moved from restricted to unrestricted funds, related to the capital expenditure on bringing the Lancaster EPS to first oil, the costs of sales and G&A associated with the Group's operating costs and the payments of the coupon on the Convertible Bond.

The net impact of the above was an overall decrease in unrestricted cash for the period of $1.6 million.

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 based on a simulation model which is impacted, in particular, by the volatility assumption applied and the Group's share price at the reporting date. The higher the assumed volatility and the higher the Group's share price, the more the fair value of the derivative liability increases. Any increase in the liability creates a corresponding non-cash charge in the income statement. See note 15 for further details.

The losses recognised do not have any impact on the Group's cash position, amounts payable in respect of the Convertible Bond, or on its tax position. On either conversion or repayment of the Bond, the recognised derivative liability will be released to the Income Statement.

Principal risks

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of 2019 and could cause actual results to differ materially from expected and historical results. The principal risks and uncertainties, along with the mitigation measures in place to reduce risks to acceptable levels, remain unchanged from those published on pages 20-23 of the 2018 Annual Report and Accounts.

Further information on the above principal risks and uncertainties facing the Group is included in the Strategic Report of the 2018 Annual Report and Accounts. Also included in that report is the manner in which the Group seeks to mitigate each of these principal risks.

Related party transactions

In May 2019, Kerogen Investments No. 18 Limited, a company controlled by Kerogen Capital (which is a related party of the Company due to the size of its shareholding and the position of its representative as a non-executive director), executed a subscription right for 6,527,501 Ordinary Shares in the Company at £0.20 per share.

Other than the above, there have been no new material related party transactions in the period and there have been no material changes to the related party transactions described in note 26 to the Consolidated Financial Statements contained in the 2018 Annual Report and Accounts.

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 are described in Note 2 in these financial statements.

Independent Review Report to Hurricane Energy plc

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 2019 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 21. 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 Financial Reporting Council. 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 1, 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 International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

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 Financial Reporting Council 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 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP

Statutory Auditor

London, UK

19 September 2019

Condensed Consolidated Statement of Comprehensive Income

for the 6 months ended 30 June 2019

			Restated	Restated
		6 months ended	6 months ended	12 months ended
	Notes	**30 Jun 2019**	30 Jun 2018	31 Dec 2018
		$'000	$'000	$'000
Revenue	4	**22,462**	-	-
Cost of sales	5	**(16,740)**	-	-
Gross profit		**5,722**	-	-
General and administrative expenses		**(4,542)**	(4,714)	(12,660)
Operating profit/(loss)		**1,180**	(4,714)	(12,660)
Finance income	6	**619**	1,911	3,163
Finance costs	6	**(5,814)**	(2,130)	(7,198)
Operating loss after net finance costs		**(4,015)**	(4,933)	(16,695)
Fair value loss on Convertible Bond embedded derivative	15	**(23,466)**	(70,150)	(42,385)
Loss on liquidation of subsidiary		--	-	(1,831)
Loss before tax		**(27,481)**	(75,083)	(60,911)

Tax	7	**6,235**	-	-
Loss for the period		**(21,246)**	(75,083)	(60,911)
Cumulative foreign exchange differences recycled to Income Statement on liquidation of subsidiary		-	-	1,831
Total comprehensive loss for the period		**(21,246)**	(75,083)	(59,080)
		Cents	Cents	Cents
Loss per share (basic and diluted)	8	**(1.08)**	(3.83)	(3.11)

The presentation, description and classification of certain comparative lines have been restated - see note 3.1.

All results arise from continuing operations.

Condensed Consolidated Balance Sheet

as at 30 June 2019

	Notes	30 Jun 2019	30 Jun 2018	31 Dec 2018
		$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	9	**847,313**	633,276	728,171
Intangible exploration and evaluation assets	10	**131,537**	127,720	131,526
Other receivables	13	**189**	198	191
Other non-current assets	11	**2,967**	7,397	24,298
		982,006	768,591	884,186
Current assets				
Inventory	12	**11,232**	1,434	4,571
Trade and other receivables	13	**55,144**	5,589	2,565
Liquid investments	11	**-**	39,040	-
Cash and cash equivalents	11	**96,773**	163,694	98,864
		163,149	209,757	106,000
Total assets		**1,145,155**	978,348	990,186
Current liabilities				
Trade and other payables	14	**(87,404)**	(51,484)	(55,064)
Lease liabilities	16	**(9,482)**	-	-
Derivative financial instruments		**-**	(27)	-
		(96,886)	(51,511)	(55,064)
Non-current liabilities				

Lease liabilities	16	**(90,543)**	-	-
Convertible Bond liability	15	**(202,250)**	(194,517)	(198,364)
Derivative financial instruments	15	**(94,473)**	(98,772)	(71,007)
Decommissioning provisions	17	**(44,401)**	(23,693)	(37,657)
		(431,667)	(316,982)	(307,028)
Total liabilities		**(528,553)**	(368,493)	(362,092)
Net assets		**616,602**	609,855	628,094
Equity				
Share capital	18	**2,883**	2,843	2,843
Share premium		**821,910**	813,681	813,681
Share option reserve		**26,377**	21,840	24,067
Own shares reserve		**(711)**	(389)	(380)
Foreign exchange reserve		**(90,828)**	(92,659)	(90,828)
Accumulated deficit		**(143,029)**	(135,461)	(121,289)
Total equity		**616,602**	609,855	628,094

