Faroe

Faroe Petroleum plc
Interim Report 2014

"We are very pleased with the progress of the Company in the first half of 2014."

We are very pleased with the progress of the Company in the first half of 2014. The three outstanding achievements during the period were the significant Pil and Bue discoveries, the production acquisition of Schooner and Ketch and our £65 million share placing in June 2014. These three successes show that our exploration-led, production-backed growth model is continuing to deliver and has strong investor support.

The combined recoverable volumes on the Pil and Bue discoveries are estimated to be between 80 and 200 mmboe gross (20 to 50 mmboe net to Faroe), potentially making it our largest exploration success to date. The discoveries have de-risked a number of very exciting prospects on the licence and the partnership has already committed to two further wells on the licence for drilling in 2015.

The Schooner and Ketch operated production acquisition considerably boosts and diversifies our oil and gas cash flow generation. The transaction is highly tax efficient, providing shelter for our historic UK tax losses and future capital expenditure in the UK. As anticipated, the Njord and Hyme temporary shut-in reduced turnover and profits for the first half but with these fields having been brought back on production in July, Faroe's production levels are now higher than ever before.

The Company's substantially oversubscribed share placing in June 2014 raised £65 million gross and we are very pleased with the strong support Faroe received from its existing and new investors. The placing strengthens the Company's finances and allows us to accelerate activities, follow up recent exploration successes and target further production acquisition opportunities.

Graham Stewart
Chief Executive

Highlights

Activity

Norwegian exploration delivering significant success

Pil

Pil oil discovery announced in March 2014, significantly larger than the pre-drill expectation followed by successful discovery in the Bue side-track well (combined 20 to 50 mmboe net to Faroe)

Novus and Solberg

A small oil and gas discovery was made on Novus and a condensate discovery on Solberg, announced in January and April 2014 respectively

Butch East and South West

Butch East and Butch South West announced as unsuccessful in May and July 2014 respectively following the Butch Main oil discovery in 2011 which is now being planned for development

Norwegian 2013 APA

10 new licence awards in Norwegian 2013 APA Round (two of which are operated by Faroe)

Strong production and pre-development portfolio

Agreed to acquire 53.1% and 60% of operated Schooner and Ketch gas and condensate assets in the UK southern North Sea for initial consideration of £35 million with effect from 1 January 2014

Njord and Hyme fields brought back onto production in July 2014 following successful completion of structural reinforcement work on the deck frame

In line with our strategy to monetise discoveries, the Glenlivet interest is to be sold to Total (field operator) for a combined consideration of £10 million, part deferred

Heads of agreement entered into with Perth partners enabling future joint development of Perth (Faroe 34.6%), Dolphin (Faroe 34.6%) and Lowlander (Faroe 100%)

Average accounting production of 3,901 boepd[1] in the period (1H 2013: 7,477 boepd) – reduction mainly due to Njord and Hyme shut-in

Average economic production, including Schooner and Ketch, of 7,592 boepd[1] in the period (1H 2013: 7,890 boepd)

[1] Completion of the Schooner and Ketch acquisition is expected in Q4 2014. Faroe receives the economic benefit of production from the effective date of 1 January 2014 by way of an adjustment to the consideration, but can only account for production from the date of completion.

Financial

Share placing raised

£65 million

Successful share placing in June 2014 raised £65 million (gross) – providing finance to accelerate activities, follow up recent exploration successes and target further production acquisition opportunities

Lending facility

$250 million

Undrawn reserve based lending facility in place

Exploration finance facility

NOK1.5 billion

Renewed and up-scaled to NOK1.5 billion in September 2014

Revenue

£53.5 million

(1H 2013: £89.0 million) and EBITDAX £15.6 million (1H 2013: £56.9 million), with reductions due principally to Njord and Hyme shut-in

Loss after tax

£3.7 million

(1H 2013: profit of £12.2 million) after exploration write-offs of £16.7 million (1H 2013: £13.6 million)

Net cash

£96.7 million

at 30 June 2014 (31 December 2013: £40.6 million)

Outlook

Fully funded

Forward 2015 and 2016 exploration and appraisal programme fully funded from existing resources

5 exploration wells

Five exploration wells scheduled in Norway in 2015, including two follow-up wells on the Pil oil discovery

