EDISON

Hurricane Energy

Exploration update

Lincoln adds to GLA resource

Oil & gas

Hurricane Energy has completed drilling of the 205/26b-A well (Lincoln). Log data and gas chromatography indicates a significant hydrocarbon column of at least 660m TVD, comparable to that of Lancaster. Oil down to (ODT) was observed at c 2,300m TVDSS, 520m below structural closure and 168m below the ODT in the 1995 Arco 205/21-1 well. In our last published RENAV, we included 8p/share of risked value for Lincoln, assuming a commercial chance of success (CCOS) of 15%. De-risking Lincoln (to 60% CCOS) but leaving mid-case volume at 250mmbbl (Hurricane management expects upside to this given the deeper ODT), our Lincoln risked valuation rises to c 33p/share and group RENAV to 101p/share from 75p/share (+35%).

Year end	Revenue (£m)	EBITDA* (£m)	PBT* (£m)	Operating cash flow (£m)	Capex (£m)	Net (debt)/ cash (£m)
12/14	0	(8.5)	(9.0)	(4.7)	(36.5)	15.9
12/15	0	(5.4)	(5.5)	(2.6)	(3.4)	9.9
12/16e	0	(4.6)	(4.5)	(4.4)	(86.1)	39.3
12/17e	0	(4.6)	(4.5)	(4.4)	(39.8)	(4.9)

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

Pre-drill volumes for Lincoln were constrained by the 2,135m TVDSS ODT in the 1995 Arco well at the flank of the structure. Recent logs suggest a deeper ODT of 2,303m TVDSS, which management believes suggests upside to a pre-drill, mid-case volume estimate of 250mmbbl. Management estimates of combined Lancaster and Lincoln volumes are now well in excess of gross 500mmbbl (mid-case). STOIIP and recovery factor assumptions driving estimates of recoverable oil are to be confirmed by independent CPR in H117.

The Transocean Spitsburgen will move to Halifax next, targeting an extension of Lancaster up the Rona Ridge. Halifax is estimated at pre-drill 250mmbbl gross unrisked, mid-case with potential to be in pressure communication with the Lancaster discovery. Please see our note Extending Lancaster along the Rona Ridge for further details on our valuation and methodology.

20 December 2016

Price	**47p**
Market cap	**£563m**

Estimated net cash (£m) at end FY16	39.3
Shares in issue	1,198.2m
Free float	53%
Code	HUR
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Hurricane Energy is an E&P focused on UKCS fractured basement exploration. It owns 100% of the 333mmbbl Lancaster oil discovery and 250mmbbl Lincoln discovery (volumes are management estimates).

Analysts

Sanjeev Bahl +44 (0)20 3077 5742

Elaine Reynolds +44 (0)20 3077 5713

oilandgas@edisongroup.com

Edison profile page

Hurricane Energy is a research client of Edison Investment Research Limited

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority. Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2016 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Hurricane Energy and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2016. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
245 Park Avenue, 39th Floor
10167, New York
US

Sydney +61 (0)2 9258 1161
Level 25, Aurora Place
88 Phillip St, Sydney
NSW 2000, Australia

Wellington +64 (0)48 948 555
Level 15, 171 Featherston St
Wellington 6011
New Zealand