Condensed Consolidated Statement of Changes in Equity

for the 6 months ended 30 June 2019

	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 2018	2,843	813,496	19,477	(323)	(92,659)	(60,378)	682,456
Loss for the period	-	-	-	-	-	(75,083)	(75,083)
New shares issued under employee share schemes	-	185	-	(136)	-	-	49
Share-based payments	-	-	2,363	70	-	-	2,433
At 30 June 2018	2,843	813,681	21,840	(389)	(92,659)	(135,461)	609,855
Profit for the period	-	-	-	-	-	14,172	14,172
Other comprehensive income	-	-	-	-	1,831	-	1,831
Total comprehensive income for the period	-	-	-	-	1,831	14,172	16,003

Share-based payments	-	-	2,227	9	-	-	2,236
At 31 December 2018	2,843	813,681	24,067	(380)	(90,828)	(121,289)	628,094
Change in accounting policy (note 3)	**-**	**-**	**-**	**-**	**-**	**(494)**	**(494)**
At 1 January 2019	**2,843**	**813,681**	**24,067**	**(380)**	**(90,828)**	**(121,783)**	**627,600**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(21,246)**	**(21,246)**
New shares issued under warrants and rights	**39**	**7,743**	**-**	**-**	**-**	**-**	**7,782**
New shares issued under employee share schemes	**1**	**486**	**-**	**(393)**	**-**	**-**	**94**
Share-based payments	**-**	**-**	**2,310**	**62**	**-**	**-**	**2,372**
At 30 June 2019	**2,883**	**821,910**	**26,377**	**(711)**	**(90,828)**	**(143,029)**	**616,602**

Condensed Consolidated Cash Flow Statement

for the 6 months ended 30 June 2019

				Restated
		6 months ended	6 months ended	12 months ended
	Notes	**30 Jun 2019**	30 Jun 2018	31 Dec 2018
		$'000	$'000	$'000
Cash flows from operating activities				
Operating profit/(loss)		**1,180**	(4,714)	(12,660)
Adjustments for:				
Depreciation of property, plant and equipment		**11,101**	19	42
Share based payment charge		**2,372**	2,433	4,669
Operating cash flow before working capital movements		**14,653**	(2,262)	(7,949)
Movement in receivables		**(2,968)**	(849)	3,928
Movement in payables		**1,090**	378	1,322
Movement in crude oil, fuel and chemicals inventories				

		(6,662)	-	(360)
Net cash from/(used in) operating activities		**6,113**	(2,733)	(3,059)
Cash flows from investing activities				
Interest received		**619**	1,911	3,152
Decrease in liquid investments		**21,668**	162,933	180,642
Expenditure on oil and gas assets		**(30,906)**	(136,382)	(205,319)
Expenditure on other fixed assets		**(253)**	-	(343)
Expenditure on intangible exploration and evaluation assets		**(4,217)**	(2,043)	(5,963)
Movement in spares and supplies inventories		-	-	(2,777)
Tax refund relating to R&D expenditure	7	**6,235**	-	-
Net cash (used in)/from investing activities		**(6,854)**	26,419	(30,608)
Cash flows from financing activities				
Convertible Bond interest paid	15	**(8,625)**	(8,625)	(17,250)
Lease payments	16	**(701)**	-	-
Bank charges		**(6)**	(8)	(17)
New shares issued under warrants and rights	18	**7,782**	-	-
New shares issued under employee share schemes	18	**94**	49	49
Net cash used in financing activities		**(1,456)**	(8,584)	(17,218)
(Decrease)/increase in cash and cash equivalents		**(2,197)**	15,102	(50,885)
Cash and cash equivalents at beginning of period	11	**101,831**	158,045	158,045
Net (decrease)/increase in cash and cash equivalents		**(2,197)**	15,102	(50,885)
Effects of foreign exchange rate changes		**106**	(2,056)	(5,329)
Cash and cash equivalents at end of period	11	**99,740**	171,091	101,831

The presentation, description and classification of certain comparative lines have been restated - see note 3.1.

Notes to the Interim Financial Statements

for the 6 months ended 30 June 2019

1. General information

Hurricane Energy plc is a public company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006 (registered company number 05245689). The nature of the Group's operations and its principal activity is exploration, development and production of oil and gas reserves principally on the UK Continental Shelf.

The address of Hurricane Energy plc's registered office is The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, GU7 2QN. Hurricane Energy plc's shares are listed on the AIM market of the London Stock Exchange.

This Interim Report and Financial Statements was approved by the Board of Directors and authorised for issue on 19 September 2019.

This set of Interim Financial Statements for the 6 months ended 30 June 2019 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 2018 were approved by the Board of Directors on 27 March 2019 and 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 for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and the AIM Rules.

These Interim Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). 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 2018, except where set out in note 3 below.

2.1. *Significant events and changes in the period*

The commencement of the Lancaster EPS start-up phase in May 2019, provisional acceptance of the Aoka Mizu FPSO in June 2019 and the sale of the first crude oil cargo (also in June 2019) have had the following impacts on the Group's financial position and performance in the period:

- Commencement of the Aoka Mizu FPSO bareboat charter and recognition as right-of-use asset and lease liability under IFRS 16 (notes 9 and 16)
- Recognition of crude oil inventory (note 12)
- Recognition of revenue (note 4) and cost of sales (note 5)
- Commencement of oil and gas assets depreciation under the unit-of-production basis (note 9)
- Cessation of Convertible Bond interest capitalisation
- Reclassification of certain items in the Income Statement and Statement of Cash Flows (note 3.1)

For further discussion about the Group's performance and financial position, see the Chief Executive Officer's review and Financial Review above.

