APPENDIX

NIGHTHAWK ENERGY PLC
(“Nighthawk” or the “Company”)

Unaudited Interim Results
for the six month period ended
30 June 2014

Chairman’s Statement

Following on from the strong financial and operational results for the 2013 year, Nighthawk continued to successfully develop its Smoky Hill and Jolly Ranch projects in Colorado during the half-year ending 30 June 2014. Gross oil production continued to increase, rising from 1,556 barrels per day in December 2013 to 2,062 barrels per day in June 2014. Gross oil sales for the six months ending 30 June 2014 were 342,384 barrels, an increase of over 300 per cent. on the same period of 2013.

Revenues for the period from Nighthawk’s average 81.1 per cent. Net Revenue Interest were over US$25 million, with normalised operating profit of US$14.1 million. Operating cash-flow was US$14.4 million.

The Company executed a very active drilling campaign in the first six months of 2014, with a contracted drilling rig fully utilized for the period. Nighthawk’s drilling strategy was to allocate resources to both development drilling of the Arikaree Creek oil-field and to exploration work in both the Mississippian and Pennsylvanian geological formations.

At Arikaree Creek, four wells were drilled with three being successfully brought into production from the Mississippian formations. Three wells were drilled targeting the Pennsylvanian formations in the John Craig area with mixed results. One of the wells, the John Craig 2-2, encountered a relatively high pressure gas condensate discovery, unusual for this area, and work is ongoing to establish the commercial viability of gas production and sales. All three wells are contributing to current oil production.

On the exploration front, Nighthawk continues to target identified structural Mississippian plays similar to Arikaree Creek. The Snow King 13-33 well was drilled on one such target and made a significant new discovery. The well is successfully producing and although a second well was structurally low and failed to produce, the Company expects to drill further successful producing wells on this discovery in the second half of 2014.

Two further exploration wells were drilled, the Jackson Hole 1-32 and the Knoss 9-20. The Jackson Hole 1-32 is west of Arikaree Creek, in an unexplored area, and provided valuable information on both the Pennsylvanian and Mississippian formations. The drilling rig has subsequently returned to that well to carry out additional work. The Knoss 9-20 well, on Nighthawk’s more southerly acreage, was plugged and abandoned.

A new salt-water disposal well was drilled at Arikaree Creek in the first half of 2014 and the old John Craig 7-2 well was completed as a salt-water disposal well. Both these wells are now operational, contributing to substantial cost savings on water haulage and disposal. Nighthawk also plans to reduce operating costs on its southern acreage by plugging and abandoning a number of old wells and releasing the associated acreage.

Nighthawk’s exploration and development strategy is based on gathering as much geo-science information as possible from drilling logs and cores, new seismic shoots, seismic acquisition and old well data. Analysis of this data has enabled Nighthawk to formulate new priorities and targets for the second half of 2014 and beyond. These targets include horizontal drilling at Arikaree Creek, development of the Snow King discovery and exploration drilling of additional identified structural targets.

These plans mean Nighthawk is now entering an exciting new phase in its development and changes have been implemented to ensure that the Company is properly equipped to manage these developments. In April 2014 the Board was strengthened by the appointment of Johan Claesson and Chuck Wilson as directors. Johan is Nighthawk’s largest shareholder and has supported the Company with short-term financing when required. Chuck is the Chief Operating Officer based in Denver. The focus for the

Company's executive debate and decision making is in Denver and a further change to the Board was to appoint a Denver based Chairman to lead the company through this next exciting period and I am delighted to welcome Rick McCullough to the Board to succeed me from 1 October 2014. In addition to the changes at Board level the Denver team has been expanded to include additional geological and petroleum and production engineering experience.

With a clear strategy, multiple new opportunities and a strengthened team, the final piece of the jigsaw was to refinance the Company's debt introducing more structured, longer term, reserve-based lending facilities. This has been successfully accomplished with the new $100 million headline facility from Houston based Commonwealth Bank of Australia.

As a result Nighthawk is now strongly positioned to capitalize on the significant upside potential that the Board sees in our Colorado assets, and I am pleased that I leave the Company in excellent shape.

I would like to thank our shareholders, staff and suppliers for their valuable support over the past period.