7,000–10,000 boepd

Economic production guidance for the full year 2014 following the acquisition of Schooner and Ketch[1] – in line with previous guidance

£130 million

Exploration, development and production capital expenditure for 2014 forecast at approximately £130 million, amounting to approximately £60 million after Norwegian tax rebate (2013: pre-tax £122 million, post-tax £74 million) – in line with previous guidance

Well positioned and funded

to achieve significant near term growth through exploration drilling, field investments and potential asset acquisition

Chairman's and Chief Executive's Statement

We are pleased to announce the unaudited Interim Results for the six months ended 30 June 2014.

During this period we have drilled and reported on six exploration wells in Norway of which three were discoveries. The acquisition of interests in the Schooner and Ketch gas fields, as announced in April 2014, together with the recommencement of production at Njord and Hyme in July 2014, following a year-long structural reinforcement project, will boost production and cash flow for the full year. In June 2014 we raised £65 million through a share placing, which, in combination with our debt facilities and cash flow, puts us in a strong position financially, ready for an exciting period ahead.

Accounting production and revenues are down in the period by 48% compared to 1H 2013 which has been driven primarily by the temporary Njord shut-in. With the completion of the Schooner and Ketch transaction scheduled for Q4 2014 and Njord and Hyme coming back on stream on schedule in July 2014, 2H 2014 economic production is likely to be significantly higher and we expect to be within the stated guidance of 7,000 to 10,000 boepd for the full year.

Consistent strategy

Our strategy to grow reserves and resources through exploration and appraisal drilling is working effectively. This consistent strategy and business model, focused on exploration and monetisation, underpinned by a strong balance sheet and financial discipline, has again delivered excellent results in the period. The Pil and Bue discoveries in Norway, adding between 20 to 50 mmboe (net to Faroe) to our contingent resources, is potentially our greatest exploration success to date and proves that we are on the right path towards further growth.

In order to maintain the exploration and growth momentum we have built over recent years, we raised new equity finance in June 2014. We received strong support from existing and new investors with £65 million (gross) raised in an enlarged and substantially oversubscribed share placing. The proceeds ensure Faroe is funded to accelerate activities, follow up recent exploration successes and target further production acquisition opportunities.

Managing the exploration portfolio

The year began with Faroe being awarded 10 new exploration licences in the APA 2013 licensing round in Norway, including two operated licences. This was the Company's most successful licensing round to date and the largest number of licences awarded in this APA round, equal in number with Statoil and Centrica. The organic route of applying for and winning exploration licences through licensing rounds has proven to be very cost effective for Faroe. High-grading of exploration prospects in our portfolio is ongoing, consistently providing feedstock for our sustained drilling programme, which has averaged five exploration wells per year over the last three years, a rate which we aim to maintain.

Drilling successes

Faroe was one of the most active and successful explorers in the Norwegian sector in 2014. Following the Snilehorn discovery announced in November 2013 the Company has drilled six exploration wells, all in Norway. Of these wells, Pil, Bue and Solberg were discoveries with combined estimated contingent resources of between 21 and 54 mmboe net to Faroe. The operated Novus well was a small discovery, not expected to be commercial on a stand-alone basis, while Butch East and Butch South West (Faroe 15%) unfortunately did not add further volumes to the 2011 Butch Main oil discovery.

Progressing pre-development projects

In addition to the Butch field development planning project, progress is being made towards the development of the Fogelberg (Norway) (Faroe 15%) gas field. Significant advances have also been made by the partners on the undeveloped Perth, Dolphin and Lowlander fields where the partners have entered into a heads of agreement paving the way for a joint development of these fields containing an estimated 80 mmboe (gross) of risked recoverable contingent resources. In line with our strategy to monetise discoveries to the Company's greatest economic benefit, the Glenlivet interest is to be sold to the field operator Total for a combined consideration of £10 million, part deferred. This West of Shetland gas development represents one of the largest infrastructure investments in UK waters in recent years. The transaction will release significant capital for investment in Faroe's high impact exploration and appraisal portfolio.

Building the production portfolio

The Company's production portfolio remains core to our strategy. Cash flow from production is the principal source of funding for the Group's ongoing exploration investment programme.