2.2. *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. The financial position of the Group, its cash flows and liquidity position are set out in these Interim Financial Statements.

The directors have performed a robust assessment, including a review of the budget for the year ending December 2019 and longer-term strategic forecasts and plans, including consideration of the principal risks faced by the Company. In particular, the directors considered a number of sensitivities which included downside sensitivities in relation to production rates, operational uptime, oil price, fixed operating costs and foreign exchange rates. Following this review, the directors are satisfied that, taking into consideration reasonably possible downside sensitivities, 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 Interim Financial Statements. For this reason, they continue to adopt the Going Concern Basis for preparing the Interim Financial Statements.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual Financial Statements for the year ended 31 December 2018, except as described below. These changes are also expected to be reflected in the Group's consolidated Financial Statements for the year ended 31 December 2019.

The critical judgments made in applying those accounting policies and the key sources of estimation uncertainty are the same as those described in the audited Financial Statements of the Group for the year ended 31 December 2018, except as described in note 3.4 below.

3.1. *Restatement and reclassification of comparative information*

Following a review of its Financial Statements, the commencement of crude oil production and the recognition for the first time of revenue and cost of sales, the Group has elected to change the presentation and classification of the statement of comprehensive income and statement of cash flows. Comparative information has been restated accordingly. Audited comparative information for the year ended 31 December 2018 has been restated, although the restatement itself will be audited in conjunction with the audit of the

Financial Statements for the year ended 31 December 2019.

Foreign exchange gains or losses and fair value gains or losses on derivatives (excluding movements in the Convertible Bond embedded derivative) are now presented within finance income or finance costs. 'Other operating expenses' has been renamed to 'General and administrative expenses'.

Movements in joint operation payables and receivables are now presented within cash flows from investing activities (previously cash flows from operating activities) as they primarily relate to exploration and evaluation activities. For the year ended 31 December 2018, this change resulted in an increase the investing cash outflow arising from expenditure on intangible exploration and evaluation assets of $1,746,000 and an increase in the operating cash inflow arising from movements in receivables of the same amount. Movements in inventory are now presented within cash flows from operating activities where relating to crude oil, fuel and chemicals, and investing activities where relating to spares and supplies. For the year ended 31 December 2018, this change resulted in an increase in the operating cash outflow arising from movements in inventories of $360,000, and a decrease in the investing cash outflow arising from movement in inventories of the same amount.

3.2. *IFRS 16 'Leases'*

The core principle of IFRS 16 is to provide a single lessee accounting model, requiring lessees to recognise a right-of-use asset and lease liability for all leases unless the term is less than 12 months, or the underlying asset has a low value. As a result of applying IFRS 16, the Group has recognised right-of-use assets and lease liabilities on the Balance Sheet, representing rights to use the underlying leased assets and obligations to make lease payments.

3.2.1. Adjustments recognised on adoption of IFRS 16

The Group has applied IFRS 16 'Leases' retrospectively from 1 January 2019 but has elected not to restate comparatives (as permitted under the standard's transitional provisions). The cumulative effect of initial application has instead been recognised within retained earnings as at 1 January 2019.

Upon adoption, the Group has used the practical expedients of applying a single discount rate to a portfolio of leases with similar characteristics; relying on previous assessments of whether a lease is onerous; excluding initial direct costs from the right-of-use asset measurement; and using hindsight to determine the lease term.

The right-of-use asset for the lease of the Group's head office was measured on a retrospective basis. Other right-of-use assets were measured at an amount equal to the lease liability, adjusted for any onerous provisions, accruals or prepayments as at 31 December 2018.

The impacts of adoption on the affected balance sheet lines were as follows:

	At 31 December 2018 $'000	Adjustment on adoption of IFRS 16 $'000	At 1 January 2019 $'000
Property, plant and equipment	728,171	2,784	730,955
Trade and other receivables	2,565	(75)	2,490
Trade and other payables	(55,064)	110	(54,954)
Lease liabilities - current	-	(569)	(569)
Lease liabilities - non-current	-	(2,744)	(2,744)
Net assets / Total equity		(494)	

A reconciliation of the operating lease commitments disclosed at 31 December 2018 to the total lease liabilities recognised upon initial application of IFRS 16 is presented below:

	$'000
Operating lease commitments at 31 December 2018	4,162
Effect of discounting at weighted average incremental borrowing rate of 4.7%	(849)
Lease liabilities recognised at 1 January 2019	3,313

3.2.2. Accounting policy for leases

The Group enters into leases of property, equipment and oil exploration, development and production assets. The most significant leases are the bareboat charter of the Aoka Mizu FPSO, which commenced in May 2019, and the leases of various office properties.

Lease liabilities are initially measured at the present value of lease payments unpaid at the commencement date. Lease payments are discounted using the incremental borrowing rate (being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions), unless the rate implicit in the lease is available. The Group currently uses the incremental borrowing rate as the discount rate for all of its leases. For the purposes of measuring the lease liability, lease payments comprise fixed payments and variable lease payments based on an index or rate.