Stephen Gutteridge
Executive Chairman
29 September 2014

Chief Financial Officer's Statement

	Unaudited 6 months ended 30 June 2014	*Unaudited 6 months ended 31 December 2013*	*Unaudited 6 months ended 30 June 2013*	*Audited Year ended 31 December 2013*
Revenue	25,417,770	20,432,696	5,721,514	26,154,210
Cost of sales	(8,109,558)	(5,681,610)	(2,055,867)	(7,737,477)
Gross profit	17,308,212	14,751,086	3,665,647	18,416,733
Administrative expenses	(3,202,170)	(3,221,689)	(2,338,101)	(5,559,790)
Normalised operating profit before exceptional administrative items	**14,106,042**	**11,529,397**	**1,327,546**	**12,856,943**
Depreciation & amortisation	3,311,123	2,854,408	919,404	3,773,812
Normalised EBITDA before exceptional administrative items	**17,417,165**	**14,383,805**	**2,246,950**	**16,630,755**
Gross barrels sold	342,384	274,866	83,428	358,294
Net barrels sold	279,964	223,240	67,423	290,664
Daily average barrels sold (gross)	1,892	1,494	461	982
Average sales price per barrel	$91.73	$92.70	$85.60	$91.05
Normalised EBITDA per gross barrel sold	$50.87	$52.33	$26.93	$46.42

1. Normalised operating profit is operating profit adjusted for exceptional administrative items and, in respect of the period ended 31 December 2013, a gain on stepped acquisition.
2. Normalised EBITDA is operating profit adjusted for depreciation, amortisation, exceptional administrative items and, in respect of the period ended 31 December 2013, a gain on stepped acquisition.

The six month period ended 30 June 2014 saw strong production growth as a result of operational delivery which resulted in continued, healthy operating cash flow and profit margins. Normalised EBITDA of US$17.4 million in the six month period exceeded that generated in full year 2013.

Gross oil sales of 342,384 barrels during the period represented an increase of 310 per cent. on the first half 2013 and an increase of 25 per cent. on the second half 2013 (six months ended 30 June 2013: 83,428 barrels; year ended 31 December 2013: 358,294; six months ended 31 December 2013: 274,866 barrels).

Group revenues from continuing operations for the period were US$25.4 million (six months ended 30 June 2013: US$5.7 million; year ended 31 December 2013: US$26.2 million). The average price realised during the period fell slightly to $91.73 per barrel from $92.70 per barrel in second half 2013. As highlighted in the Chairman's Statement, production growth in the period was driven primarily by continued successful drilling and completion of new wells at the Arikaree Creek oilfield and also by the successful Snow King 13-33 discovery.

Gross profit of US$17.3 million (six months ended 30 June 2013: US$3.7 million; year ended 31 December 2013: US$18.4 million; six months ended 31 December 2013: US$14.8 million) represented a slightly lower margin than second half 2013 primarily due to production severance taxes and drilling rig contract costs.

Administrative expenses during the period were US$3.2 million (six months ended 30 June 2013: US$2.4 million; year ended 31 December 2013: US$5.6 million). Administrative expenses in prior periods have been adjusted to reclassify gains and losses on foreign exchange and derivative financial instruments to finance income and expense as disclosed in note 2 to these interim financial statements.

Exceptional administrative expenses during the period of US$3.2 million relate to decisions taken to plug and abandon three wells. Additionally, since the period end, certain leases within the Jolly Ranch project expired without renewal and the Company has decided to plug and abandon three further non-producing wells located on those leases. As a result, there will be further charges relating to plugging, abandonment and reclamation in the second half of 2014.

Normalised earnings before interest, taxation, depreciation and amortisation at US$17.4 million ("NEBITDA") exceeded NEBITDA for the 2013 full year (six months ended 30 June 2013: US$2.2 million; year ended 31 December 2013: US$16.6 million). On a per barrel basis NEBITDA during the period was $50.87/barrel, a decrease on second half 2013 at $52.33/barrel due primarily to the direct cost increases explained above and the lower realised oil price.

Current tax charges of US$0.3 million arose in the US during the period and a US$1.0 million deferred tax expense was recognised arising from the utilisation of brought forward losses.

The Group statutory profit for the period was US$7.2 million (six months ended 30 June 2013: loss US$0.8 million; year ended 31 December 2013: US$19.2 million).

Cash inflow from operating activities for the period was US$14.4 million (six months ended 30 June 2013: US$4.7 million; year ended 31 December 2013: US$14.4 million).