Our latest acquisition was announced in April 2014 when Faroe entered into an agreement to acquire a 60% operated interest in the Ketch Field and a 53.1% operated interest in the Schooner Field (Faroe already owned a 6.9% interest in Schooner), both normally unmanned platforms, in the UK Southern North Sea for an initial consideration of £35 million. This acquisition establishes Faroe as an operator of producing assets in the UK North Sea and provides the opportunity to add value to these fields over time, as both assets offer considerable technical upside. Completion of the acquisition, which has an effective date of 1 January 2014, is anticipated in the final quarter of 2014.

Including the Schooner and Ketch assets, Faroe had net average economic production of 7,586 boepd in the first half. Following structural reinforcement work, the Njord and Hyme fields were brought back on stream on schedule in July and produced approximately 5,250 boepd net to Faroe in August 2014. The Company expects economic production to average between 7,000 and 10,000 boepd over the full year. Faroe's production is spread across a balanced and high quality portfolio of assets with an approximately even split between Norway and UK and oil and gas/condensate.

Board changes

On 1 September 2014 Jorunn Saetre was appointed to the Board as an Independent Non-Executive Director. Jorunn is Norwegian and a chemical engineer by background. She progressed to senior positions with Halliburton in Norway, Europe and the USA, over a 30 year period, including the role of Head of Halliburton's overall Scandinavian operations. She is currently a board director of global oil and gas service company AGR Group ASA, Rig Team Leader and Head of AGR's Stavanger office. Her knowledge of the sector and operational experience are first rate and we welcome her to the Board. Hanne Harlem stepped down from the Board after serving for four years with Faroe, in order to meet the demands of her full time role with the City of Oslo. We are very grateful to Hanne for her diligence, hard work and significant contribution during her time with the Company.

Broker and Nomad changes

On 15 September 2014 it was announced that RBC Capital Markets had been appointed as joint broker and Oriel Securities Limited, the Company's existing joint broker, will also become the Company's Nominated Adviser ('Nomad') with effect from today. Panmure Gordon (UK) Limited will concurrently step down as the Company's joint broker and Nomad having provided eight years of first class advice and broking services and we thank them for all of their support and guidance.

Outlook

The recent exploration successes combined with the ongoing high-grading of exploration prospects in our wider portfolio have generated a strong programme of up to five wells scheduled to be drilled next year. The wells will target considerable resource potential with a spread of risk and cost exposure, all to be fully funded from our existing cash, cash flow and our Norwegian exploration finance facility. We aim to continue our exploration team's outstanding track record of licence awards to sustain Faroe's exciting and high potential value ongoing drilling programme. In the period ahead, we expect to make good progress in adding contingent resources and in converting contingent resources to proven reserves. We also plan to continue building our producing portfolio through a combination of acquisitions and asset swaps.

We look forward to the period ahead with excitement as Faroe pursues its very active programme and is well positioned for significant growth.

John Bentley
Chairman

Graham Stewart
Chief Executive

Review of activities

Faroe Petroleum's principal focus remains on exploration, appraisal and production opportunities in Norway, the UK and the Atlantic Margin. The Company has built a substantial portfolio in these areas over many years, and in the first six months of 2014 valuable new assets have been added through a combination of exploration discoveries, acquisitions and licence awards.

Exploration

During the first half of 2014 Faroe drilled one operated and five non-operated wells in Norway, three of which were successes, and added to the licence portfolio through awards in the Norwegian APA licensing round.

Drilling operations

The Norwegian Sea Pil discovery (Faroe 25%), first announced in March 2014, is located 33 kilometres south west of the Njord production facility (Faroe 7.5%). Exploration well 6406/12-3S encountered a gross hydrocarbon-bearing reservoir section of approximately 135 metres of oil and 91 metres of gas in the Jurassic reservoir of the Rogn Formation. This formation has proved to be a very effective reservoir at the Shell-operated Draugen oil field, located 60 kilometres to the north east. The range of recoverable resources for the Pil discovery has been estimated by the operator, VNG Norge AS, to be between 72 and 172 mmboe (18 to 43 mmboe net to Faroe). A successful side-track to prove the lateral extent of the Pil discovery was announced in May 2014 followed by a successful side-track into the neighbouring Bue oil and gas prospect announced in July 2014. The operator estimates that the separate Bue accumulation contains between 6 and 25 mmboe bringing the combined gross estimate of resources for Pil and Bue to between approximately 80 and 200 mmboe (20 to 50 mmboe net to Faroe), of which around 80% is estimated to be oil and condensate.