Right-of-use assets are measured at cost, which comprises the initial measurement of the lease liability, plus any lease payments made prior to lease commencement, initial direct costs incurred and the estimated cost of restoration or decommissioning; less any lease incentives received. The Aoka Mizu FPSO right-of-use asset is depreciated on a unit-of-production basis, the reserves base of which is proved plus probable reserves ('2P reserves'), as estimated as being recoverable over the assessed lease term. Other right-of-use assets are depreciated over the lease term (or useful life, if shorter). Right-of-use assets are subject to an impairment test if events and circumstances indicate that the carrying value may exceed the recoverable amount.

Lease repayments made are allocated to capital repayment and interest so as to produce a constant periodic rate of interest on the remaining lease liability balance.

Right-of-use assets are presented within property, plant and equipment. Lease liabilities are presented as separate line items on the face of the Balance Sheet. In the Cash Flow Statement, lease repayments (both the principal and interest portion) are presented within cash used in financing activities, except for payments for leases of short-term and low-value assets and variable lease payments, which are presented within cash flows from operating activities.

Leases of low-value items (such as office equipment) and short-term leases (where the lease term is 12 months or less, which include the rental of drilling rigs) are expensed on a straight-line basis to the Income Statement or capitalised into intangible exploration and evaluation assets and/or oil and gas assets in accordance with the relevant Group accounting policy. Variable lease payments linked to the sale of crude oil are recognised within Cost of sales when the associated sale occurs.

The Group does not have any activities as a lessor.

3.2.3. Previous accounting policy for leases

Up to 31 December 2018, rentals under operating leases were charged to the Income Statement on a straight-line basis over the lease term or (for rig hire costs) capitalised into intangible exploration and evaluation assets and/or oil and gas assets, even if the payments were not made on such a basis. Contingent rentals arising were recognised as an expense in the period in which they were incurred. Payments for leases were presented within cash flows from operating activities or investing activities (if capitalised into intangible exploration and evaluation assets).

3.3. *Other new accounting policies*

The accounting policies outlined below have been developed and applied following the commencement of crude oil production and the selling of cargoes from the Lancaster EPS.

3.3.1. Revenue

Revenue from contracts with customers is recognised when the Group satisfies its performance obligation of transferring control of oil to a customer. Transfer of control is usually concurrent with both transfer of title and the customer taking physical possession of the oil, which is determined by reference to the contract and relevant Incoterms. These performance obligations are satisfied at a point in time.

The amount of revenue recognised is measured at the transaction price, which is determined primarily by reference to quoted market prices at or around the time of lifting. Where final pricing terms are only available after delivery (e.g. using quoted prices or other information that can only be determined after the time of sale), revenue is initially recognised based on relevant prices at the time of sale on a provisional basis and subsequently adjusted. Changes in revenue arising from post-sale adjustments are resolved within a short period of time following delivery and are not considered to be material.

3.3.2. Inventory - crude oil

Crude oil inventories are stated at the lower of cost and net realisable value.

The cost of crude oil is the cost of production, including direct labour and materials, depreciation and an appropriate portion of fixed overheads allocated based on normal operating capacity of the production facilities, determined on a weighted average cost basis. Net realisable value of crude oil is based on the market price of similar crude oil at the balance sheet date and costs to sell, adjusted if the sale of inventories after that date gives additional evidence about its net realisable value.

3.3.3. Carbon emission allowances

Provision is made at the end of each period for the cost of allowances required to cover carbon emissions made in the emission reporting period to date. The estimated cost of allowances required is based on the weighted average cost per unit of emissions expected to be incurred for the compliance period. This is calculated as the carrying amount of any allowances held plus the cost of meeting the expected shortfall (using the market price at the balance sheet date), divided by the expected total number of units of emissions for the compliance period.

3.4. *New critical accounting judgements and key sources of estimation uncertainty*

3.4.1. New critical judgment - lease term of the Aoka Mizu FPSO

Judgment has been applied to determine the lease term for the Aoka Mizu FPSO bareboat charter as the contract includes renewal and termination options. Extension or termination options, and the costs or penalties associated with exercising such options, are included only if the lease term is reasonably certain to be extended or not terminated. This assessment can significantly affect the right-of-use asset and lease liability recognised. The lease term for the Aoka Mizu has been assessed to be six years in line with the Lancaster EPS Field Development Plan.

3.4.2. New critical judgment - recognition of deferred tax assets

Judgment has been applied in determining whether deferred tax assets are recognised above the extent to which they offset deferred tax liabilities. Following the commencement of the start-up phase of the Lancaster EPS, system availability and production rates have delivered positive cash flows; however, as final commissioning of the Lancaster EPS is still ongoing, and certain planned works and data gathering activities are still taking place, management have judged that it is too early to conclude as to the likelihood of the EPS generating the taxable profits necessary to allow the temporary differences reflected in the deferred tax asset to be utilised in full. Deferred tax assets are therefore currently only recognised to the extent they offset deferred tax liabilities. $29.2m of potential deferred tax assets remain unrecognised at the balance sheet date (see note 7.2).

3.4.3. New key source of estimation uncertainty - estimation of hydrocarbon reserves and resources

Hydrocarbon reserves and resources are those hydrocarbons that can be economically extracted from the Group's oil and gas assets. The Group's reserves and resources have been estimated based on information compiled by independent qualified persons, using standard recognised evaluation techniques.