Cash flow used in investing activities during the period of US$17.4 million (six months ended 30 June 2013: US$10.6 million; year ended 31 December 2013: US$34.1 million) comprised principally of capital expenditure on drilling new wells at the Arikaree Creek oilfield, lease payments, seismic purchases and well work-overs, and also included proceeds of US$1.4 million received on sale of some non-core acreage.

Cash flow from financing activities during the period totaled US$5.7 million (six months ended 30 June 2013: US$10.7 million; year ended 31 December 2013: US$19.2 million) and included the drawing of a US$1.5 million 9 per cent. coupon short term loan, the drawing of an additional US$4.5 million 15 per cent. coupon short term loan from existing providers of loans to the Company, a net receipt of US$0.8 million arising from the sale of WTI call options and receipts and payments on other hedging contracts, and interest payments of US$1.3 million.

Since the period end, the Group has entered into a senior secured reserves based lending facility with Commonwealth Bank of Australia with a headline facility amount of up to US$100.0 million. Under this facility, the borrowing base that is currently available is US$35.0 million. The borrowing base may be applied as required to further capital expenditures by the Group, to reducing existing debt and for general corporate purposes. The borrowing base will be subject to regular re-determinations based upon factors including but not limited to petroleum reserves and oil prices.

Concurrent with entering into the facility with Commonwealth Bank of Australia, the Group has also reduced and restructured its unsecured higher coupon debt, unsecured convertible loan notes and warrants, as further described in note 6 to these interim financial statements.

At 30 June 2013, the Group held cash balances of US$4.3 million (30 June 2013: US$7.0 million; 31 December 2013: US$1.7 million).

Richard Swindells
Chief Financial Officer
29 September 2014

Review Report to Nighthawk Energy plc

Introduction

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 2014 which comprises the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Cash Flows and the related notes.

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.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

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.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Chartered Accountants and Registered Auditors
Location
United Kingdom
Date 27 September 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Unaudited Condensed Consolidated Income Statement
for the 6 months ended 30 June 2014

	Notes	*Unaudited 6 months ended 30 June 2014 US$*	*Unaudited 6 months ended 30 June 2013 US$*	*Audited Year ended 31 December 2013 US$*
Continuing operations:				
Revenue		25,417,770	5,721,514	26,154,210
Cost of sales		(8,109,558)	(2,055,867)	(7,737,477)
Gross profit		17,308,212	3,665,647	18,416,733
Administrative expenses		(3,202,170)	(2,338,101)	(5,559,790)
Exceptional administrative expenses	1	(3,225,887)	(1,478,251)	(1,794,086)
Total administrative expenses		(6,428,057)	(3,816,352)	(7,353,876)
Gain on stepped acquisition	1	—	—	3,160,171
Operating profit/(loss)		10,880,155	(150,705)	14,223,028
Finance income	2	868,605	3,165	1,203,552
Finance costs	2	(3,166,486)	(671,691)	(2,095,431)
Profit/(loss) before taxation		8,582,274	(819,231)	13,331,149
Taxation	4	(1,341,463)	(460)	5,858,616
Profit/(loss) for the financial period		7,240,811	(819,691)	19,189,765
Attributable to:				
Equity shareholders of the Company		7,240,811	(819,691)	19,189,765
Earnings per share attributable to the equity shareholders of the Company				
Basic earnings/(loss) per share (cents)	3	0.76	(0.09)	2.03
Diluted earnings/(loss) per share (US cents)	3	0.61	(0.09)	1.66

Unaudited Condensed Consolidated Statement of Comprehensive Income for the 6 months ended 30 June 2014

	Unaudited 6 months ended 30 June 2014 US$	*Unaudited 6 months ended 30 June 2013 US$*	*Audited Year ended 31 December 2013 US$*
Profit/(loss) for the financial period	7,240,811	(819,691)	19,189,765
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange gains/(losses) on consolidation	(1,384,646)	520,945	(1,798,107)
Other comprehensive (expense)/income for the financial period, net of tax	(1,384,646)	520,945	(1,798,107)
Total comprehensive (expense)/income for the financial period attributable to the equity shareholders of the Company	5,856,165	(298,746)	17,391,658