The Novus exploration well 6507/10-2S (Faroe 30%), operated successfully by Faroe, targeted the Jurassic reservoirs of the Garn, Ile, and Tilje formations. The main well bore targeting the Novus West horst block encountered a 12 metre net gas column and a 12.5 metre net oil column in a high quality, thicker than expected Garn formation. The Ile and Tilje formations were encountered in line with expectations but were found to be water wet. Extensive data gathering was undertaken including pressure and fluid samples from the main reservoir zones, and the preliminary volumetric estimate of the size of the discovery was between 6 and 15 mmboe equivalents recoverable gross (1.8 to 4.5 mmboe net to Faroe).

The Solberg well 6407/1-7 (Faroe 20%) commenced in February 2014 to assess the lateral extent and size of the Lower Cretaceous Rodriguez discovery announced by Faroe in January 2013. The well encountered a 12 metre net pay interval of similar fluids to those encountered in the Rodriguez well, in two sandstone intervals and in better reservoir quality than expected. The gross interval encountered was 16 metres. The subsequent down-dip side-track 6407/1-7A was drilled to the north east to a total depth of 3,311 metres below sea level, and encountered two sandstone intervals with total net vertical thickness of seven metres in a gross reservoir section of 13 metres. The Solberg well has confirmed the play model and that 3D seismic amplitude can be used to identify pay in lower Cretaceous sands in this area in which Faroe holds a number of licences containing several Cretaceous targets. While the reservoir thicknesses encountered both in the main well and in the side-track were thinner than the pre-drill expectation, the reservoir quality was better than expected. Following the Solberg results, the total volumetric potential across the Rodriguez and Solberg licences is being evaluated to assess their commercial potential prior to committing to any further appraisal drilling.

Based on the significant presence of light crude oil encountered in the 2011 Butch Main discovery (Faroe 15%) the joint venture committed to drill the adjacent Butch East and Butch South West prospects. In December 2013 the drilling of the Butch East exploration well 8/10-5S commenced, being the first of two back-to back-wells on the untested eastern and south western sides of the large central Butch salt structure. In May and July 2014 it was announced that the Butch East exploration well and the Butch South West exploration well had reached their target depths without encountering hydrocarbons. The Butch operator (Centrica) is currently working on a development plan for the Butch Main discovery, with concept selection expected in 2015.

Licence rounds

In January Faroe announced that it had been awarded 10 new prospective exploration licences, including two operatorships, under the 2013 Norwegian APA (Awards in Pre-defined Areas) Licence Round on the Norwegian Continental Shelf. These 10 licences, equating to the largest number awarded in this APA round (equal in number with Centrica and Statoil), included one licence in the northern North Sea, in an area with established nearby production infrastructure in the Brage Field, four licences in the North Sea, one new licence in an exciting, relatively under-explored area east of the giant Ormen Lange field and four licences in the prolific Halten Terrace hydrocarbon province of the Norwegian Sea.

Faroe aims to build on its recent licensing round success and submitted applications in the UK 28th Round in April 2014 and in the Norwegian APA 2014 Round in September 2014. Seismic group shoot data has been acquired in the East Barents area in preparation for the Norwegian 23rd Round where the Company has identified several prospective opportunities and submitted the maximum number of permitted block nominations.

Production and pre-development

Production

During the first six months of 2014, Faroe had net average production of 3,901 boepd in addition to economic production attributable to the Schooner and Ketch interests, acquired in April 2014, of 3,691 boepd for the same six month period. The Njord and Hyme fields, which produced an average of approximately 5,250 boepd net to Faroe in August 2014, were brought back on stream in July and the Company expects to average between 7,000 and 10,000 boepd of economic production over the full year in line with previous guidance. Production is now generated from across a well balanced portfolio of oil and gas assets in the UK and Norway with the principal fields being Njord, Hyme, Brage and Ringhorne East in Norway and Schooner, Ketch and Blane in the UK.