Should additional geological and reservoir information be obtained through operation of a field, underlying economic assumptions change, or the committed duration of the EPS be updated, estimates of recoverable reserves may change which may significantly impact the financial position and performance of the Group. This could include a significant change in the depreciation charge for of oil and gas assets, provisions for decommissioning, the results of any impairment testing performed and the recognition and carrying value of any deferred tax assets.

The quantity of proved plus probable reserves ('2P reserves') in respect of the Lancaster EPS is estimated at 37.3 mmboe, based on a six-year duration of the EPS. This estimate was last independently assessed in May 2017.

4. Revenue

All revenue is derived from contracts with customers and is comprised of only one category, being the sale of crude oil from the Lancaster EPS. During the period, one cargo of crude oil was lifted and sold.

5. Cost of sales

	6 months ended 30 June 2019 $'000
Operating costs	**9,463**
Depreciation of oil and gas assets	**10,827**
Movement in crude oil inventory	**(5,572)**
Variable lease payments	**2,022**
	16,740

6. Finance income and costs

	6 months ended 30 Jun 2019 $'000	Restated 6 months ended 30 Jun 2018 $'000	Restated 12 months ended 31 Dec 2018 $'000
Interest income on cash, cash equivalents and liquid investments	**619**	1,911	3,152
Net fair value gain on foreign exchange derivatives	**-**	-	11
Finance income	**619**	1,911	3,163
Convertible Bond interest expense (note 15)	**(12,511)**	(12,040)	(24,512)
Interest on lease liabilities (note 16)	**(1,047)**	-	-
Other interest expense	**(919)**	-	(415)
Bank charges	**(6)**	(8)	(17)
Foreign exchange losses	**(201)**	(2,056)	(5,329)
Net fair value loss on foreign exchange derivatives	**-**	(16)	-
Unwinding of discount on decommissioning provisions (note 17)	**(204)**	(50)	(178)
Finance costs incurred	**(14,888)**	(14,170)	(30,451)
Interest capitalised	**9,074**	12,040	23,253
Finance costs	**(5,814)**	(2,130)	(7,198)
Total net finance costs	**(5,195)**	(219)	(4,035)

The presentation and classification of items within finance income and finance costs has been restated - see note 3.1.

7. Tax

	6 months ended 30 Jun 2019 $'000	6 months ended 30 Jun 2018 $'000	12 months ended 31 Dec 2018 $'000
UK corporation tax			
Current tax - prior years	**6,235**	**-**	**-**
Total current tax	**6,235**	**-**	**-**
Deferred tax - current year	**-**	**-**	**-**
Total deferred tax	**-**	**-**	**-**

Tax credit per Income Statement	**6,235**	-	-

Loss on ordinary activities before tax	**(27,481)**	(75,083)	(60,911)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK applicable to oil and gas companies of 40%	**(10,992)**	(30,033)	(24,364)
Effects of:			
R&D tax credit	**6,235**	-	-
Expenses not deductible for tax purposes	**948**	973	1,951
Items tax at rates other than the standard rate of 40%	**-**	-	2,391
Ring fence expenditure supplement	**-**	-	(17,522)
Losses not recognised	**10,044**	29,060	37,544
Total tax credit for the period	**6,235**	-	-

In 2018 the Group made a claim under the SME Research & Development tax relief scheme in respect of the 2016 and 2017 financial years and has surrendered the resulting losses for a payable tax credit. $6.2 million was received in respect of this in April 2019, classified within cash flows from investing activities as the original expenditure giving rise to the credit was reported within investing activities.

7.1. *Factors which may affect future tax charges*

The Group has ring-fenced trading losses of $569.2 million at 30 June 2019 (31 December 2018: $526.5 million; 30 June 2018: $431.3 million), which have no expiry date and would be available for offset against future trading profits. A potential Ring Fence Expenditure Supplement claim could also be made which would result in additional trading losses of $169.0 million.

The Group has pre-trading expenditure of $89.2 million which is carried forward at 30 June 2019 and tax relief will be available when FDP approval is obtained on the remaining licences.

7.2. *Deferred tax liability*

	6 months ended	6 months ended	12 months ended
	30 Jun 2019	30 Jun 2018	31 Dec 2018
	$'000	$'000	$'000
Accelerated capital allowances	**216,049**	153,149	184,440
Other timing differences	**(1)**	4	(1)
Tax losses carried forward	**216,048**	(153,153)	(184,439)
	-	-	-

Tax losses of $540.1 million (31 December 2018: $461.0 million; 30 June 2018: $382.9 million) have been offset against deferred tax liabilities primarily related to fixed assets. A potential deferred tax asset of $29.2 million (31 December 2018: $31.9 million; 30 June 2018: $29.5 million) has not been recognised, as it has been concluded that it is not appropriate to recognise any of this potential deferred tax asset until the EPS has demonstrated an ability to generate sustained taxable profits. The potential deferred tax relates to several different types of tax loss, each being calculated at a different rate, the highest being that applicable to UK ring-fence profits of 40%.

8. Earnings per share

The basic and diluted loss per share has been calculated using the loss for the period and a weighted average number of Ordinary Shares in issue, excluding own shares held.

	6 months ended	6 months ended	12 months ended
	30 Jun 2019	30 Jun 2018	31 Dec 2018
Loss after tax ($'000)	**(21,246)**	(75,083)	(60,911)
Basic and diluted weighted average number of Ordinary Shares in issue	**1,965,389,894**	1,958,438,402	1,583,468,753
Basic and diluted loss per share (cents)	**(1.08)**	(3.83)	(3.11)

The effects of options outstanding at the end of each period (and warrants outstanding at the end of prior periods) were antidilutive as the Group incurred a loss. The impact of the conversion feature included within the Convertible Bond was also antidilutive in each period.