Unaudited Condensed Consolidated Balance Sheet as at 30 June 2014

	Unaudited 30 June 2014 US$	*Unaudited 30 June 2013 US$*	*Audited 31 December 2013 US$*
Assets			
Non-current assets			
Property, plant and equipment	41,580,553	24,898,575	35,162,676
Intangibles	52,575,516	27,968,639	47,632,151
Deferred tax assets	5,936,462	—	6,978,000
	100,092,531	52,867,214	89,772,827
Current assets			
Inventory	1,613,121	745,795	1,098,342
Derivative financial assets	—	—	31,403
Trade and other receivables	5,013,220	2,324,700	3,836,167
Cash and cash equivalents	4,256,326	6,998,454	1,681,163
	10,882,667	10,068,949	6,647,075
Total Assets	110,975,198	62,936,163	96,419,902
Equity and Liabilities			
Capital and reserves attributable to the Company's equity shareholders:			
Share capital	3,974,139	3,918,859	3,940,516
Share premium account	691,062	149,617,140	—
Foreign exchange translation reserve	3,874,329	(3,589,616)	5,258,975
Special (restricted) reserve	29,760,145	—	29,760,145
Retained earnings	19,684,628	(117,171,509)	12,432,326
Share-based payment reserve	3,572,221	2,630,623	3,101,951
Equity option on convertible loans	2,455,429	2,488,534	2,480,398
Merger reserve	—	180,533	—
Total equity	64,011,953	38,074,564	56,974,311
Current liabilities			
Trade and other payables	7,226,103	4,453,381	6,677,340
Derivative financial liabilities	1,241,000	—	—
Current tax payable	—	—	1,113,960
Borrowings	33,999,620	—	14,194,117
	42,466,723	4,453,381	21,985,417
Non-current liabilities			
Borrowings	—	17,408,218	13,517,606
Provisions	4,496,522	3,000,000	3,942,568
Total non-current liabilities	4,496,522	20,408,218	17,460,174
Total liabilities	46,963,245	24,861,599	39,445,591
Total Equity and Liabilities	110,975,198	62,936,163	96,419,902

Unaudited Condensed Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2014

	Share capital US$	*Share premium account US$*	*Foreign exchange translation reserve US$*	*Sepcial (restricted) reserve US$*	*Retained earnings US$*	*Share-based payment reserve US$*	*Equity option on convertible loans US$*	*Merger reserve US$*	*Total US$*
Balance at 1 January 2014	3,940,516	—	5,258,975	29,760,145	12,432,326	3,101,951	2,480,398	—	56,974,311
For the 6 months ended 30 June 2014									
Profit for the period	—	—	—	—	7,240,811	—	—	—	7,240,811
Other comprehensive expense:									
Foreign exchange loss on consolidation	—	—	(1,384,646)	—	—	—	—	—	(1,384,646)
Total comprehensive income/(expense)	—	—	(1,384,646)	—	7,240,811	—	—	—	5,856,165
Share-based payments	—	—	—	—	—	470,270	—	—	470,270
Conversion of convertible loans	26,110	548,305	—	—	11,491	—	(24,969)	—	560,937
Issue of share capital for cash	7,513	142,757	—	—	—	—	—	—	150,270
Unaudited balance at 30 June 2014	3,974,139	691,062	3,874,329	29,760,145	19,684,628	3,572,221	2,455,429	—	64,011,953
Balance at 1 January 2013	3,918,859	149,617,140	(4,110,561)	—	(116,351,818)	2,331,794	2,233,017	180,533	37,818,964
For the 6 months ended 30 June 2013									
Loss for the period	—	—	—	—	(819,691)	—	—		(819,691)
Other comprehensive income:									
Foreign exchange gain on consolidation	—	—	520,945	—	—	—	—	—	520,945
Total comprehensive income/(expense)	—	—	520,945	—	(819,691)	—	—	—	(298,746)
Share-based payments	—	—	—	—	—	298,829	—	—	298,829
Issue of convertible loans	—	—	—	—	—	—	255,517	—	255,517
Unaudited balance at 30 June 2013	3,918,859	149,617,140	(3,589,616)	—	(117,171,509)	2,630,623	2,488,534	180,533	38,074,564
Balance at 1 January 2013	3,918,859	149,617,140	(4,110,561)	—	(116,351,818)	2,331,794	2,233,017	180,533	37,818,964
For the year ended 31 December 2013									
Profit for the year	—	—	—	—	19,189,765	—	—	—	19,189,765
Other comprehensive expense:									
Foreign exchange loss on consolidation	—	—	(1,798,107)	—	—	—	—	—	(1,798,107)
Total comprehensive income/(expense)	—	—	(1,798,107)	—	19,189,765	—	—	—	17,391,658
Share-based payments	—	—	—	—	—	858,474	—	—	858,474
Issue of loan with detachable warrants	—	—	—	—	—	110,275	—	—	110,275
Issue of convertible loan notes	—	—	—	—	—	—	255,517	—	255,517
Expired options and warrants	—	—	—	—	198,592	(198,592)	—	—	—
Conversion of convertible loans	8,622	181,053	—	—	745	—	(8,136)	—	182,284
Issue of share capital for cash	13,035	344,104	—	—	—	—	—	—	357,139
Capital reduction	—	(150,142,297)	11,167,643	29,760,145	109,395,042	—	—	(180,533)	—
Audited balance at 31 December 2013	3,940,516	—	5,258,975	29,760,145	12,432,326	3,101,951	2,480,398	—	56,974,311