In April Faroe announced the acquisition of a 60% operated interest in the Ketch Field and a 53.1% operated interest in the Schooner Field in the UK Southern North Sea gas basin for an initial consideration of £35m (Faroe already owned a 6.9% interest in Schooner). The estimated 2014 net economic production to Faroe from these interests is estimated to be between 3,000 and 4,000 boepd with 2P Reserves at the effective date of 1 January 2014 estimated at 5.9 mmboe net to Faroe, taking the Group's total net pro forma reserves at that date to 33.1 mmboe.

Schooner and Ketch are established gas fields each with potential to increase production, grow reserves and extend field life. This acquisition establishes Faroe as an operator of producing assets in the UK North Sea and provides the opportunity to add value to these fields. Completion of the acquisition is anticipated in Q4 2014, with the initial consideration reduced to account for net income attributable to the interests since the effective date of 1 January 2014.

In July 2013, the Njord and adjacent Hyme fields were shut in for repair and maintenance. During this initial period, it was concluded that the deck structure of the Njord A floating facility needed to be reinforced. One year later and as planned, the structural reinforcement work was successfully completed and the Njord and Hyme fields were successfully brought back onto production. Production is expected to continue from the fields until mid-2016, after which time further hull modifications are expected to be undertaken. As a result of continued weight restrictions, Njord A will not be used to drill further development wells until further structural modifications have been made.

The Njord partnership is currently evaluating a number of scenarios for the long term further development of the Greater Njord Area with the potential to extend Njord's life by many years and to generate maximum reserves exploitation and value. Considerable resources remain in the Greater Njord Area (currently encompassing Njord, Hyme and Snilehorn) with estimated gross 2P and 2C Resources of over 170 mmboe. Following a full scenario evaluation, the partnership will undertake front-end engineering studies for the Njord A facility with concept selection expected in 2015.

Pre-development

In line with our strategy to monetise discoveries, Faroe's stake in the Glenlivet gas field (Faroe 10%) is to be sold to the field operator Total for a combined consideration of £10 million, part deferred. This west of Shetland gas development represents one of the most significant new pieces of infrastructure in UK waters, with a requirement for considerable capital investment.

On Butch, the operator is working to complete field development studies and host platform studies to make a concept selection decision for the Butch Main discovery early in 2015. Three concepts are still being studied: subsea tie-back to the Ula field, subsea tie-back to the Gyda field and a standalone development with a lease contract of a jack-up rig. The plan is to submit the FDP in early 2016.

On Fogelberg the current focus is on refining the development concept before a making a final commitment in the licence and start preparations for a Field Development Plan submission.

A joint future development of the Perth, Dolphin (Faroe 34.62%,) and Lowlander (Faroe 100%) fields ("PDL") took a significant forward step when the partners recently entered into a heads of agreement which addresses ownership alignment, a joint work programme and joint financing activity. The plan is for the PDL fields to share the same dedicated production facilities creating economies of scale to allow a development to proceed, whilst providing a long-term hub for future projects in the area. These fully appraised fields have a combined total of eleven wells drilled and are estimated by the partners to contain in place resources of over 300 mmbbls, with approximately 80 mmbbls of that oil estimated to be recoverable.

Financial review

The first half of 2014 was a period of considerable exploration activity for the Group with drilling operations commencing on four wells in the period and the completion of a further two wells started in late 2013.

Cash flow and profits from production were lower, mainly due to the temporary shut-in of the Njord and Hyme fields. The share placing in June 2014 raised £65 million gross, prior to expenses, and the Company ended the half year with a strong net cash position of £96.9 million (31 December 2013: £40.6 million), having no debt drawn other than under the Norwegian exploration finance facility.

Income statement

Revenue in the first half was £53.5 million (1H 2013: £89.0 million) reflecting a 48% decrease in production compared to 1H 2013. During the period there was a decrease of 223,668 boe in the underlift position from 430,084 at 31 December 2013 to 206,416 boe at 30 June 2014. 82% of revenue was generated by Brage and Ringhorne East in Norway and Blane in the UK. With Njord and Hyme back on stream in July 2014 and the Schooner and Ketch transaction scheduled for completion in the final quarter of 2014, production and revenue is set to improve in 2H 2014 compared to 1H 2014.