9. Property, plant and equipment

	Oil and gas assets		**Other fixed assets**		**Total**		**PP&E**
	Leased	**Owned**	**Leased**	**Owned**	**Leased**	**Owned**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**

Cost							
At 1 January 2018	-	445,237	-	1,053	-	446,290	446,290
Additions		171,888	-	-	-	171,888	171,888
Changes to decommissioning estimates (note 17)	-	16,116	-	-	-	16,116	16,116
At 30 June 2018	-	633,241	-	1,053	-	634,294	634,294
Additions		81,289		343	-	81,632	81,632
Changes to decommissioning estimates (note 17)	-	13,286	-	-	-	13,286	13,286
At 31 December 2018	-	727,816	-	1,396		729,212	729,212
Change in accounting policy (note 3)	**-**	**-**	**2,784**	**-**	**2,784**	**-**	**2,784**
At 1 January 2019	**-**	**727,816**	**2,784**	**1,396**	**2,784**	**729,212**	**731,996**
Additions	**96,361**	**24,334**	**-**	**253**	**96,361**	**24,587**	**120,948**
Changes to decommissioning estimates (note 17)	**4,878**	**1,633**	**-**	**-**	**4,878**	**1,633**	**6,511**
At 30 June 2019	**101,239**	**753,783**	**2,784**	**1,649**	**104,023**	**755,432**	**859,455**
Depreciation							
At 1 January 2018	-	-	-	(999)	-	(999)	(999)
Charge for the period	-	-	-	(19)	-	(19)	(19)
At 30 June 2018	-	-	-	(1,018)	-	(1,018)	(1,018)
Charge for the period	-	-	-	(23)	-	(23)	(23)
At 31 December 2018	-	-	-	(1,041)	-	(1,041)	(1,041)
Charge for the period	**(1,404)**	**(9,423)**	**(171)**	**(103)**	**(1,575)**	**(9,526)**	**(11,101)**
At 30 June 2019	**(1,404)**	**(9,423)**	**(171)**	**(1,144)**	**(1,575)**	**(10,567)**	**(12,142)**
Carrying amount at 30 June 2018	-	633,241	-	35	-	-	633,276
Carrying amount at 31 December 2018	-	727,816	-	355	-	728,171	728,171
Carrying amount at 30 June 2019	**99,835**	**744,360**	**2,613**	**505**	**102,448**	**744,865**	**847,313**

Included within the cost of owned oil and gas assets is $42.8 million of capitalised borrowing costs (31 December 2018: $33.7 million; 30 June 2018: $22.5 million).

Oil and gas assets held under leases comprise the Aoka Mizu FPSO bareboat charter, which commenced during the period (see note 16). The other fixed assets category comprises right-of-use assets for office leases, leasehold improvements, fixtures, office equipment and computer hardware.

10. Intangible exploration and evaluation assets

	6 months ended	6 months ended	12 months ended
	30 Jun 2019	30 Jun 2018	31 Dec 2018
	$'000	$'000	$'000
At start of period	**131,526**	126,365	126,365
Additions	**788**	851	4,611
Other movements	**(806)**	-	-
Changes to decommissioning estimates (note 17)	**29**	504	550
At end of period	**131,537**	127,720	131,526

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. 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 plan 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.

The directors have concluded that no impairment triggers have arisen in relation to any of its exploration and evaluation expenditure in the current period. In doing so they have considered the decision to plug and abandon the Warwick Deep well, noting both that oil was present in the column drilled (although it was not able to flow oil at commercial rates), and results and experience gained from the drilling and subsequent testing will be used to inform current and future exploration, evaluation and appraisal activities in the Greater Warwick Area.

The directors have also concluded that although the licence that holds the Whirlwind and Lincoln assets (these assets having a combined carrying value at 30 June 2019 of $96.7 million) is due to expire in December 2019, they expect this licence to be renewed.

11. Cash, cash equivalents and liquid investments

	30 June 2019	30 June 2018	31 December 2018
	$'000	$'000	$'000
Unrestricted cash and cash equivalents	**81,399**	139,592	83,000
Restricted cash and cash equivalents[1]			

	15,374	24,102	15,864
Cash and cash equivalents (per Balance Sheet)	**96,773**	163,694	98,864
Restricted cash classified within Other non-current assets[2]	**2,967**	7,397	2,967
Cash and cash equivalents (per Cash Flow Statement)	**99,740**	171,091	101,831
Unrestricted liquid investments (current)	**-**	39,040	-
Restricted liquid investments (non-current)[3]	**-**	-	21,331
Total cash and cash equivalents and liquid investments	**99,740**	210,131	123,162
Of which:			
Unrestricted	**81,399**	178,632	83,000
Restricted	**18,341**	31,499	40,162

1. Current restricted cash and cash equivalents represent amounts held in escrow relating to coupon payments under the terms of the Convertible Bond, certain costs related to the Lancaster EPS project and amounts held relating to a decommissioning security agreement for the Lancaster EPS. These amounts can only be withdrawn on the consent of both the relevant third party and the Company and, in the case of the decommissioning security agreement, achieving certain levels of production from the Lancaster EPS.