Unaudited Condensed Consolidated Cash Flow Statement
for the 6 months ended 30 June 2014

	Unaudited 6 months ended 30 June 2014 US$	*Unaudited 6 months ended 30 June 2013 US$*	*Audited Year ended 31 December 2013 US$*
Cash inflow from operating activities	14,383,275	4,741,988	14,446,061
Cash flow from investing activities:			
Purchase of intangible assets	(12,971,862)	(6,404,162)	(10,112,405)
Purchase of property, plant and equipment	(5,867,182)	(4,473,600)	(12,279,284)
Acquisition of business	—	—	(12,000,000)
Proceeds on disposal of intangible assets	—	236,295	236,294
Proceeds on disposal of property, plant and equipment	1,422,101	22,545	45,221
Interest received	219	3,165	18,541
Net cash used in investing activities	(17,416,724)	(10,615,757)	(34,091,633)
Cash flow from financing activities:			
Proceeds on issue of new shares	150,270	—	357,139
Proceeds on issue of derivative financial instruments	843,639	—	—
Repayment of loans	—		(3,000,000)
Proceeds on issue of loans	6,000,000	5,000,000	5,000,000
Proceeds on issue of loans with detachable warrants	—	—	12,000,000
Proceeds on issue of convertible loan notes	—	5,779,800	5,779,787
Interest paid	(1,299,208)	(126,561)	(925,629)
Net cash generated from financing activities	5,694,701	10,653,239	19,211,297
Net increase/(decrease) in cash and cash equivalents	2,661,252	4,779,470	(434,275)
Cash and cash equivalents at beginning of period	1,681,163	2,271,789	2,271,789
Effects of foreign exchange movements	(86,089)	(52,805)	(156,351)
Cash and cash equivalents at end of period	4,256,326	6,998,454	1,681,163

Notes to the consolidated cash flow statement
for the 6 months ended 30 June 2014

1. ***Reconciliation of profit before tax to cash generated from operations***

	6 months ended 30 June 2014 US$	*6 months ended 30 June 2013 US$*	*Year ended 31 December 2013 US$*
Profit (loss) before tax	8,582,274	(819,231)	13,331,149
Finance income	(219)	(3,165)	(18,541)
Finance costs	2,322,473	746,560	2,095,430
Share-based payment	470,270	298,829	858,474
Gain on disposal of property, plant and equipment	—	(15,128)	(40,050)
Gain on stepped acquisition	—	—	(3,160,171)
Loss/(gain) on derivative financial instruments	(134,594)	—	(31,403)
Impairment of intangible assets	2,998,609	—	315,835
Impairment of property, plant and equipment	227,278	1,478,251	1,478,251
Depreciation	2,881,266	806,229	2,928,336
Amortisation and contribution from test revenue	429,857	113,175	845,476
Net unrealised foreign exchange loss/(gain)	(868,386)	75,230	(1,094,171)
	16,908,828	2,680,750	17,508,615
Changes in working capital			
(Increase)/decrease in inventory	(514,779)	(258,492)	(611,039)
(Increase)/decrease in trade and other receivables	(1,177,056)	(1,448,931)	(2,960,398)
(Decrease)/increase in trade and other payables	(507,918)	3,769,121	514,307
	14,709,075	4,742,448	14,451,485
Tax paid	(325,800)	(460)	(5,424)
Cash inflow from operating activities	14,383,275	4,741,988	14,446,061

Notes to the Unaudited Financial Information
for the 6 months ended 30 June 2014

Accounting policies

The interim financial information in this report has been prepared on the basis of the accounting policies set out in the audited financial statements for the year ended 31 December 2013, which complied with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission.

