

Hurricane Energy

FY17 results

Lancaster EPS on track and on budget

Management's concept selection and contracting strategy appears to deliver the desired result, with Hurricane reiterating that the Lancaster EPS remains on time and on budget and first-oil scheduled for H119. Market focus is likely to remain on installation items during the 2018 weather window and then to technical data established once production has stabilised. These data are likely to significantly increase our understanding of Greater Lancaster Area (GLA) resource recovery potential and value. Our **last published** valuation stands at RENAV 78.4p/share, including a Lancaster EPS-only valuation of 32.7p/share based on a long-term (2022) oil price assumption of \$70/bbl Brent. We expect little change to our valuation, but will revise our financial forecasts shortly to reflect capex phasing and a change in reporting currency from £ to US\$.

Year end	Revenue (\$m)	PBT (\$m)	Operating cash flow (\$m)	Capex (\$m)	Net cash (\$m)
12/16	0.0	0.9	(5.6)	(63.5)	98.6
12/17	0.0	(7.0)	(8.1)	(265)	152.8

Note: Change in reporting currency to US\$ from £. 2016 results restated in US\$.

HUR highlighted key data expectations from the EPS phase: 1) well connectivity data that will be ascertained by bringing EPS wells online one by one; 2) pressure build-up data, illustrating interconnectivity of the fracture network, obtained during periods of shut-in; 3) GOR measured during the initial months of production helping refine a flaring solution; 4) calibration of flow assurance assumptions during first two months of stabilised production, which will refine operational uptime assumptions; 5) bottom-hole pressure analysis after initial 6-12 months of stable production reducing certainty on EPS phase recoverable reserves; and 6) absence of produced formation water will remove extreme negative reserve cases. Key EPS phase data will likely be used to extrapolate across the wider GLA, with appropriate adjustments, to increase confidence in current contingent resource estimates.

Management highlighted that once GOR data are available, a solution to gas flaring is likely to be engineered with the potential to increase EPS gross production to 30kbod. We believe the preferred solution to be a tie-in to existing infrastructure; however, gas reinjection may be a viable alternative once data collection objectives have been met.

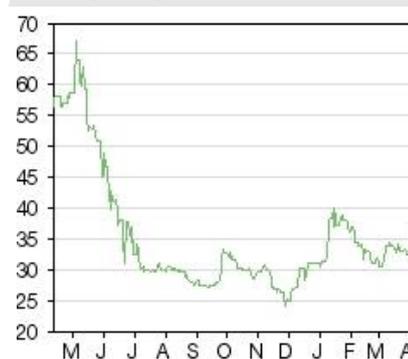
Oil & gas

10 April 2018

Price 35.76p
Market cap £700m

Net cash (\$m) at 31 December 2017 including convertible debt	152.8
Shares in issue (ex-convert)	1,959m
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 and development. It owns 100% of the 523mmmbbl (RPS 2P reserves plus 2C resources) Lancaster oil discovery, West of Shetland.

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