2. At 30 June 2019, all of the non-current restricted cash and cash equivalents was held in escrow for future costs associated with the Group's decommissioning obligations (31 December 2018: all; 30 June 2018: $3.1 million). At 30 June 2018, the remaining $4.3 million related to coupon payments under the terms of the Convertible Bond.

3. Amounts held in trust under a decommissioning security agreement for the Lancaster EPS, which was transferred to restricted and unrestricted cash in the current period.

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

12. Inventory

	30 Jun 2019 **$'000**	30 Jun 2018 $'000	31 Dec 2018 $'000
Crude oil	**5,572**	-	-
Fuel and chemicals	**1,449**	-	360
Spares and supplies	**4,211**	1,434	4,211
	11,232	1,434	4,571

13. Trade and other receivables

	30 Jun 2019 **$'000**	30 Jun 2018 $'000	31 Dec 2018 $'000
Receivables due from joint operation partner	**51,509**	--	1,746
Trade receivables	**269**	-	-
Prepayments	**712**	1,686	216
Other receivables	**2,654**	3,903	603
Trade and other receivables (current)	**55,144**	5,589	2,565
Deposits for property leases	**189**	198	191
Other receivables (non-current)	**189**	198	191

The carrying amounts of trade and other receivables are considered to be materially equivalent to their fair values and are unsecured. Joint operation receivables represent expenses incurred by the Group as operator of the joint operation which will be recovered from the Group's joint operation partner. Amounts billed to the joint operation partner accrue interest at LIBOR and are generally due for settlement within 10 days.

14. Trade and other payables

	30 Jun 2019 **$'000**	30 Jun 2018 $'000	31 Dec 2018 $'000

Trade payables	**27,799**	2,263	21,275
Other payables	**2,237**	166	932
Accruals	**57,368**	49,055	32,857
	87,404	51,484	55,064

The carrying amounts of trade and other payables are considered to be materially equivalent to their fair values and are unsecured. The majority of trade payables at 30 June 2019 and 31 December 2018 are due to one of the Group's Tier 1 contractors, accrue interest at 7% per annum and are payable in September 2019. All other 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.

15. Convertible Bond

In May 2017, the Company issued $230 million of 7.5% convertible bonds. Unless previously converted, redeemed or purchased and cancelled, the Convertible Bond will be redeemed at par on 24 July 2022.

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 fair value of the debt component (categorised in Level 3 of the IFRS 13 fair value hierarchy) at 30 June 2019 was $243.2 million (31 December 2018: $225.7 million; 30 June 2018: $218.5 million).

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

	Debt component	Derivative component	Total
	$'000	$'000	$'000
At 1 January 2018	191,102	28,622	219,724
Interest paid	(8,625)	-	(8,625)
Fair value losses	-	70,150	70,150
Interest charged	12,040	-	12,040
At 30 June 2018	194,517	98,772	293,289
Interest paid	(8,625)	-	(8,625)
Fair value gains	-	(27,765)	(27,765)
Interest charged	12,472	-	12,472
At 31 December 2018	198,364	71,007	269,371
Interest paid	**(8,625)**	-	**(8,625)**
Fair value losses	**-**	**23,466**	**23,466**
Interest charged	**12,511**	-	**12,511**
At 30 June 2019	**202,250**	**94,473**	**296,723**

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 19 to the Group's 2018 Annual Report and Financial Statements.

The number of potential Ordinary Shares that could be issued if all the Convertible Bonds were converted is 442,307,692 (assuming conversion at the initial conversion price of $0.52).

The embedded derivative component of the Convertible Bond has been assessed to be a Level 3 financial liability, as the fair values are determined by a valuation technique that uses one key input that is not based on observable market data, being share price volatility. The valuation technique was based on a simulation model and the volatility was calculated as a blended average of the trading history of the Group's own shares and shares in a relevant peer group for a period of six months prior to the measurement date. In determining the fair value of the embedded derivative, the likelihood of the early redemption option being exercised and the likelihood of a change of control of the Group within the life of the bonds were considered. The likelihood of each was considered to be nil for the purposes of the valuation.

The fair value calculation at 30 June 2019 used a share price volatility assumption of 27.5% (31 December 2018: 30.1%; 30 June 2018: 30.1%) and the price of one Hurricane Energy plc Ordinary Share as at the balance sheet date of £0.52 (31 December 2018: £0.442; 30 June 2018: £0.475). The sensitivity of a reasonably possible increase or decrease of those inputs to the Group's profit before tax for the period ended 30 June 2019 is summarised below, assuming all other variables were held constant:

	Gain/(loss)
	$'000
Share price volatility assumption:	

5% points increase	**(7,355)**
5% points decrease	**6,923**
Share price at balance sheet date:	
£0.10 increase	**(46,508)**
£0.10 decrease	**40,339**

16. Leases

	Lease liabilities $'000
At 1 January 2019	**3,313**
New leases	**96,361**
Interest paid	**(77)**
Principal repaid	**(624)**
Interest charged	**1,047**
Foreign exchange movements	**5**
At 30 June 2019	**100,025**
Of which:	
Current	**9,482**
Non-current	**90,543**

In May 2019, the Group's bareboat charter of the Aoka Mizu FPSO commenced. Under the agreement, the Group makes fixed payments (which are included within the lease liability measurement) and variable payments, which are based on the quantity and price of crude oil sold. These variable payments are excluded from the measurement of the lease liability, and instead are recognised as an expense in the period in which sales are made. After taking into account reasonably certain extension option periods, the Group has assessed the lease term to be six years, in line with the Lancaster EPS Field Development Plan. Should the Group give notice to terminate the lease other than by not exercising extension option periods, significant early termination penalties would apply.