The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable as at 31 December 2014, with the exception of IAS 34 Interim Financial Reporting which is not mandatory for companies listed on the AIM Market.

The condensed financial information for the period ended 30 June 2014 set out in this interim report does not comprise the Group's statutory accounts as defined in section 434 of the Companies Act 2006.

The statutory accounts for the period ended 31 December 2013, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified; did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006, and did not include reference to any matters to which the auditor drew attention by way of emphasis.

1. ***Exceptional items***

	6 months ended 30 June 2014 US$	*6 months ended 30 June 2013 US$*	*Year ended 31 December 2013 US$*
Exceptional administrative expenses:			
Impairment	(3,225,887)	(1,478,251)	(1,794,086)
Other operating income:			
Gain on stepped acquisition	—	—	3,160,171

During 2013 Nighthawk acquired a further 25.0 per cent. working interest in the Jolly Ranch Project taking its working interest in all leases and wells to 100.0 per cent. The consideration paid for the acquired 25 per cent. was US$12 million which indicates the fair value of the existing 75 per cent. working interest to be US$36 million resulting in a gain of US$3.16 million recognised on stepped acquisition in 2013.

	6 months ended 30 June 2014 US$	*6 months ended 30 June 2013 US$*	*Year ended 31 December 2013 US$*
Exceptional Administrative Expenses:			
Impairment of Craig 12-28	532,699	—	—
Impairment of Pikes Peak Williams 4-30	1,537,554	—	—
Impairment of Knoss 9-20	1,155,634	—	—
Impairment of Craig 15-32H	—	—	1,478,251
Impairment of Craig 10-28	—	—	155,525
Impairment of Craig 8-1	—	—	160,310
Impairment of legacy Craig Ranch	—	1,478,251	—
	3,225,887	1,478,251	1,794,086

During the period decisions were taken to plug and abandon the Craig 12-28, the Pikes Peak Williams 4-30 and the Knoss 9-20 wells. As a result of these decisions, the associated assets have been fully impaired as at 30 June 2014.

2. ***Finance income and expense***

	6 months ended 30 June 2014 US$	6 months ended 30 June 2013 US$	Year ended 31 December 2013 US$
Finance income:			
Bank interest	219	3,165	18,541
Exchange rate gain on financial instruments	868,386	—	1,094,172
Fair value gains on derivative financial instruments	—	—	90,839
	868,605	3,165	1,203,552

	6 months ended 30 June 2014 US$	6 months ended 30 June 2013 US$	Year ended 31 December 2013 US$
Finance costs:			
Interest on shareholder loan	738,180	126,164	494,244
Imputed interest on convertible loan notes	782,526	469,900	1,134,390
Interest on shareholder loan with detachable warrants	654,404	—	457,532
Bank charges	3,462	397	9,265
Factoring costs	143,901	—	—
Exchange rate loss on financial instruments	—	75,230	—
Fair value losses on derivative financial instruments	844,013	—	—
	3,166,486	671,691	2,095,431

3. ***Earnings per share attributable to the equity shareholders of the Company***

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share

	6 months ended 30 June 2014 US cents	6 months ended 30 June 2013 US cents	Year ended 31 December 2013 US cents
Basic earnings per share			
Earnings/(loss) per share from continuing operations	0.76	(0.09)	2.03
Diluted earnings per share			
Earnings/(loss) per share from continuing operations	0.61	(0.09)	1.66

Due to the Group's reported loss in the prior period ended 30 June 2013 share options and warrants were not taken into account when determining the weighted average number of ordinary shares in issue during the year and therefore the basic and diluted earnings per share were the same.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	6 months ended 30 June 2014 US$	*6 months ended 30 June 2013 US$*	*Year ended 31 December 2013 US$*
Earnings/(loss) used in the calculation of total basic earnings per share	7,240,811	(819,691)	19,189,765
Earnings/(loss) used in the calculation of total diluted earnings per share	8,023,337	(819,691)	20,324,155

	6 months ended 30 June 2014	*6 months ended 30 June 2013*	*Year ended 31 December 2013*
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	952,374,825	942,235,420	943,710,215

Taking the Company's potential dilutive ordinary shares into consideration, the Company's weighted average number of ordinary shares for the purposes of diluted earnings per share, is as follows:

	6 months ended 30 June 2014	*6 months ended 30 June 2013*	*Year ended 31 December 2013*
Number of shares			
Dilutive (potential dilutive) effect of share options, conversion shares and warrants	355,368,178	n.a	284,300,076
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,307,743,003	n.a	1,228,010,291

No diluted earnings per share applied to the period ended 30 June 2013 given the loss for the period.