Cost of sales for the period was £44.8 million (1H 2013: £47.5 million) resulting in a gross profit for the period of £8.6 million (1H 2013: £41.5 million). Cost of sales did not decrease in line with revenue, mainly due to the continuing operational expenditure on Njord and Hyme during the deck reinforcement project.

EBITDAX for the period was £15.6 million (1H 2013: £56.9 million). The decrease is principally driven by the reduction in gross profit caused by the Njord and Hyme shut-in.

Pre-tax expensed exploration costs for the half year were £19.9 million (1H 2013: £16.5 million) and include write-offs of the Darwin licence in Norway where a dry well was drilled in 2013. Expensed exploration costs also include £3.2 million (1H 2013: £2.9 million) of pre-award expenditure such as costs associated with licence round applications.

The Group's loss before tax of £20.1 million (1H 2013 profit: £17.6 million) reflects significantly lower accounting production compared to 1H 2013. The non-cash tax credit for the period was £16.4 million (1H 2013 tax charge: £5.4 million) largely reflecting significantly lower profits from production in Norway and larger write-offs. The post-tax loss was £3.7 million (1H 2013 profit: £12.2 million).

Taxation

The Group had a tax receivable at 30 June 2014 of £73.0 million (31 December 2013: £24.0 million) mainly consisting of 78% of exploration expenditure, net of production profits in Norway for 2013 (£23.1 million) and 1H 2014 (£49.9 million). The Company is expecting receipt of the 2013 tax rebate in December 2014. The tax credit in the Income Statement of £16.4 million (1H 2013: tax charge of £5.4 million) relates solely to Norway and is a proportion of the tax rebate earned in the period, with the remaining balance being credited to deferred tax liabilities on the Balance Sheet.

At June 2014 the Group had unrelieved UK tax losses of approximately £75.0 million (31 December 2013: £77.9 million). The unrelieved tax losses are available indefinitely for offset against future taxable profits in the UK. With the acquisition of Schooner and Ketch, as announced in April 2014, the carried forward losses are expected to be utilised over the coming four to five years, materially enhancing the Group's net results. Until the transaction has completed, a deferred tax asset relating to the carried forward UK losses, cannot be recognised and hence is not recognised in these financial statements.

Balance sheet and cash flow

Expenditure of £75.1 million (1H 2013: £67.1 million) on intangible and tangible assets, prior to tax rebate, was made in the half year, of which £65.0 million (post tax £16.5 million) related to exploration expenditure, primarily on the Pil, Bue and Butch wells. £9.8 million related to development expenditure, principally reflecting in-fill drilling on the Brage field.

The net assets of Faroe Petroleum increased during the period to £293.3 million (31 December 2013: £235.6 million) primarily reflecting the £62.1 million net proceeds from the share placement. Closing net cash was £96.9 million (31 December 2013: £40.6 million).

Hedging

The Group operates a policy to hedge a proportion of its production. Hedged volumes (excluding volumes from Schooner and Ketch), on a post-tax basis, are 47% of total estimated production in 2H 2014 and 23% of estimated production in 1H 2015. The hedging instruments in place are a combination of zero cost collars and put options with floors predominantly at $90 per barrel. Hedging is mainly focused on UK oil production, but the Group also hedged a proportion of its Norwegian oil production during the period.

Open hedge contracts are marked to market at the end of each period with unrealised gains or losses taken to the Income Statement. Hedge premiums are amortised over the life of the contract. Hedging losses (including hedging premium) were £0.5 million for the period (1H 2013: £0.8 million). There were no unrealised gains or losses during the period (1H 2013: £nil).

Dividend

The Directors do not recommend payment of a dividend.