Upon commencement of the charter, the Group recognised $96.4 million as a lease liability and $101.2 million as a right-of-use asset (including the estimated costs of removing and restoring the FPSO at the end of the charter term).

$2.0 million of variable lease payments were incurred in the period (all included within cost of sales). The expense relating to short-term or low value leases was not material. The total cash outflow for leases in the period was $0.7 million.

17. Decommissioning provisions

	6 months ended	6 months ended	12 months ended
	30 Jun 2018	30 Jun 2018	31 Dec 2018
	$'000	$'000	$'000
At start of period	**37,657**	7,023	7,023
New provisions and changes in estimates	**6,540**	16,620	30,456
Unwinding of discount	**204**	50	178
At end of period	**44,401**	23,693	37,657

The provision for decommissioning relates to the costs required to decommission the suspended wells previously drilled on the Lancaster, Whirlwind and Halifax exploration assets, the costs required to decommission the Lancaster EPS installations and the costs required to remove and restore the Aoka Mizu FPSO at the end of the charter term. The expected decommissioning cost for these assets is based on the best estimate of the cost to be incurred at the end of 2025, discounted at 0.6% per annum (2018: 1.1%).

18. Called-up share capital

	Ordinary Shares	**$'000**
At 1 January 2018	1,959,210,336	2,843
Shares issued under employee share schemes	341,301	-
At 30 June 2018	1,959,551,637	2,843
At 31 December 2018	1,959,551,637	2,843
Shares issued under warrants and rights (at £0.20 per share)	**29,860,834**	**39**
Shares issued under employee share schemes	**815,582**	**1**
At 30 June 2019	**1,990,228,053**	**2,883**

The Company has one class of Ordinary Share, which has a par value of £0.001.

During the period, Crystal Amber exercised warrants allowing it to subscribe for 23,333,333 Ordinary Shares at £0.20 per share. Kerogen Capital subsequently exercised a related right to subscribe for 6,527,501 Ordinary Shares at £0.20 per share. No transaction costs were incurred by the Group relating to the issue of these shares.

19. Capital commitments

As at 30 June 2019 the Group had capital commitments (net of commitments carried by its joint operation partner) of $1.9 million (31 December 2018: $11.0 million; 30 June 2018: $70.3 million).

20. Related parties

In May 2019, Kerogen Investments No. 18 Limited, a company controlled by Kerogen Capital (which is a related party of the Company due to the size of its shareholding and the provision of key management personnel services to the Company), executed a subscription right for 6,527,501 Ordinary Shares in the Company at £0.20 per share.

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

21. Subsequent events

On 12 July 2019, the 205/26b-14 well ('Lincoln Crestal') was spudded using the Transocean Leader rig and the well test results were announced on 12 September 2019. See the Chief Executive's Report for further details.

Glossary

2C contingent resources	Best case contingent resources under the Society of Petroleum Engineers' Petroleum Resources Management System
2P reserves	Proved plus probable reserves under the Society of Petroleum Engineers' Petroleum Resources Management System
AIM	The AIM market of the London Stock Exchange
Aoka Mizu	The Aoka Mizu FPSO
Bopd	Barrels of oil per day
Carry	Payment of a partner's working interest share of costs
the Code	The Financial Reporting Council's UK Corporate Governance Code
Company	Hurricane Energy plc and/or its subsidiaries
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Convertible Bond	$230 million of 7.5% convertible bonds issued by the Company in July 2017
COO	Chief Operating Officer
CPR	Competent Persons Report
E&E	Exploration and Evaluation
EPS	Early production system
ESP	Electrical submersible pump
FDP	Field development plan
FEED	Front end engineering and design
FID	Final investment decision
FPSO	Floating production storage and offloading vessel
G&A	General and Administrative costs
GLA	Greater Lancaster Area, comprising the Lancaster and Halifax fields located on UKCS licences P.1368 Central and P.2308
the Group	Hurricane Energy plc, together with its subsidiaries
GWA	Greater Warwick Area, comprising the Lincoln and Warwick fields located on UKCS licences P.1368 South and P.2294
HSE	Health, Safety and Environmental
Hurricane	Hurricane Energy plc and its subsidiaries
IFRS	International Financial Reporting Standards as adopted by the European Union
Incoterms	The internationally recognised set of rules which define the responsibilities of buyers and sellers for the delivery of goods under sales contracts
Mmboe	Million barrels of oil equivalent
OGA	Oil and Gas Authority
Ordinary Shares	Ordinary shares in the Company of £0.001 each
PP&E	Property, Plant and Equipment
Premium Listing	Listing on the premium segment of a recognised stock exchange
SIP	Share incentive plan
Spirit	Spirit Energy Limited
stb/d	Stock tank barrels of oil per day
SURF	Subsea umbilical, risers and flowlines
Tier 1 contractors	Hurricane's major direct contractors
TMS	Turret mooring system
UKCS	United Kingdom Continental Shelf

UOP	Unit of production
WOSPS	West of Shetland Pipeline System
Xmas trees	An assembly of valves, spools and fittings used at the head of an oil and gas well

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