4. ***Taxation***

There was a current tax charge of US$300,236 arising in the US in the period (period ended 30 June 2013: US$460; year ended 31 December 2013: US$1,119,384). Management have applied prudent assumptions in arriving at the estimated tax charge for the six month period ended 30 June 2014.

No tax charge arose in the in the UK in the period (period ended 30 June 2013: £nil; year ended 31 December 2013: £nil)

A deferred tax asset of US$6,978,000 was recognised in the year ended 31 December 2013 (period ended 30 June 2013: US$nil) in relation to the taxable losses of US$17.7 million available in the USA at Federal tax 35 per cent. rate and Colorado State tax 4.63 per cent. rate expected to be utilised in the next 2 years. A deferred tax expense of US$1,041,227 was recognised during the period arising from the utilisation of brought forward losses. There was a deferred tax asset relating to unutilised brought forward losses at the period end of US$5,936,462.

No deferred tax asset has been recognised for the remaining tax losses of US$96.8 million available in the USA due to uncertainty over the timing of future profits and on account of the fact that the Group's ability to utilise these tax losses is restricted under S382 of the IRS Code to an amount of US$0.4 million per annum. The remaining unrecognized taxable losses in the USA can be carried forward for U.S. Federal and Colorado State income tax purposes for 20 years. These losses if not utilized will begin to expire in the year 2026 through 2032.

A deferred tax asset in respect of taxable losses available in the UK has not been recognised due to the uncertainty over timing of future profits. The taxable losses available in the UK can be carried forward indefinitely.

5. ***Share Capital***

During the period ended 30 June 2014, the Company issued a total of 8,054,548 ordinary shares: 6,254,548 at a price of 5.5p per share and 1,800,000 at 5p per share, resulting in a premium of US$691,062.

During the comparative period to 30 June 2013, no shares were issued.

During the year ended 31 December 2013 the Company issued a total of 5,450,000 ordinary shares: 2,000,000 at a price of 8p per share, 1,250,000 at 5p per share and 2,200,000 at 5.5p per share, resulting in a premium of US$525,157.

On 20 November 2013, the Company carried out a capital reduction exercise. This resulted in the Company's share premium and the merger reserve being cancelled in full (no impact on share capital), with an amount recognised in the retained earnings reserve and the creation of a special (restricted) reserve.

Following the issue of shares in the period, there were 955,739,968 ordinary shares of 0.25p each in issue at 30 June 2014.

6. ***Post Balance Sheet Events***

- On 12 August 2014, certain of the Groups oil and gas leases over approximately 4,700 net mineral acres in the Jolly Ranch project area expired leading to the requirement to plug and abandon three additional wells at the Jolly Ranch project;
- On 11 August 2014 a conversion to equity of £200,000 of the June 2013 loan notes was effected by the issuance of 3,636,364 shares, resulting in share premium of £190,909 being recognised;
- On 8 September 2014, share options to subscribe for 300,000 ordinary shares were issued to an employee;
- On 26 September 2014, the Group entered into a new reserves based lending facility with Commonwealth Bank of Australia with an initial borrowing base of $35.0 million. Concurrent with this, the Group:
    - will repay $10.0 million of its current loans;
    - has extended $10.0 million of its current 15 per cent. coupon loans to March 2019;
    - has agreed to extend the expiration date of 30 million warrants to subscribe new ordinary shares at 7.25 pence per share from July 2015 to March 2019;
    - has extended the redemption date of £5.1675 million zero coupon unsecured convertible loan notes from January 2015 to March 2019;
    - has agreed to extend the expiration date of 100 million warrants to subscribe new ordinary shares at 5.0 pence per share from January 2015 to March 2019; and
    - has extended the redemption date of £3.135 million 9 per cent. coupon unsecured convertible loan notes from June 2015 to March 2019.

7. ***Copies of the Half Yearly Report***

A copy of this Half Yearly Report is now available on the Company's website at: www.nighthawkenergy.com