Jonathan Cooper

Jonathan Cooper
Chief Financial Officer

Group income statement

for the period ended 30 June 2014

	Unaudited Six months to 30 Jun 2014 £'000	Unaudited Six months to 30 Jun 2013 £'000	Audited Year to 31 Dec 2013 £'000
Revenue	53,483	89,035	129,387
Cost of sales	(44,835)	(47,524)	(76,451)
Asset impairment	–	–	(2,072)
Gross profit	**8,648**	41,511	50,864
Net gain on disposal	–	77	77
Exploration and evaluation expenses	(19,905)	(16,510)	(22,233)
Administrative expenses	(4,101)	**(4,518)**	**(7,737)**
Operating profit/(loss)	**(15,358)**	20,560	20,971
Finance revenue	214	**1,721**	**1,208**
Finance costs	(4,982)	(4,684)	(12,155)
(Loss)/profit on ordinary activities before tax	**(20,126)**	**17,597**	**10,024**
Tax credit/(charge)	16,389	(5,365)	4,050
(Loss)/(profit) for the period	**(3,737)**	**12,232**	**14,074**
(Loss)/earnings per share – basic (pence)	(1.71)	5.76	6.6
(Loss)/earnings per share – diluted (pence)	(1.71)	5.14	6.0

Statement of other comprehensive income

for the period ended 30 June 2014

	Unaudited Six months to 30 Jun 2014 £'000	Unaudited Six months to 30 Jun 2013 £'000	Audited Year to 31 Dec 2013 £'000
(Loss)/profit for the financial period	(3,737)	12,232	14,074
Exchange differences on retranslation foreign operations net of tax	(1,506)	(2,977)	(12,351)
Actuarial gains on defined benefit pension plans net of tax	–	–	–
Total comprehensive (Loss)/gain for the period	**(5,243)**	9,255	1,723

Group balance sheet

at 30 June 2014

	Unaudited 30 Jun 2014 £'000	Unaudited 30 Jun 2013 £'000	Audited 31 Dec 2013 £'000
Non-current assets			
Intangible assets	230,108	177,090	185,805
Property, plant and equipment: development & production	139,046	132,686	139,100
Property, plant and equipment: other	894	909	806
Financial assets	12	13	13
	370,060	**310,698**	**325,724**
Current assets			
Inventories	4,454	5,102	4,890
Trade and other receivables	36,271	52,916	60,740
Current tax receivable	73,037	55,216	23,897
Cash and cash equivalents	96,927	66,463	40,591
	210,689	179,697	130,118
Total assets	**580,749**	**490,395**	**455,842**
Current liabilities			
Trade and other payables	(45,169)	(46,520)	(52,988)
Financial liabilities	(64,955)	(55,706)	(20,993)
	(110,124)	(102,226)	(73,981)
Non-current liabilities			
Deferred tax liabilities	(128,950)	(98,231)	(98,242)
Provisions	(48,153)	(47,369)	(47,450)
Defined benefit pension plan deficit	(240)	(178)	(555)
	(177,343)	(145,778)	(146,247)
Total liabilities	**(287,467)**	**(248,004)**	**(220,228)**
Net assets	**293,282**	**242,391**	**235,614**
Equity attributable to equity holders			
Equity share capital	26,701	21,239	21,269
Share premium account	262,659	205,971	206,303
Cumulative translation reserve	(4,013)	4,137	(3,798)
Retained earnings	7,935	11,044	11,840
Total equity	**293,282**	**242,391**	**235,614**

Condensed Group cash flow statement

for the period ended 30 June 2014

	Unaudited Six months to 30 Jun 2014 £'000	Unaudited Six months to 30 Jun 2013 £'000	Audited Year to 31 Dec 2013 £'000
(Loss) / profit before tax	(20,126)	17,597	10,024
Depreciation, depletion and amortisation	7,182	15,549	27,605
Exploration asset write off	16,743	13,580	15,362
Gain on disposal of asset	–	(77)	(77)
Asset impairment	–	–	2,072
Fair value of share based payments	1,519	1,440	3,275
Decrease / (increase) in trade and other receivables	24,470	(4,651)	(5,348)
Decrease / (increase) in inventories	436	6,820	(3)
(Decrease) / increase in trade and other payables	(8,134)	4,364	11,208
Currency translation adjustments	1,167	(1,249)	(342)
Expense recognised in respect of equity settled share based transaction	(15)	–	(362)
Investment revenue	(214)	(473)	(866)
Interest and financing fees paid	3,816	4,684	12,155
Tax (payment)/rebate	–	–	44,237
Net cash generated in operating activities	**26,844**	**57,584**	**118,940**
Investing activities			
Purchases of intangible and tangible assets	(75,107)	(67,089)	(121,990)
Proceeds from sale of intangible assets	–	77	77
Investment revenue	214	473	866
Net cash used in investing activities	**(74,893)**	**(66,539)**	**(121,047)**
Financing activities			
Proceeds from issue of equity instruments	61,773	–	362
Net proceeds from borrowings	46,497	5,718	(24,301)
Payment for buyback of share options	–	–	(818)
Interest and financing fees paid	(1,770)	(2,307)	(4,623)
Net cash provided/(used) from financing activities	**106,500**	**3,411**	**(29,380)**
Net increase / (decrease) in cash and cash equivalents	58,451	(5,544)	(31,487)
Cash and cash equivalents at the beginning of period/year	40,591	72,891	72,891
Effect of foreign exchange rate changes	(2,115)	(884)	(813)
Cash and cash equivalents at end of period/year	**96,927**	**66,463**	**40,591**

Group statement of changes in equity

for the period ended 30 June 2014

	Unaudited Six months to 30 Jun 2014 £'000	Unaudited Six months to 30 Jun 2013 £'000	Audited Year to 31 Dec 2013 £'000
(Loss) / profit for the period	(3,737)	12,232	14,074
Other comprehensive (loss)	(1,506)	(2,977)	(12,351)
Total comprehensive (loss) / gain for period/year	**(5,243)**	**9,255**	**1,723**
Issue of ordinary shares under ESOP	–	–	362
Share based payments	1,138	1,440	3,013
Buy back of share options	–	–	(818)
Share placement	65,004	–	–
Share issue costs	(3,231)	–	(362)
Net movement in shareholders' funds	**57,668**	**10,695**	**3,918**
Opening shareholders' funds	235,614	231,696	231,696
Closing shareholders' funds	**293,282**	**242,391**	**235,614**

Notes

(i) Basis of preparation
The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

The financial information for the six months ended 30 June 2014 is unaudited. In the opinion of the directors the financial information for this period fairly presents the financial position, results of operations and cash flows for the period in compliance with IFRS.

An unqualified audit opinion was expressed for the year ended 31 December 2013, as delivered to the Registrar.

(ii) Earnings per share
The calculation of earnings per share is based upon the weighted average number of ordinary shares in issue during the period of 218,182,344 (30 June 2013: 212,385,353 and 31 December 2013: 212,427,636).

The difference between the diluted earnings per share and the earnings per share presented represent all dilutive share options currently in issue, including any expected additional share issues under the Company's Incentive Plans. Total shares in issue as at 30 June 2014 amounted to 267,006,992 with potential for an additional 17,189,666 contingently issuable shares under the Company Share Option and Company Incentive Plan schemes.

(iii) Dividend
The Directors do not recommend payment of a dividend.

(iv) Foreign currencies
The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(v) Tax on profit on ordinary activities for the period ended 30 June 2014

	Unaudited Six months to 30 Jun 2014 £'000	Unaudited Six months to 30 Jun 2013 £'000	Audited Year to 31 Dec 2013 £'000
Current tax			
Overseas tax credit	49,414	7,897	23,897
Amounts underprovided in previous period/ year	536	–	251
Total current tax credit	**49,950**	**7,897**	**24,148**
Deferred tax			
Origination of temporary differences	(34,030)	(13,243)	(20,433)
Prior period/year adjustment	(8)	–	–
Total deferred tax charge	**(34,038)**	**(13,243)**	**(20,433)**
Foreign exchange differences			
Differences arising from the use of period end and average exchange rates	477	(19)	335
Total foreign exchange differences	477	(19)	335
Total tax (charge)/credit in the Income Statement	**16,389**	**(5,365)**	**4,050**

Glossary

boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
EBITDAX	earnings before interest, taxation, depreciation, amortisation and exploration expenditure (gross profit plus depreciation on producing assets)
economic production	production to which the Company has an economic entitlement. It includes production between the effective (economic) date and the completion date of an acquisition. Accounting production excludes all pre-completion production
mmboe	million barrels of oil equivalent
net cash	cash and cash equivalents less financial liabilities excluding the balance of the Exploration Financing Facility which is directly linked to the Norway tax rebate (disclosed as tax receivable in the balance sheet)

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